

Transcript Prepared By the Clerk of the Legislature
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Revenue Committee
March 16, 2011

[LB559 LB561 LB603 LB695]

The Committee on Revenue met at 1:30 p.m. on Wednesday, March 16, 2011, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB603, LB695, and LB559, and LB561. Senators present: Abbie Cornett, Chairperson; Dennis Utter, Vice Chairperson; Greg Adams; Deb Fischer; Galen Hadley; LeRoy Louden; and Pete Pirsch. Senators absent: Dave Pankonin.

SENATOR CORNETT: All right. Good afternoon, everyone. Small crowd today, that's not a bad thing. I'm Senator Abbie Cornett from Bellevue. To my left is Vice Chair Senator Dennis Utter from Hastings. To his left is Senator Fischer from Valentine. Senator Greg Adams from York will be joining us. On my far right, Senator Pankonin is excused today. To his left will be Senator Pete Pirsch. Senator LeRoy Louden will be joining us, he's just running a little late today; and Senator Galen Hadley from Kearney. The research analysts today are Steve Moore to my left and Bill Lock will be joining us on my right. Matt Rathje is committee clerk and the pages are Marilyn Buresh and Amara Meyer. Before we begin the hearing today, I'd please ask everyone to turn their cell phones or pagers to either off or vibrate. Sign-in sheets for testifiers are on tables by both doors and need to be completed by everyone wishing to testify. If you are testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify, please give your sheet to the committee clerk. There are also clipboards by the back room by each door for those who do not wish to testify but wish to indicate either their support or opposition to a bill. This will be included in the official record. We will follow the agenda posted at the door. The introducer or a representative will present the bill, followed by proponents, opponents, and neutral testimony. Only the introducer will be allowed the opportunity for closing remarks. As you begin your testimony, please state and spell your name for the record. If you have handouts, please bring ten copies for the committee and staff. If you only have the original, we will make copies. Please give the handouts to the pages to circulate. With that, we will open the Revenue Committee hearing. Senator Conrad, you are recognized to open on LB603.

SENATOR CONRAD: (Exhibits 1 and 2) Thank you. Good afternoon. My name is Danielle Conrad, D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. Senator Cornett, members of the Revenue Committee, I am here today to introduce LB603. LB603 would exempt fees and admissions charged by student organizations from sales and use tax. This issue was brought to me by a constituent, a student at the University of Nebraska whose student organization hosted a fund-raiser to benefit the Haitian Foundation, an organization working on post-earthquake relief in Haiti. At the event, the group found...after the event, excuse me, the group found out that the Department of Revenue charged sales tax on the admission of the price for tickets that they had at this particular fund-raiser. He is here today to tell you a little bit about his experience and what generated this legislation, and I really applaud him and the other students who have

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

brought this issue to my attention and who have been in my office many times already this year trying to work up appropriate statistics and facts for the committee to look at in terms of this legislation, and I would urge your favorable consideration. The page will be passing around two additional letters that I hope could be taken into consideration on this issue from two other student groups, one, the students for peace group at the university, and also the College Republicans group, which I think is fair to say is a very diverse subset of the different kinds of student groups that are out there, and we really thank them for taking a careful look at this bill and supporting it as well. I also do just want to highlight that I believe this legislation is very measured in approach and it's really targeted just to clarifying aspects surrounding the sales tax collected on admissions, not all activities for all student organizations, even though that would be something we could sure be open to looking at. And what this legislation would do, it really would make our tax law more uniform and it mirrors our treatment of student organizations that exist at the K-12 level because the activities by those organizations are not subject to sales and use taxes. And so it would extend the same abilities to student organizations in higher education and it would encourage our student organizations to continue to engage in positive activities that benefit our community and the world as a whole. I do want to draw to the committee's attention the fact that, in having a chance to briefly review the fiscal note on this legislation recently, I disagree with it. I think it is a gross exaggeration of what the revenue impacts would be if this legislation were to be adopted, and I'll tell you why. In visiting with officials at the University of Nebraska-Lincoln, which arguably has the largest set of student organizations amongst institutions of higher education and some of the most active, for all of 2009 at the University of Nebraska-Lincoln, for all student organizations, admissions and sales tax on admissions only equalled \$4,106; in 2010 admissions...sales tax on admissions by student groups only amounted to \$2,900. And so, of course, this would apply statewide and these are just specific concrete examples from what happened at UNL, but I think that the numbers in the fiscal note might be a bit ambitious. But nonetheless, I think it is a nominal impact in terms of our overall state budget, and the important public policy purposes that we seek to achieve with our tax policy should be afforded favorable consideration. Thank you. I'm happy to answer questions. [LB603]

