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Revenue Committee
January 19, 2012

[LB818 LB822 LB851]

The Committee on Revenue met at 1:30 p.m. on Thursday, January 19, 2012, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB851, LB818, and LB822. Senators present: Abbie Cornett, Chairperson; Greg Adams; Lydia Brasch; Deb Fischer; Pete Pirsch; and Paul Schumacher. Senators absent: LeRoy Loudon, Vice Chairperson; and Galen Hadley.

SENATOR CORNETT: Good afternoon, and welcome to the Revenue Committee. I apologize for starting a little bit late; we were having some computer problems. And I also apologize for the temperature in here; I know it's a little colder than normal. I am Senator Cornett from Bellevue. To my left: Vice Chair Senator Loudon from Ellsworth will be joining us; to his left is Senator Fischer from Valentine; Senator Adams from York. On my far right is Senator Schumacher from Columbus; Senator Brasch is opening in another committee and will be joining us after that; Senator Pete Pirsch from Omaha; and Senator Galen Hadley is excused today, from Kearney. Our research analysts are Steve Moore to my right. Bill Lock is also a research analyst; he is not joining us today. Matt Rathje, to my far left, is committee clerk. The pages are Michael Killingsworth and Matt McNally. Before we begin the hearing, could I please ask everyone to turn their cell phones to either vibrate or silent while you're in the hearing room. Sign-in sheets for testifiers are on the tables by both doors and need to be completed prior to testifying. 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 hand the form to the committee clerk. There are also clipboards in the back of the room to sign in if you do not wish to testify but wish to indicate either your support or opposition to a bill; these sheets will be included in the official record. We will follow the agenda posted on the door. The introducer or representative will present the bill, followed by proponents, opponents, and neutral testimony. Only the introducer will have 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 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 begin today's hearing. Senator Fischer, you are recognized to open on LB851.

SENATOR FISCHER: Good afternoon, Chairman Cornett and members of the Revenue Committee. My name is Deb Fischer, F-i-s-c-h-e-r, and I am the senator representing the 43rd District here in the Nebraska Unicameral. I appear before you today to introduce LB851. LB851 is a bill our colleague, Senator Dennis Utter, had planned to introduce. The bill was brought to me by NACO, specifically by county treasurers, to make the issuance of property tax receipts optional. Currently, Nebraska statute requires county treasurers to issue a receipt in duplicate when property taxes are paid. One receipt goes to the taxpayer and the other is retained by the county. Today, many taxpayers actually pay their property taxes through their mortgage holders, and these

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mortgage companies often request not to receive a receipt. LB851 would eliminate the requirement of a duplicate receipt, since most taxpayers don't want that receipt. I want to be clear that for those property owners who still want a receipt, LB851 provides for that upon request. Additionally, if a county treasurer feels more comfortable issuing receipts to every taxpayer, including mortgage companies, the bill also allows for that. I believe a county treasurer will testify after me, but I would be happy to answer any questions you may have. Thank you. [LB851]

SENATOR CORNETT: Questions from the committee? [LB851]

SENATOR FISCHER: Thank you. [LB851]

SENATOR CORNETT: Seeing none, thank you. First proponent. [LB851]

JEAN SIDWELL: Good afternoon, Senator Cornett and members of the Revenue Committee. I'm Jean Sidwell, J-e-a-n S-i-d-w-e-l-l. I'm Buffalo County treasurer and I'm here this afternoon to testify in support of this bill for county treasurers statewide and also NACO. We are very thankful that this bill has been brought before your committee. We realize it seems to be kind of small in its scope. But, in fact, we think it's kind of important because it does cause us an additional workload in the offices that generate a lot of cost. That seems to be at this point of time rather redundant. It's hard to imagine anybody who actually would be against this bill unless it would be a paper company. So hopefully you will look forward...or we will look forward to your maybe taking positive action on this bill. I just wanted to do a little bit of a calculation. So not to mislead you, it's not a huge deal but it certainly is...Buffalo County is about the fifth county populationwise in the state. So it's sort of representative of what's going on out there. We issue around 50,000 receipts a year, and we would like the option, of course, not to have to issue all those as paper receipts. We will still be very happy to issue paper receipts to any customers that would like to have them. But as Senator Fischer has already noted to you, mortgage companies definitely do not want hundreds of thousands of receipts sent to them, so many of us have already abandoned sending them receipts many years ago. We opt instead to generate a computer list of the receipts that we issued for them and send that to them. A lot of customers, too, don't expect to get receipts. Just as you don't get a receipt for your utility bills, they don't expect necessarily to get a receipt for their tax payment. Of course, there are those people who always are more comfortable with receipts, and again we would certainly always want to accommodate them and give them the receipts. I would sort of estimate, and this is kind of a low figure, but I think probably Buffalo County would stand to save about \$6,000 a year in revenue--not a large amount. But as everything is tight, we, like everyone else, are looking for ways to save money, and \$6,000 can do quite a lot of good if it's not used just on postage, envelopes, and paper. And so again I would really appreciate this committee giving support to this bill, and I'd be happy to answer any questions. [LB851]

