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Revenue Committee  
January 27, 2017

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[LB44 LB462 LB564]

The Committee on Revenue met at 1:30 p.m. on Friday, January 27, 2017, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB44, LB564, and LB462. Senators present: Jim Smith, Chairperson; Curt Friesen, Vice Chairperson; Lydia Brasch; Mike Groene; Burke Harr; Brett Lindstrom; and Paul Schumacher. Senators absent: Tyson Larson.

SENATOR SMITH: Good afternoon, everyone, and my apologies for the delayed start. We were a little late on the floor of the Legislature, so appreciate your patience. Welcome to the Revenue Committee public hearing. My name is Jim Smith and I'm from Sarpy County, I represent District 14 and I chair the Revenue Committee. The committee will take up the bills in the order posted on the outside of the room. We're going to modify that a little bit today and I'll clarify how we're going to handle our hearings today in just a moment. But our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To best facilitate today's proceedings, I ask that you abide by the following procedures. First, would you please turn off your cell phones and other electronic devices so that that does not interrupt or interfere with others that are testifying today. If you're looking to testify at either of the...on either of the bills today, if you would make certain you move to the front of the room as those testimonies begin so we're ready to put you into the chair and move the process forward. The order of testimony will be the introducer of the bill, proponents, opponents those wishing to testify in a neutral capacity, and then closing remarks from those that are introducing the bills. On LB44 today and LB564, we're going to do it a little bit different since both of these bills are almost identical with a different threshold on them. We're going to have each of the introducers open on their bill and then we're going to hear testimony together on those bills. And then we will give each of the introducers an opportunity to close on their bill. And then we will move to the third bill in the series, LB462, and that will be a separate hearing. If you will be testifying, please complete the green form and hand that form to the committee clerk when you come up to testify. If you have written testimony or exhibits for the committee and you would like to distribute those, please hand them to the page to distribute. We will need 11 copies for all committee members and for staff. And if you need assistance in making any of those copies, please let us know. We'll be happy to help you out with that. When you testify please state and spell your name for the record. Be as concise as possible. We will use the light system. The green light...whenever you're testifying the green light will be on for four minutes. At that time the amber light will come on and you'll have one minute to wrap up your testimony if you have not done so already. And then when the red light comes on we ask you to just make certain you're closed by that point. If you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. You will need to speak directly into the microphone, and that's for the purpose of the transcriber to get all your information accurately and clearly. That microphone does not

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project, so you'll need to make certain your voice projects. That microphone is simply to record your testimony. I'd like to introduce my staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. And to my left at the end of the table is committee clerk, Krissa Delka. I will allow my colleagues to introduce themselves. We have a couple that are absent currently. Senator Larson, Senator Groene, next.

SENATOR LINDSTROM: Senator Brett Lindstrom, District 18, northwest Omaha.

SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

SENATOR BRASCH: Lydia Brasch, District 16, Cuming County, Burt County, Washington County.

SENATOR SCHUMACHER: Paul Schumacher, District 22, that's Platte and parts of Colfax and Stanton County.

SENATOR SMITH: Our pages today are Alexi from Milwaukee, Wisconsin, and Sarah from Topeka, Kansas. And they will assist you if you have anything to distribute. And we appreciate them helping us today. Please remember that senators may come and go in providing testimony in other committees, so we appreciate your patience with that as some of my colleagues may come and go from this meeting. With that, I believe we are going to open on both bills, LB44 and LB564. And we're going to invite first, I believe, Senator Watermeier to come forward and provide his introduction of his bill on Remote Seller Sales Tax Collection Act. [LB44 LB564]

SENATOR WATERMEIER: Thank you, Chairman Smith and members of the Revenue Committee. I am Senator Dan Watermeier, W-a-t-e-r-m-e-i-e-r, representing District 1 in the southeast corner of the state. I'm here to introduce LB44. LB44 proposes to adopt the Remote Seller Sales Tax Collection Act. The legislation would require remote sellers, which are on-line retail without a physical presence in our state, to collect and remit sales tax if their gross revenue in Nebraska exceeds \$100,000 or their sales in Nebraska consist of 200 or more separate transactions. If the remote seller refuses to collect Nebraska sales tax, the remote seller would have to notify Nebraska purchasers that the sales or use tax is due and that the state of Nebraska requires the purchaser to file a sales or use tax return. The remote seller would be subject to a \$5 penalty for each failure to notify. Furthermore, the remote seller must send notification annually to the Nebraska purchasers by January 31, reflecting the total amount of purchases made in the previous year. If available, the notification shall also include the dates of the purchases, the amount of each purchase, and the category of the purchase. Again, the notification shall tell purchasers that the state of Nebraska requires a sales or a use tax return to be filed and paid on