SENATOR CORNETT: Questions from the committee? Senator Utter. [LB603]

SENATOR UTTER: Senator Conrad, what constitutes an official organization? I see we've got a letter here from the university that indicates that Nebraskans for Peace is an official organization. Is this...are we just talking about organizations that have been officially recognized by the school as a school organization or is it broader than that? [LB603]

SENATOR CONRAD: No, it would be specifically for student organizations, according to the rules and regulations of the different institutions of higher education. And I have the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

most familiarity with what happens at UNL, but it is, I think, maybe fair to say it's a little bit different across different campuses. But there's a pretty extensive process that they have to go through in order to be a recognized student organization, including filing a constitution or bylaws, other sort of incorporating documents, having faculty sponsorship, having officers, having a registration and a presence with the student activities officials, and a variety of other important administrative components that they have to concern themselves with before they're recognized as a student organization. I'm hoping the students behind me who are active in these organizations can tell you more about that. It's been a little while since I've been in college so I'm not exactly sure what the rules are today. [LB603]

SENATOR UTTER: Thank you. [LB603]

SENATOR CORNETT: Senator Hadley. [LB603]

SENATOR CONRAD: Yes. [LB603]

SENATOR HADLEY: Senator Cornett,... [LB603]

SENATOR CONRAD: Yes, hi. [LB603]

SENATOR HADLEY: Senator Conrad. First of all, let me say I'm shocked. We've never had anybody come in here and say that there was a problem with a fiscal note. That's the first time we've ever heard that in here. (Laughter) I'm just curious, is there any chance that this could be handled through an Attorney General's Opinion that they could come under the umbrella of the nonprofit university or college so that we wouldn't have to fool with actually changing the law? [LB603]

SENATOR CONRAD: Senator Hadley, I think that's an excellent idea and we're willing to pursue all options because, of course, this committee is very familiar with the fact that unless you have a specific exemption, you kind of end up in a default category in terms of being subject to these taxation rules. And I really strongly believe there is a possibility that in the definition of the institutions for higher education, which are exempted from... [LB603]

SENATOR HADLEY: Uh-huh. [LB603]

SENATOR CONRAD: ...from these taxes that maybe student organizations could fit in. And we're going to pursue those opportunities but we thought it would be simplest to clarify that with legislation. [LB603]

SENATOR HADLEY: Okay. I would hope you would because I think there might be a chance that, since they are recognized by the nonprofit organization, that they could be

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

considered part of it. [LB603]

SENATOR CONRAD: Yes. Yes. [LB603]

SENATOR HADLEY: Thank you. [LB603]

SENATOR CONRAD: Thank you so much. [LB603]

SENATOR CORNETT: Further questions from the committee? [LB603]

SENATOR CONRAD: Thank you. [LB603]

SENATOR CORNETT: Seeing none, thank you. [LB603]

SENATOR CONRAD: Thank you so much. [LB603]

MICAH WULLSCHLEGER: (Exhibits 1 and 2) Senator Cornett and members of the Revenue Committee, I thank you for having me here today to speak a little bit and give you a personal experience with the tax that this bill would aim to exempt from having to be collected. I think Senator Conrad did a great job of overviewing with this bill. And the student she mentioned that had the experience is me, so I was going to give a little bit of a personal presentation here. My name is Micah Wullschleger, that's M-i-c-a-h and W-u-l-l-s-c-h-l-e-g-e-r. I'm a student at the University of Nebraska-Lincoln. I come to you as a member of the ASUN student government at UNL. Our committee understands the importance of student organizations and philanthropic activities they pursue, and on behalf of ASUN, I urge you to advance LB603 to the floor. I am also involved with many recognized student organizations on campus, including Amnesty International-UNL, which is where my experience with the tax, that LB603 would eliminate, begins. Last semester, the other members of Amnesty International-UNL, which is an organization dedicated to the fight to end human rights abuses around the world, Amnesty International-UNL and I decided to have a foam dance party, which is just a dance party with foam, exactly what it sounds like, and charge admission at the entrance to raise money and awareness to the relief effort occurring in Haiti. We chose to donate every dollar we raised to the Haitian Timoun Foundation, an organization very close to me personally as it is one I worked with this past summer in Haiti and will work with again this upcoming summer. Both to have fun in foam and out of a desire to help those in need, many students came to our event. Some donated even more than the admission price had suggested out of their own goodwill. And at the end of the night, we cleaned up and called the event a success, and that was until we discovered that before we could donate our money to the Haitian Timoun Foundation, 7 percent of our efforts would be collected by the Nebraska Department of Revenue under a sales tax instead of going into the hands of the Haitian people. Frustrated, I talked first with our financial service office on campus and then with the Department of Revenue, both of whom told