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SENATOR CORNETT: Senator Pirsch. [LB851]

SENATOR PIRSCH: Thanks. Could you tell me as a percentage of your...some utilize a mortgage company. Right? [LB851]

JEAN SIDWELL: Yes. [LB851]

SENATOR PIRSCH: In which case they wouldn't...they don't want to have paper. That's pretty clear. [LB851]

JEAN SIDWELL: Right. [LB851]

SENATOR PIRSCH: But in a percentage for them, you said 50,000 is that right, about, receipts a year? [LB851]

JEAN SIDWELL: Yes. [LB851]

SENATOR PIRSCH: How much of that are you sending to mortgage companies, do you figure then? [LB851]

JEAN SIDWELL: When we looked at the figures, what we discovered was, interestingly enough, it's about a third of the receipts are paid by mortgage companies,... [LB851]

SENATOR PIRSCH: Okay. [LB851]

JEAN SIDWELL: ...about a third of the receipts are paid by customers who appear at our counter, and another third of the receipts are issued by people sending it by mail. So it divided almost a third, a third, and a third, between those different kind of categories. So obviously the mailed-back receipt being the very most expensive, if we mail back a receipt the cost is no less than 50 cents an item to go back. [LB851]

SENATOR PIRSCH: Yeah. And if there is any value in a receipt, what value would a receipt be in the hands of such a customer? [LB851]

JEAN SIDWELL: I think some people are comfortable with paper because when they go to prepare probably their income tax, as much as anything, they have that receipt in hand if they paid it themselves. But my analogy would be that all those people that pay through their escrow, through their mortgage companies, have been comfortable all these years having never received a paper receipt back from us. They're depending entirely upon the statement that was originally sent to them and also upon the fact that they probably get an escrow statement back telling them how much in taxes was paid. Otherwise, people always rely on their canceled check that would match the statements

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that we sent to them in December. I would like to say that never ever would we have a customer pay us in cash that we would not issue a receipt. You know, it would be extremely important to always make sure we issue a paper receipt and give it to a customer, to anyone paying in cash. And, in fact, I have instructed my clerks to always inform that customer: You need to always keep this receipt; it's an important piece of paper since you paid in cash. [LB851]

SENATOR PIRSCH: Would that be because of your discretionary policy or would that be part of this legislation, that if it comes to cash then you have to give a receipt? [LB851]

JEAN SIDWELL: Well, it would be part of policy, because there would certainly be some people who would offer cash at the counter and not expect a receipt. And I just think as a good business practice it would be unfair to that taxpayer to not give them a receipt in hand. They really need to have evidence that they have paid. [LB851]

SENATOR PIRSCH: Thanks. [LB851]

SENATOR ADAMS: Are there further questions? Yes, Senator. [LB851]

SENATOR SCHUMACHER: Does this apply to both personal and real property taxes? [LB851]

JEAN SIDWELL: Yes, it would. [LB851]

SENATOR SCHUMACHER: And how would a customer, since there will be a change in policy or practice here, know that they now needed to ask for a receipt if they wanted one? How...what notice do they get of that? [LB851]

JEAN SIDWELL: I have heard that there are some treasurers who have sort of put a portion of this already into practice. Mortgage companies have already requested that we not send them the receipts. The person at the counter, you can verbally ask them: Would you like a receipt? The person who does it by mail, I think the treasurers have instituted a thing where they put on the statement that is originally mailed to them: If you would like to have a receipt returned, please indicate. And they allow some kind of check mark on that so that they're notified...or we're notified when we get it in the mail that they want a return receipt. So we would give them that option. [LB851]

SENATOR SCHUMACHER: And that's in statute that was...you know, the statement that goes out has something to mark: If you pay by mail, do you want a receipt? And you can check it? [LB851]

JEAN SIDWELL: No. It isn't that clear in the statute. The statute is saying it's permissive

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in that treasurers may or may not still choose to give receipts. But if a treasurer...it would be good practice to ask on that statement if you want a return receipt to indicate it. But the statute is saying no, that the burden then becomes on the person paying to indicate to us they want a receipt. So we would probably rely on that. [LB851]

SENATOR SCHUMACHER: Do you see any additional cost if on the little statement that you mailed out, any printing costs or anything to have on there, if you want a receipt, please check here? [LB851]

JEAN SIDWELL: No. No. The software company that we currently use and the forms that we are using it would not be a problem to add that additional language to that form. So I'm pretty comfortable that we would be able to let people know. [LB851]

SENATOR SCHUMACHER: Without any hassles or anything. Okay, thank you. [LB851]

JEAN SIDWELL: Um-hum. The other thing I think is important in the bill is that it says that any time a taxpayer requests a receipt and wants to have a paper receipt, that they can come in and get one. And obviously there would be no charge for that. We would not ever see that we would charge for a receipt to be given to a taxpayer that requests it. Now, as a practice, in reality we give receipts to everyone. If someone loses a receipt and comes in and wants a replacement receipt, we actually will charge for that copy of that receipt, because we have already provided it once. Under this law we would not do that, because the law states at the request of the taxpayer they should be given a receipt. [LB851]

SENATOR SCHUMACHER: Thank you. [LB851]

JEAN SIDWELL: Um-hum. [LB851]

SENATOR ADAMS: Are there further questions from the committee? Seeing none, thank you, ma'am. [LB851]

JEAN SIDWELL: Thank you for this opportunity. [LB851]

SENATOR ADAMS: Are there other proponents? Good afternoon. [LB851]

BETH BAZYN FERRELL: Good afternoon. For the record, my name is Beth Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I won't repeat the testimony that Jean has already provided to you. I would like to thank Senator Fischer for carrying this bill for us. We do believe that this really is something that would make the processes simpler and perhaps save some money for counties. Be happy to try to answer questions. [LB851]

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SENATOR ADAMS: All right. Are there any questions from the committee? You're timing was good. Thank you. Are there any others who wish to testify as proponents? All right, seeing none, then is there opposition testimony? Neutral testimony? Senator Fischer, do you wish to close? Senator Fischer waives closing. That will conclude the hearing on that particular bill, and we will move on now to LB818. Is Senator Harr available? We'll take just a moment and chase down the introducer. Okay. We will proceed on now to LB818 which was to be introduced by Senator Harr, and Senator Harr's LA will do that. If you would state your name for the record. [LB851 LB818]

ANDY HALE: Thank you, Senator. My name is Andy Hale, H-a-l-e. Senator Harr is in a line of questioning right now on another bill in Judiciary, so I do apologize that he's not here. [LB818]

SENATOR ADAMS: We understand. [LB818]

ANDY HALE: LB818 is a legislative bill that exempts deeds which convey property rights between ex-spouses from the tax stamp when the transaction occurs as part of divorce. LB818 clarifies what is already standard practice in almost every county in Nebraska, with the exception of Lancaster, where it is only used rarely. The bill exempts certain deeds from the documentary stamp. Basically, to give you a little history of the documentary stamp tax, it's a tax upon the grantor for the privilege of transferring beneficial interest in or legal title to real property located in the state of Nebraska based upon the value of the real property transferred. The tax is due when a deed is ordered for recording unless it is exempt. Payment of this tax or exemption therefrom is evidenced by a stamp the Register of Deeds affixes to each deed prior to recording. As of July 1, 2005, there has been a tax on the grantor executing the deed as defined in Section 76-203 of the Nebraska Revised Statute upon the transfer of a beneficial interest in or legal title to real estate at the rate of \$2.25 for each \$1,000 of value. Essentially there was a fiscal note, and I don't know if you guys have received the updated version. Okay, there was an issue before, and the Fiscal Office did correct that--Doug Gibbs. So Lancaster just kind of--reflecting on the fiscal note--Lancaster is the only one that really applies this tax and they still do it very rarely. Doug Gibbs from the Fiscal Office now says that he is disagreeing with the Department of Revenue findings and has revised the financial statement, which I believe you guys have, saying that the financial impact is minimal. So essentially what we're trying to do is just clarify what is already standard practice in almost every county in Nebraska, with the exception of here in Lancaster. [LB818]