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

me that unfortunately the tax was the law. Finally, I went to my state senator, Danielle Conrad, who to me completely epitomizes representative democracy by sponsoring this bill in front of you all today. She, like I, understands the value of fund-raising activities on a college campus and the benefits her constituents will enjoy from ensuring that these activities become tax exempt. Although my experience is very personal, it is not rare. There are over 400 recognized student organizations on campus, all of which must be formed as and remain organizations which are not-for-profit. I am very lucky to attend a school where it is made possible for students to become actively involved in changing their campus community and their world for the better, and this is one of the goals of higher institutions that we should all work to emphasize and we should all...we should do all we can to preserve this experience for students to remain, to have the opportunity to attain. However, a tax like this discourages those of us who are trying to change the world for the better. This bill will not be a radical change. It truly only changes the wording that is already in place for student organizations at the elementary, middle, and high school levels to fund-raise without taxes. We are merely asking for the same opportunity. In the end, Amnesty International-UNL decided to donate an extra \$41 out of our own pockets to cover the price taken from sales tax and that saga is over. However, I stand before you today and speak for all students and ask you to please support and advance LB603 to the floor so that our efforts to benefit society in the future aren't once again diluted. Thank you. [LB603]

SENATOR CORNETT: Thank you. Questions from the committee? Senator Hadley. [LB603]

SENATOR HADLEY: Thank you, Senator Cornett. Thank you for coming. It's kind of a nerve-racking experience, huh? [LB603]

MICAH WULLSCHLEGER: Just a little bit. [LB603]

SENATOR HADLEY: Oh, well, we don't bite. I guess rather a statement more than a question. I would hope that both the University of Nebraska system, the State College System, and the private college systems do look into this because, after spending 35 years in higher education, I know that there are a lot of student organizations. [LB603]

MICAH WULLSCHLEGER: Uh-huh. [LB603]

SENATOR HADLEY: And a lot are connected to an academic department--the political science club, the accounting club... [LB603]

MICAH WULLSCHLEGER: Right. [LB603]

SENATOR HADLEY: ...and such as that--and a lot of times they have banquets at the end of the year and that kind of thing. [LB603]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

MICAH WULLSCHLEGER: Yeah. [LB603]

SENATOR HADLEY: So I would hope that we could get some kind of...it would be nice if we could get by not having to have...get involved in changing the law and maybe get some kind of Attorney General's Opinion that they are part of the umbrella underneath of the nonprofits. So I encourage you... [LB603]

MICAH WULLSCHLEGER: Yeah. [LB603]

SENATOR HADLEY: ...to work with the people within the university to see if we can't find a solution there also. [LB603]

MICAH WULLSCHLEGER: Yeah, and that's something that we also looked into because when I went to financial...student financial services, they did tell me that our sales are not considered underneath the umbrella of the nonprofit of the university. So I'm not sure why that is and I think you bring up a good point. [LB603]

SENATOR HADLEY: Thank you. [LB603]

SENATOR UTTER: Further questions for Micah? Seeing none, the pain is all over with. You did a great job. [LB603]

MICAH WULLSCHLEGER: (Laugh) Oh, it was very painless. [LB603]

SENATOR UTTER: Thank you for coming. [LB603]

MICAH WULLSCHLEGER: Thank you very much. [LB603]

SENATOR UTTER: Mr. O'Neill, welcome to Revenue. [LB603]

THOMAS O'NEILL: Well, thank you, Senator Utter. I'm glad to hear none of you bite. (Laughter) [LB603]

SENATOR UTTER: I told him to speak for himself. (Laughter) [LB603]