SENATOR ADAMS: Okay. Committee, are there questions? Senator Pirsch, did you have a question? [LB818]

SENATOR PIRSCH: Well, Andy, are there going to be others who follow you? [LB818]

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ANDY HALE: Yes, we do have a testifier here as well, and I think he would be better suited to answer any questions, Senator. [LB818]

SENATOR PIRSCH: Well, I...(laugh). [LB818]

ANDY HALE: I'm very familiar with the topic but I think you'll probably want to hear it from the... [LB818]

SENATOR ADAMS: He's letting himself off the hook here. (Laughter) [LB818]

SENATOR PIRSCH: That's very magnanimous of you to do so. [LB818]

ANDY HALE: Thank you. [LB818]

SENATOR ADAMS: Well, for the record, are there any questions for the senator's staff member? Seeing none, thank you, sir. [LB818]

ANDY HALE: Thank you guys. [LB818]

SENATOR ADAMS: We would take proponent testimony then. [LB818]

JAMES LAMPHERE: Good afternoon, Senators. My name is James Lamphere. I'm the president of the Nebraska Land Title Association. I'm also the president of Nebraska Land Title and Abstract, which does most of our work here in Lancaster County, and so I can speak directly to this issue. [LB818]

SENATOR ADAMS: Sir, would you spell your name for the record? [LB818]

JAMES LAMPHERE: Sure. It's L-a-m-p-h-e-r-e. Thank you, Senator. This came to our attention with some deeds that we required with respect to a past divorce that had not dealt with the property that the couple owned as part of the divorce. And we asked for the purported seller of the property to clear that ex-spouse's title by providing a deed from that ex-spouse. It was Lancaster property. And when we presented the deed for a recording, for the first time in our experience we were asked to pay documentary stamp taxes on that recording, even though there was not truly a conveyance of the property. It was clearing of a spousal interest. And in talking to the Department of Revenue, that was a new interpretation of the documentary stamp tax. Their position was: We read the tax exemption statute very narrowly; unless that particular type of transaction has a specific exemption, we're going to charge documentary stamp taxes on that. This is a situation, there are a variety of different exemptions under the documentary stamp tax that could apply in this circumstance, but this is a unique circumstance that sometimes occurs where it doesn't really fall within any of the currently existing exemptions. The property was acquired during the marriage. It was not addressed in the divorce decree.

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The property settlement for one reason or another, we're not sure whether the attorney forgot it or whether the couple forgot to mention they owned this property, but it was not addressed in the property settlement agreement. They had, between them, always treated the property as if it was the husband's property. Subsequent to the divorce, he went to sell the property. And because it was not required by a decree and was not between a then currently married husband and wife, the county, based on the department's determination, refused to apply any exemptions, and charged full doc stamps for the value of the property, adding several hundred dollars to the cost of the transaction, leaving us with a very dissatisfied customer. This has happened a couple times since then in Lancaster County. We work in other counties as well, but we have not seen it in those other counties thus far. With that, I'll just stand for questions. [LB818]

SENATOR ADAMS: All right. Senator Pirsch. [LB818]

SENATOR PIRSCH: And the interpretation by the Department of Revenue, when did that go into effect where they... [LB818]

JAMES LAMPHERE: I have not seen the interpretation but I do know that we did...we have not been charged under this set of facts, circumstances, until this year...or I'm sorry, 2011. [LB818]

SENATOR PIRSCH: Ever. For decades and decades then. Correct? [LB818]

JAMES LAMPHERE: Well, I have only worked for a couple of decades. [LB818]

SENATOR PIRSCH: Okay. I see. [LB818]

JAMES LAMPHERE: But in my decades, no. [LB818]

SENATOR PIRSCH: Okay. Well, I'll give you a break on that. So your experience has been (inaudible). [LB818]

JAMES LAMPHERE: In my experience, no. [LB818]

SENATOR PIRSCH: Okay. Thank you. [LB818]

SENATOR ADAMS: Senator Schumacher. [LB818]

SENATOR SCHUMACHER: Yes. So this new interpretation is now applicable throughout all the counties? I mean... [LB818]

JAMES LAMPHERE: Well, my discussion with the Department of Revenue individual

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that I talked to, he said it is applicable to all the counties. But as far as...we've had this...this circumstances, while rare, is not unheard of; it does happen three or four times a year, and we've not had this come up in any county other than Lancaster. [LB818]

SENATOR SCHUMACHER: So in reading the change, "between ex-spouses for the purpose of conveying any rights to property acquired during the marriage," suppose the husband owned the property before the marriage and it wasn't acquired during the marriage in this same lingering interest of the spouse, is that word "acquired" the right word? [LB818]

JAMES LAMPHERE: I've had some discussions with other underwriters in our business about that. It falls...there are some who think it should be a more expansive definition. [LB818]

SENATOR SCHUMACHER: "Held" during the marriage? [LB818]

JAMES LAMPHERE: Perhaps. I will say there is another fairly significant group that says once the divorce is final and all appeals periods have past, if it was held prior to the marriage by one of the parties, then all spousal interests are terminated by the divorce and the running of the appeals period. So I'm fairly agnostic about that particular change. I'm okay with this. But there are some in our industry who would want a change along the lines you suggest, Senator Schumacher. [LB818]

SENATOR SCHUMACHER: Substituting the word "held" for "acquired," do you see any problem with that? [LB818]

JAMES LAMPHERE: I don't see any problem with that. Although it might be a little bit more expansive and I'm not sure that the Department of Revenue might not see a problem with that, so. I won't speak for them. I'm fine with "held." [LB818]

SENATOR SCHUMACHER: I have no further questions. [LB818]

SENATOR ADAMS: Are there other questions from the committee? Thank you, sir. [LB818]

JAMES LAMPHERE: Thank you. [LB818]

SENATOR ADAMS: Are there other proponents to this measure? Opponents then. Opposition testimony. Neutral testimony. [LB818]

BETH BAZYN FERRELL: Good afternoon, Senator Adams, members of the committee. For the record, my name is Beth Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the

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Nebraska Association of County Officials. I'm appearing here neutral today. Our board has not met yet to take a position on this bill. We did have a concern when we saw the initial fiscal note, but I do think that the revised fiscal note takes care of some of our concerns with that. I would be happy to try to answer questions. [LB818]

SENATOR ADAMS: Are there questions for this testifier? Yes, Senator Pirsch. [LB818]

SENATOR PIRSCH: What's the revised fiscal note as you understand it now? [LB818]

BETH BAZYN FERRELL: That it would only apply to Lancaster County. Based on information on the Property Tax Administrator's Web site, according to the 2010 annual report--which if you'd like a copy of it, I can give that to you--counties collected about \$2.9 million in this. And if it was \$100,000 statewide that would be lost, we would have a serious concern with that; if it applies to one county, we have a concern for that county perhaps, but it would be a lesser fiscal impact. [LB818]

SENATOR PIRSCH: Thank you very much. I appreciate that. [LB818]

SENATOR ADAMS: Other questions? Seeing none, thank you. Is there any other neutral testimony? If not, do you wish to close for Senator Harr? I bet you'd waive that. (Laughter) All right. Thank you then, and we will move on to the last bill of the day, LB822. I'll bet, Senator Fischer, you're going to have to run the show now. [LB818]

SENATOR FISCHER: Thank you, Senator Adams. I will open the hearing on LB822. And Senator Adams, welcome. [LB822]

SENATOR ADAMS: Thank you, Senator Fischer and members of the committee. My name is Greg Adams, A-d-a-m-s, and I represent the 24th Legislative District, and I'm introducing LB822 today. I'm introducing it on behalf of the county assessors and NACO. Like some of the other bills that we have heard today, at least at first blush it seems to me that this is a fairly simple piece of legislation. You may see something more in it that I don't see, and we have a county assessor here today to talk about this. Currently, if your value, if your land value changes, you receive notice of that change in value, and attached to that notice is how the value has changed and when the protest period is and when the board of equalization will meet, and all the things that you need to do. And in addition to that, there is attached to that value change statement, the median land value within the various classes of property that has been set by TERC within that jurisdiction. Well, what the county assessors tell me, and I have reason to believe...I have no reason to believe that this isn't true because they deal with the taxpayers every day, is that putting that median value number in there, along with here's what your old value was, here's what your new value is, here's the median value in the various classes of property, creates confusion for the taxpayer when they come in. When does this number mean and how does mine compare to that, and is that what the