THOMAS O'NEILL: I'm Tip O'Neill, T-i-p O-'-N-e-i-l-I. I'm the president of the Association of Independent Colleges and Universities in Nebraska. I represent 14 privately controlled, nonprofit colleges and universities that are located here in the state. A couple things: First of all, it is my recollection at least that fees and admissions have never been exempt from sales tax at postsecondary institutions, primarily because they never wanted to exempt football tickets from sales tax. So this bill, however, is limited to student organizations at colleges and universities, which would make it consistent with

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

the K-12 portion that is for student organizations also. Again, the K-12 exemption is a little broader than the one at college but that's primarily because of football tickets. Second, I would suggest an amendment to the bill. On page 3, line 18, after the word "private" I would insert the term "nonprofit" so it would read "the public or private nonprofit institution of higher education." I think that would make it consistent with the current language relating to sales tax exemptions in the revenue code and that's why I would suggest that amendment. Other than that, we are proponents of the bill and be happy to answer any questions you might have. [LB603]

SENATOR UTTER: Thank you, Tip. Questions from the committee? Senator Fischer. [LB603]

SENATOR FISCHER: Thank you, Senator Utter. Thank you, Mr. O'Neill, for coming. On your suggestion there with the private nonprofit,... [LB603]

THOMAS O'NEILL: Uh-huh. [LB603]

SENATOR FISCHER: ...would you also include that in the paragraph before that in subsection (6) on line 12? Do you want to make elementary and secondary nonprofit too? Are there for-profit elementary and secondary? [LB603]

THOMAS O'NEILL: I'm not aware of any for-profit elementary schools. Senator Adams might have... [LB603]

SENATOR FISCHER: Secondary? [LB603]

THOMAS O'NEILL: ...a better idea than that, but I'm not aware of any, so... [LB603]

SENATOR FISCHER: Okay. Thank you. [LB603]

THOMAS O'NEILL: Uh-huh. [LB603]

SENATOR FISCHER: If I could follow up? [LB603]

SENATOR UTTER: You may. [LB603]

SENATOR FISCHER: How do you define proper authorities and approved function? How would you define that? [LB603]

THOMAS O'NEILL: That would be a student group approved by the administration at the college or university. And they... [LB603]

SENATOR FISCHER: And proper authorities would cover that? [LB603]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

THOMAS O'NEILL: I believe so, yeah. I don't think it would have to be at the board level in terms of the approval. I think it's at the institutional level, the administrative level. [LB603]

SENATOR FISCHER: Can you tell me on the functions of different student groups, do they all have to be approved by a proper authority or are functions sometimes held that aren't approved? [LB603]

THOMAS O'NEILL: Well, as a former member of a fraternity that was approved by an institutional authority, I can safely say that not all functions have been approved...preapproved. [LB603]

SENATOR FISCHER: But the groups we're talking about here, student... [LB603]

THOMAS O'NEILL: Certainly could be a fraternity or sorority. [LB603]

SENATOR FISCHER: Yes, it could be on that. So would a proper authority on a fraternity or a sorority be a housemother that would approve it? Would it be a corporation board, since they... [LB603]

THOMAS O'NEILL: I think what the... [LB603]

SENATOR FISCHER: ...they don't have faculty advisors. [LB603]

THOMAS O'NEILL: ...that language says, that language says approved by proper authority, I think that would be institutionally approved. I think there are some groups that are out there that just kind of organize on a de facto basis that are not approved by the administration. [LB603]

SENATOR FISCHER: Maybe I'm not being clear on my point. [LB603]

THOMAS O'NEILL: Okay. [LB603]

SENATOR FISCHER: I'm talking about approved function though. I thought we covered what the proper authority was. [LB603]

THOMAS O'NEILL: Okay. I'm not... [LB603]

SENATOR FISCHER: So what's the approved function? [LB603]

THOMAS O'NEILL: I'm not familiar. I have no idea what an approved function is. [LB603]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

SENATOR FISCHER: Okay. [LB603]

THOMAS O'NEILL: That would be something that perhaps the student or Danielle could... [LB603]

SENATOR FISCHER: And then just one last question. Where's your green today? [LB603]

THOMAS O'NEILL: It's in my office. I'm... [LB603]

SENATOR FISCHER: Okay. [LB603]

THOMAS O'NEILL: I didn't want to scare everybody by wearing it to the hearing, so... [LB603]

SENATOR FISCHER: Just wanted to check. [LB603]

THOMAS O'NEILL: Okay. Yeah. [LB603]

SENATOR FISCHER: Thank you. [LB603]

THOMAS O'NEILL: Okay. Thank you. [LB603]