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value is? And I'm sure the county assessors will better describe that than I can. What LB822 would do, very simply, is pull that median value number off the tax statement, and instead there would simply be a statement that says that, in effect, this property that has been revalued, that value falls within the acceptable range that has been determined by the equalization commission. It really is that simple. And again I would tell you that the assessors are here and can better speak to it because they deal with the taxpayers every day, but I would try to answer questions. [LB822]

SENATOR FISCHER: Thank you, Senator Adams. Are there questions? Senator Pirsch. [LB822]

SENATOR PIRSCH: No. I'm going to wait if somebody is going to testify. [LB822]

SENATOR ADAMS: Thank you, Senator Pirsch. (Laughter) [LB822]

SENATOR PIRSCH: Yeah. [LB822]

SENATOR FISCHER: I thought you were taking a deep breath and you're were getting ready to go. [LB822]

SENATOR PIRSCH: I take a lot of deep breaths. [LB822]

SENATOR FISCHER: Seeing none, thank you, Senator Adams. Would the first proponent come forward please? Good afternoon. [LB822]

MARILYN HLADKY: (Exhibit 1) Good afternoon, Senator Fischer and members of the Revenue Committee. My name is Marilyn Hladky, M-a-r-i-l-y-n H-l-a-d-k-y. I'm the Seward County Assessor. I'm here today in support of this bill and I would like to thank Senator Adams for introducing it for us. I'm representing the Nebraska Association of County Officials and also the Nebraska Association of County Assessors. What's being passed out to you is a copy that Seward County uses of our valuation, notice of valuation change. Other counties that may be on different computer systems, the form may look a little bit different, but they would all have to have that average level of value and the percentage on them as required by statute. The change that the assessors are requesting is to replace that average level of value information and percentages as highlighted at the top of the form, with a statement that all classes of real property have been reviewed and fall within an acceptable range. Valuations for residential and commercial properties are to be at 100 percent of market, with an acceptable range of 92-100 percent. Agricultural and horticultural land is to be valued at 75 percent of market, with an acceptable range of 69-75 percent of market. The average level of value percentage for the residential and commercial properties on the notices is the median--the middle of the array of the sales ratios within the study period of all the sales in that class. So that number really only represents the median is the midpoint ratio. So

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depending on whether you have even-numbered sales or odd-numbered sales, it's one sale or an average of two sales. So there will be an equal number of ratios over that median as under that median. It's been confusing to property owners to what that number really means. Also we've experienced county boards of equalizations have protests filed from owners. For example, a property is at 97 percent of the selling price and now they are appealing, requesting the values to be lowered to that 94 percent as stated on their notice, when actual reality, their 97 percent value is still within the acceptable range. On the level of value used for agricultural and horticultural land has changed somewhat a couple of years ago, the Property Tax Administrator now borrows sales from surrounding counties for measurement of this class of property. The sales are borrowed to even out the number of sales in each of the three years' study periods. Many assessors still set their values by only using the sales in their counties. So the level of value determined by the Property Tax Administrator for this class may or may not be represented by the sales the assessor used to set values in their county. We just feel that it makes more sense to have a statement on the notices that the values have been reviewed and fall within an acceptable range rather than using one specific percentage number for a class of property. The mass appraisal process and measurement analysis really isn't about just one number. Also attached I've given you two sheets out of my last year's "Reports and Opinions" from the Property Tax Administrator to just kind of show you. On my residential, I had 299 sales. My median was 94. Well, that's the middle of those 299 sales. And then down on the bottom half of the first page is valuation groupings. They're really a numerical number but I wrote in what they really are. They're my towns in Seward County and also I have a class that I call rural, which would be acreages, and then rural platted subdivisions in the county. So when you look at the medians with all of those, you can see they're just all not 94; they vary. And it's more important I think for not only us as assessors but for the public and for all of our analysis, to see it's not a specific number, that they do vary, and this is just to kind of help you out just to see that. With that, I appreciate your time today and consideration on this bill, and if you have any questions. [LB822]

SENATOR FISCHER: Thank you, ma'am. Are there questions? Senator Pirsch. [LB822]

SENATOR PIRSCH: Yes. With respect to the listing of the particular numbers rather than just to kind of a general statement that the numbers fall within the range, is there value or might there be value--and I'd like to hear your comment--insofar as, now for instance, the acceptable range, 92 to 100, is that right, with respect to the residential or... [LB822]