SENATOR UTTER: Senator Hadley. [LB603]

SENATOR HADLEY: Senator Utter. Mr. O'Neill, thank you. I guess I'm thinking the work that an organization would have to go through if they have one event a year. [LB603]

THOMAS O'NEILL: Uh-huh. [LB603]

SENATOR HADLEY: And going through all the formalities of getting the sales tax license and collecting and remitting and... [LB603]

THOMAS O'NEILL: It would be hard for me to believe, I mean, and I don't want to be critical of fiscal notes... [LB603]

SENATOR HADLEY: Yeah. [LB603]

THOMAS O'NEILL: ...because, you know, I wrote a song about fiscal notes last year for the sine die show. But I can't believe many student organizations actually go through the process and actually pay the sales tax. I mean I wasn't aware of any that did that when I was an administrator at Kearney. [LB603]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

SENATOR HADLEY: Well, I, with 35 years of higher education, I never ran across... [LB603]

THOMAS O'NEILL: Right. [LB603]

SENATOR HADLEY: ...and I sponsored organizations and everything else, but we certainly didn't get involved in sales tax. Thank you. [LB603]

THOMAS O'NEILL: Thank you. [LB603]

SENATOR CORNETT: Further questions? [LB603]

THOMAS O'NEILL: Thanks, Senator. [LB603]

SENATOR CORNETT: Next proponent. Opposition? Neutral? Did Danielle waive? [LB603]

SENATOR UTTER: She must have. [LB603]

SENATOR CORNETT: Okay. That closes the hearing today on LB603. Senator Pirsch, you're recognized to open on LB695. [LB603]

SENATOR PIRSCH: Thank you, Chairman Cornett, members of the Revenue Committee. I am state Senator Pete Pirsch representing the Legislative 4th District. My name, for the record, is spelled P-e-t-e P-i-r-s-c-h. I am also the introducer of LB695. That's a bill to change the state's income tax rate. The underlying premise behind this bill is simply to spur economic development on one hand statewide in what I consider to be a very fair and uniform manner. And a second kind of goal of this particular bill is to enhance individuals' quality of life here in the state of Nebraska. Higher taxes mean less of their own money for people to use...spend on themselves and their families. And so, in this way, I think that this bill brings forward a very important conversation for this committee to take up. I am not against any economic development programs that are targeted, aimed at particular industries, particular activities. But with respect to this particular approach to economic development, it has the advantage of not being subject to criticism, of picking winners and losers. And, again, I would indicate that, you know, with studies by Battelle and other knowledgeable individuals, and by referring to other states' experiences with targeted economic development, I'm not opposed to those measures whatsoever. But I think that this approach to economic development should also be a part of the conversation and part of the equation of how the state engages in economic development as well. Our levels of both personal and individual income tax and corporate income tax are heavily followed around the nation and beyond. It goes into formulations, heavily considered by such entities--respected entities such as the tax

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

foundation and other rankings that people look to in order to decide where they're going to both locate themselves and where they're going to locate their job-creating businesses. And so it's important, and the underlying, again, premise of this approach is that it is...that all participate, regardless of income. It's a level playing field. So, as we look around the United States, we see some states that have recognized this, and have the magnetic power of their ability to use income tax as a way to attract businesses and people to their state to the extent that there are states that just eliminate it wholesale, and they have prospered as a result. So, that is the underlying premise. I want you to look at the specific mechanism that this bill works to achieve that, is quite simple. It amends Neb. Rev. Stat. Section 77-2701.0 dealing with income tax to reduce what's called the primary rate from the current 3.70 percent to 3.69 percent. And the primary rate is a factor that's applied to both individual income tax as well as corporate income tax. The change would be effective for tax years beginning on or after January 1, 2011. The change in rate applies to individual and corporate income tax and financial institutions' taxes. I would point out that right now, Nebraska ranks 29th in the tax foundation state business tax climate and as I mentioned, the index compares states in five areas of taxation that impact businesses, and those...two of the five do include corporate taxes and individual income taxes. So, again, that is a very important consideration. With that, I will offer myself up to questions. [LB695]

SENATOR CORNETT: Senator Pirsch,... [LB695]

SENATOR PIRSCH: Yes. [LB695]

SENATOR CORNETT: When you talk about making us more competitive, explain to me your reasoning on the .01 percent change which can't be anything on anyone's income tax return per se. Does that small of a change actually change our rankings or what are you hoping to accomplish with this? Because that...there is no substantive change here. [LB695]