MARILYN HLADKY: That's what is supposed to be allowed. But, you know, you're going to have properties that are probably going to be overvalued and undervalued. What I use as an assessor, if you look on that statistical report,... [LB822]

SENATOR PIRSCH: Uh-huh. [LB822]

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MARILYN HLADKY: ...there's a column called "COD." That stands for coefficient of dispersion--IAAO standards, which is International Association of Assessing Officials. They like to see on residential to that number to be 15 or under, and that's a percentage that you're off of that median. So the lower the number really is, the closer those grouping of sales are to that median. If you're higher than that, then you've got a wider range between what properties have sold based off of the median. [LB822]

SENATOR PIRSCH: So the coefficient of differential, you're talking about, so? [LB822]

MARILYN HLADKY: That COD, that coefficient of dispersion. [LB822]

SENATOR PIRSCH: Yeah, that they derive using regression, I suppose. But the...and so the question is that I have is do you get a more accurate hint then if you're...so using your kind of sample here where it lists, as an example, 94 percent, at the top, and you've kind of highlighted it in green...I believe, green marker or at least the copy that you...this is the notice of valuation change that you've submitted I think in the handout. Is that...? [LB822]

MARILYN HLADKY: Yes. This is the form we actually print out and send to property owners. [LB822]

SENATOR PIRSCH: Yeah. And I note at the top then, and you've highlighted it in green marker for us, but I'm not sure if you have a copy of that,... [LB822]

MARILYN HLADKY: Yes. [LB822]

SENATOR PIRSCH: ...that with that it says residential. And afterwards there's a number there that falls within the parameters, I suspect, right--92 to 100--which lets us know it's within an acceptable range? Is that right? [LB822]

MARILYN HLADKY: So that number is 94, you're saying? [LB822]

SENATOR PIRSCH: That's right. [LB822]

MARILYN HLADKY: Yes. Yes. Yes. And that's the median of those 299 residential sales that were used in this analysis. [LB822]

SENATOR PIRSCH: Would that be the same for you? Does that change from house to house? I mean, will some people have 94, some have 93, some have 97? [LB822]

MARILYN HLADKY: Yes, they do. Um-hum. [LB822]

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SENATOR PIRSCH: Okay. Does that give you somewhat of a hint that you may...if you took people...I mean if you got that, and on the high side you can go up to 100, right? And some people will receive something where that number doesn't say 94, but says 100 on it? Is that...? [LB822]

MARILYN HLADKY: No. They're all going to say 94. [LB822]

SENATOR PIRSCH: Oh, they're all going to say 94. Okay. That's what I wanted to check. Thank you. [LB822]

MARILYN HLADKY: That value is set. The level of value is given to us in our "Reports and Opinion," which that... [LB822]

SENATOR PIRSCH: Okay. [LB822]

MARILYN HLADKY: ...is what that statistical page is out of, and that goes on to the Tax Equalization and Review Commission, and they review all of the assessors to see if they're compliant with their statistics. [LB822]

SENATOR PIRSCH: So that's a countywide number. [LB822]

MARILYN HLADKY: Yes. [LB822]

SENATOR PIRSCH: Okay. Would they vary from county to county perhaps? Like in your county it's as you say, 94, but might it be, in some other county, 98, 99, or 92? [LB822]

MARILYN HLADKY: Definitely. Yes, definitely. [LB822]

SENATOR PIRSCH: Would that give a hint perhaps to the residents of that county that if you're at 100 percent of valuations as opposed to 92, would that sort of suggest or hint that there may be...as a whole, you'd be more at risk of having an overvaluation of your property than if you were at 92? [LB822]

MARILYN HLADKY: I don't know about that. I mean, if you're over \$100,000, then if that was my property I would probably, number one, go into the assessor's office and make sure that all of the information I had on my property was correct. [LB822]

SENATOR PIRSCH: Okay. [LB822]

MARILYN HLADKY: And then you have the appeal process to say, to go to the county board of equalization, to say that you're overvalued. But, you know, every property is going to be different. Mass appraisal is using the properties that have sold to determine

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also the unsold properties. So, you know, we're going to have values on properties that haven't sold. We don't know if they're at 94, 93, or 101 because they haven't sold. [LB822]

SENATOR PIRSCH: Yeah. [LB822]

MARILYN HLADKY: But we use our judgment with the sold properties to try to come up with the most likely value for the unsold properties. [LB822]