SENATOR PIRSCH: Well, let me tell you, in terms of... [LB695]

SENATOR CORNETT: I mean, does it change our rating? What is the purpose for the number that you picked? [LB695]

SENATOR PIRSCH: Yeah. It seems, when you look at just...when you isolate your attention upon the primary rate, and you say, oh, it was at 3.70 percent, and now it's going down a mere 3.69 percent? It doesn't seem like a horribly large change. But because those rates apply to terribly big numbers, it does have...end up having a profound effect. [LB695]

SENATOR CORNETT: Well, it would have...I mean, I can read the fiscal note, but what does that mean in regards to our ranking? [LB695]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

SENATOR PIRSCH: Yes. Well, and that is the important things. It is...everything is relative. What, I believe that that will give our state...first of all, you have to consider what's going on in Nebraska with respect to the context of what's going on in the nation as a whole. And these corporate and individual income taxes are going up, up, and away in other states. And so for us to be actually in any amount headed the other direction is an astounding feat, I think, that will capture the attention. Keep in mind other economic development bills where we have...the idea is to capture the attention, and so there are...say, the tax credit feature about our angel investment bill... [LB695]

SENATOR CORNETT: Is that to capture attention, or is that to draw business? I mean,... [LB695]

SENATOR PIRSCH: Yes. [LB695]

SENATOR CORNETT: ...explain to me how this is going to positively impact businesses coming to the state. [LB695]

SENATOR PIRSCH: Well, I think similar to the angel bill, by...in being unique, and I don't know if any other state are headed the other direction... [LB695]

SENATOR CORNETT: So you just want people to take notice in Nebraska that we're actually going down. [LB695]

SENATOR PIRSCH: I think that would be a profoundly important marketing feature as our Department of Economic Development people approach companies in California and Illinois where the basket is just falling apart to say, we not only are not doing double-digit increases in taxes, we're also actually reducing in this year, and this emphasis underscores our ranking, I think, is probably second best or, arguably, first best state in terms of environment...corporate environment for businesses in the midst of the economic downturn. [LB695]

SENATOR CORNETT: Well, and I would love to give a tax break, but we've got close to a billion dollar shortfall. How are we going to come up with this money? [LB695]

SENATOR PIRSCH: Well, that's an important...I mean, that's a great point to raise, and it is the point that has also been raised with all of our economic development bills that come forward that obviously have...carry some sort of commitment of expenditures of funds in terms of tax credits. And the underlying concept is, as we go through and weather these nationally bad times, we don't want to turn off our economic engines. Those are the things that are going to provide for growth, so that we do have the money for...in coming years for health and human services for the areas that are taking a hit now and whatnot. [LB695]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

SENATOR CORNETT: Have you actually researched, will that small of a change, change our ranking? [LB695]

SENATOR PIRSCH: Yeah... [LB695]

SENATOR CORNETT: Because that's what it comes down to, because we could make it...this small of a change, and if it doesn't change the ranking, it doesn't make any difference. [LB695]

SENATOR PIRSCH: Yeah. Well, there's a number of different ranking entities, but I can tell you, I mean, the mere fact if we do not add any taxes to our... [LB695]

SENATOR CORNETT: We're going to come out better than most people. [LB695]

SENATOR PIRSCH: ...state, we'll come out (laugh) shining. And so, it is, you know, even if we're to tread water, we would be doing better. By taking this, you could argue this is, to a certain extent, a symbolic act, but it's an important act. It's an emphatic statement made by this state as to our different approach to doing business and welcoming job-creating companies and welcoming individuals, who, you know, are looking for a quality of life. [LB695]

SENATOR CORNETT: I just...I don't know if we can afford a \$6 million symbolic act. [LB695]

SENATOR PIRSCH: Um-hum. Well, and when I say symbolic, I mean symbolic in the sense of drawing attention to the state. I think the substantive part of that is that they will be attracted, and they will start considering our state, and so there...it is more than just symbolic in that sense. It is...I think that we will actually end up with both companies and people moving here to the state, and people who would otherwise move from the state end up staying here, so I think it is more than just symbolic. [LB695]

SENATOR CORNETT: Questions from the committee? Seeing none. Proponents? Opponents? Neutral? [LB695]

SENATOR PIRSCH: I just wanted to add one thing before I close here. I think that we also...we always have to be mindful of our level of income taxes that individuals and corporations are paying here in the state, and especially relative to other states. And so, I would be willing to work with the committee in the sense of determining, you know, where we're at financially, and, obviously, as the session rolls on, and appropriations become, you know,...our budget becomes more complete, we'll have an understanding of the relative economic development packages. I just suggest that as we roll forward with a lot of these different packages, that this be considered strongly as one part of that

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

overall package. Thank you. [LB695]

SENATOR CORNETT: I just have one quick comment. [LB695]

SENATOR PIRSCH: Sure. [LB695]

SENATOR CORNETT: If we were actually looking at corporate income tax, we could take that same dollar amount and start phasing it out over a ten-year period. [LB695]

SENATOR PIRSCH: Um-hum. Well, again, I am very open to approaches. The concept here was kind of a balanced approach, both individual and corporate. I think that the research...when you're calling attention to corporate, I think that it is...and when you look at the LAFFER Curve, that studies...even studies that are done by groups that have historically not favored this, have begrudgingly admitted that these type of corporate income tax actually do lead to overall growth for the state so. Thank you. [LB695]

SENATOR CORNETT: Questions? Seeing none, thank you. [LB695]

SENATOR UTTER: Senator Cornett, you're recognized now to open on LB559. [LB559]

SENATOR LOUDEN: Got to be careful. She's taking her coat off (laughter). []

SENATOR CORNETT: I am. I'm coming after you. Thank you, Vice Chair Utter and members of the Revenue Committee. Like last week, the two bills that I will be introducing, I put into place in case when the forecasting board comes out in April or when it comes time to pass a budget, we run into difficulties that we did not expect. Nebraska has a balanced budget requirement. If we are unable to balance our budget or our deficit is larger than we thought, it is this committee's responsibility to raise money for the state. The first bill that I'm introducing is LB559. It is a blank-rate bill for the state's primary income tax. If you look at it, it just has X, X, X for the amount. It is simply a bill that if we run into difficulty, kind of a break in case of emergency, that we have a fallback plan, and then we, as a committee, decide what number we put in there, and how we balance that with the state sales tax. With that, I'll be happy to answer any questions. [LB559]

SENATOR UTTER: Questions for Senator Cornett. Seeing none, first proponent of this bill. Are there proponents? Are there opponents? Is there anyone that would like to testify in a neutral capacity? Senator Cornett, you're recognized to close. Senator Cornett waives closing. Senator Cornett, you're now going to introduce us to LB561. [LB559]

SENATOR CORNETT: Again, like the last bill and the base-broadening bill that I

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
March 16, 2011

introduced last week, this is a bill that is a component of how we would raise money if we run into difficulty later in the session. This addresses the state sales tax. I feel that if we come to a point where we have to look at raising taxes which I do not foresee at this time, we need to take a comprehensive look at our tax structure--both our sales tax exemptions, our sales tax rate, and our income tax, and find what is the best balance for the state if it comes to that in the future. This bill addresses the sales tax rate of 5.5 at the state level and, again, has an X, X, X for the unknown number, and that would be what this committee would decide at that time. And with that, I'll be happy to answer any questions on this bill also. [LB561]

SENATOR UTTER: Are there questions for Senator Cornett? Senator Louden. [LB561]

SENATOR LOUDEN: Yes, thank you, Senator Utter. Well, Senator Cornett, I guess I just wanted to make one comment for the record that the fiscal note shows that if there was a half-cent increase or decrease, either way, that that would net \$115,802,000 for the next fiscal 2011 and 2012. [LB561]

SENATOR CORNETT: Correct. [LB561]

SENATOR LOUDEN: And I thought we need to have that in the record someplace that that's... [LB561]

SENATOR CORNETT: Yes. [LB561]

SENATOR LOUDEN: ...what the estimate was in case we need to come forward with something like that. [LB561]

SENATOR CORNETT: And that would be up to a half-cent sales tax. If we made a determination, we could go up by a quarter of a cent, and increase income tax along with that. But that would be a policy decision on behalf of this committee to determine where we needed to generate revenue from, whether it would be a base broadening or a rate increase. [LB561]

SENATOR UTTER: Other questions for Senator Cornett? Thank you, Senator Cornett. Is there anyone that would like to testify in favor of this bill? Anyone opposed? Anyone in a neutral capacity? Senator Cornett, you're obviously going to waive your closing. (Laughter) The hearings for this afternoon are completed. Thank you. [LB561]