SENATOR PIRSCH: Yeah. And I appreciate that. I'm just trying to brainstorm to say...I mean your point is well-taken that maybe that figures, upon initial look at, may be confusing to a lot of people. But I wonder if there is any useful information at all that we'd be giving up in terms of indicating that you're on the high side or low side of acceptable value range, in eliminating that and just going to generic language. [LB822]

MARILYN HLADKY: Well, that information is still going to be out there because all of the "Reports and Opinions" are on the Property Tax Administrator's Web site, which would include like a sheet that you're seeing there. We're still going to post it in the newspapers what that level was set as. It's just not going to appear on the notices. [LB822]

SENATOR PIRSCH: Okay. Thank you very much. [LB822]

SENATOR FISCHER: Thank you, Senator Pirsch. Senator Schumacher. [LB822]

SENATOR SCHUMACHER: Just briefly a couple questions. The statute that is being changed used to read, "and the average level of value of all classes and subclasses of property." Average, as used there, was the mean; in other words, the sum divided by the number of entries--or median, the middle number? [LB822]

MARILYN HLADKY: Well, that's very interesting, because what has been used in the past has been the median. It says... [LB822]

SENATOR SCHUMACHER: But generally average is synonymous with mean, isn't it? [LB822]

MARILYN HLADKY: Yes, it is. Interesting. [LB822]

SENATOR SCHUMACHER: Yes. So then if I look at this, we've got almost a philosophical shift in this language. What we're taking out is a real number. It's something that Mr. Spock could say: Computer, what is the average or the mean? And the computer would say the number. We're replacing it with language which is an opinion that basically says: And yeah, everything is okay. I mean why not just take it all

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it out, if...you know, what we're putting in there really doesn't say anything other than we think it's okay. It isn't a number; it isn't any information. [LB822]

MARILYN HLADKY: That's true, and I wished I would have brought my copy of my "Reports and Opinions" that the Property Tax Administrator does for analysis. It's about a notebook that is about three-fourths of an inch of paper. It's both a narrative and a statistical analysis of all of the summary of the values for every county. [LB822]

SENATOR SCHUMACHER: But this little notice that now we're typing on here really doesn't give any information. It just says, yeah, this is okay. Right? [LB822]

MARILYN HLADKY: And the same thing is with the percentage on there, that's it's okay at 94. [LB822]

SENATOR SCHUMACHER: But that's a number; I know that number; that's information then. I don't have anything further. [LB822]

SENATOR FISCHER: Thank you, Senator Schumacher. Other questions? I see none. Thank you very much for coming in today. [LB822]

MARILYN HLADKY: Okay. Thank you. [LB822]

SENATOR FISCHER: Are there other proponents to the bill? Good afternoon. [LB822]

BETH BAZYN FERRELL: Good afternoon, Senator Fischer, members of the committee. For the record, my name is Beth Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. We'd like to thank Senator Adams for introducing this bill on our behalf. I would like to say, Senator Schumacher, if you would like to suggest some other language, I think we'd be open to that. We're just trying to accomplish something that maybe would be less confusing for the taxpayers. Be happy to try to answer questions. [LB822]

SENATOR FISCHER: Thank you. Are there questions? I see none. Thank you, Ms. Ferrell. Are there other proponents for the bill? Any opponents to the bill? Opponents? Anyone wishing to testify in a neutral capacity? I see none. Senator Adams, would you like to close? [LB822]

SENATOR ADAMS: I will. I'm going to keep it very, very brief. I apologize really for closing in a sense because this is a relatively simple thing, but I think, Senator Schumacher, you've hit on the exact point. Whether we use a number--which might make more sense--or substitute language, the point is we've got confusion here, and the taxpayer doesn't get it. And there are times when...of course, although maybe the taxpayers do a better job than some of us of understanding these tax statements, just

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look today as we struggle to understand what these numbers mean and whether we should eliminate it from the tax form or not. That might give us some insight into what the assessors go through when the property taxpayer comes in and has to have to explain those numbers, which they're going to do anyway if a property taxpayer comes in and wants to know what those numbers are. But at least they wouldn't be on the statement, starting initial confusion I guess. So with that, I would take a final question if you have them. I don't know if I could answer but I'll try. Otherwise... [LB822]

SENATOR FISCHER: Thank you, Senator Adams. Are there questions? I see none. Thank you very much. With that, I will close the hearing on LB822 and close the hearings for the day. Thank you. [LB822]