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certain purchases from the remote seller. The notification is to be sent separately from other mailings and must include the words "Important Tax Document Enclosed" on the exterior of their mailing. Failure to send this notification would subject the remote seller to a \$10 penalty. Finally, the remote seller is required to file an annual statement for each purchaser by March 1 with the Department of Revenue showing the total amount paid in the previous year. Failure to file this annual statement would subject the remote seller to a penalty of \$10 for each purchaser that should have been included on the statement. Let me give you a little history on the issue. Most state laws, including our current law, require retailers to have a physical presence or a nexus in the state before they are required to collect the state sales tax. These laws reflect a U.S. Supreme Court ruling. In 1992, when the Supreme Court upheld its original ruling from 1967 that prohibited states from requiring remote sellers to collect sales tax on sales shipped into their state, it said that the diverse state and local sales tax systems making collecting sales taxes an undue burden on out-of-state retailers. States have responded by adopting a comprehensive interstate system to streamline and harmonize their complex maze of sales tax rules and administrative requirements. Nebraska is one of 24 states that have taken the steps to change their laws to comply with the interstate Streamlined Sales and Use Tax Agreement. I know that your legal counsel, Ms. Edson, has highly involved in this work and a representative for our state. Legislation has been introduced on the federal level for years to grant the states that have complied with the agreement the authority to require remote sellers to collect sales tax and uses, but this is yet to pass at the federal level. More and more individual states are trying to pass laws due to the inaction on the federal level, but such laws are usually immediately challenged in court. LB44 combines the collecting law from South Dakota, which is being contested, with the reporting law from Colorado. Colorado's law, passed in 2010, was affirmed in February of 2016 by the U.S. Court of Appeals for the Tenth Circuit. Since the U.S. Supreme Court refused to take up the dispute last month, the Tenth Circuit decision stands. It hasn't taken effect yet, now only constrained by an injunction in the state first amended case. Under LB44, on-line retailers meeting the threshold for sales volume will have to enter...will either collect the sales taxes or deal with more red tape, including additional paperwork and the requirement to remind Nebraskans that they owe the sales tax to the state. The intent is that the reporting requirements are so burdensome that they will choose to follow the collection requirements. Therefore, LB44 gets around the constitutional argument because it doesn't require on-line retailers to collect and it gives them the choice, and that choice has been upheld in court. I would like to remind you that this is not a new tax. It has always been owed. Nebraskans are already required to keep track of on-line purchases and then report any owed sales taxes on their state income tax form. Several years ago a line was added to the Nebraska individual income tax return for individuals to report their use tax due on the Internet purchases, but I don't believe that many Nebraskans actually comply. The longer we wait before passing legislation similar to this, the harder it will be for the general public to understand that it is not a new tax. Furthermore, I don't believe it is fair to our main street businesses who must collect tax but still compete with on-line companies. Our current law places main street businesses at a huge disadvantage, but they are the ones that

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willingly sponsor the local softball teams, support numerous fundraisers put on by local organizations. If downtown businesses close, it hurts the entire community and surrounding areas. Furthermore, in addition to the state, LB44 will also help communities because local option sales taxes will be collected and remitted to the applicable city. The fiscal notes indicate that if remote retailers would submit sales taxes for purchases in Nebraska it would bring in approximately \$30 million to \$40 million annually. This is on top of the estimated \$12 million to \$17 million from Amazon, who recently announced that they would begin collecting sales tax on purchases made in Nebraska, which is a voluntary method we think was a good idea. Although this is most likely a conservative estimate, it still is a significant amount. I was told that the sales taxes being collected by more remote sellers at all times and this is well business-to-business sales. With the state currently experiencing a significant budget shortfall there isn't a better time to pass this legislation. Although it won't solve our budget problems, it will certainly help the situation. This is not a new tax and is an issue of fairness for our main street businesses. If Congress won't act, we must. I urge your favorable support in the advancement of LB44. I would be happy to answer any questions at that time. [LB44]

SENATOR SMITH: Thank you, Senator Watermeier. Do we have questions for Senator Watermeier? Let me just get a quick clarification. You did identify it would be on top of the roughly \$11 million coming from Amazon, right? [LB44]

SENATOR WATERMEIER: The \$11 million I think you're referring to is in the Governor's budget, and that's for five months. [LB44]

SENATOR SMITH: Yes. [LB44]

SENATOR WATERMEIER: For this fiscal. [LB44]

SENATOR SMITH: And this \$30 million to \$40 million is also...would be on top...estimated roughly would be on top of the roughly \$20 million that we currently get on a volunteer basis from streamline? [LB44]

SENATOR WATERMEIER: Correct. I would say that's roughly accurate, but keep in mind those are for a five- or six-month period of the current fiscal year. [LB44]

SENATOR SMITH: Okay. Very good. Senator Friesen. [LB44]

SENATOR FRIESEN: Thank you, Chairman Smith. When I was looking through there, I mean you have two qualifications. One is the sales, the dollar amount and the other is a number of

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sales. I was curious as to why the 200. It seems to me like these small retailers that do the small trinkets, they're going to be a small dollar amount and 200 sales isn't a lot, that's less than one per day. I'm just curious where those numbers...if they were made up. [LB44]

SENATOR WATERMEIER: You know, I think I'll let the retailers behind me confirm that and what their discussion was. We had conversations about, oh, a month and a half ago on that number and I kind of questioned it at that time, too. I think I'll just let them defend those numbers there and where we go with that. I know there's a big issue between just what that amount ought to be and so I'd be open for discussion on that. But I think it's high enough to make it realistic. [LB44]

SENATOR FRIESEN: Okay. Thank you. [LB44]

SENATOR SMITH: All right. Senator Schumacher. [LB44]

SENATOR SCHUMACHER: Thank you, Chairman Smith. And thank you, Senator Watermeier, for bringing this. What happens when a Nebraska purchaser purchases something on-line, presumably from an Internet connection in Nebraska, and has it shipped to another state? [LB44]

SENATOR WATERMEIER: That's a good question, but I think it's going to go back to the address where it was shipped. And I can't answer that today. I'm just going to tell you I can't answer that. [LB44]

SENATOR SCHUMACHER: It clearly won't even touch the incented state (inaudible). [LB44]

SENATOR WATERMEIER: Right. Right. I think it goes back to the shipping address. So that will depend on the laws of that state at that point in time. [LB44]

SENATOR SCHUMACHER: But that...I just want to again note this in the record, that that shipping address should be one of the things reported to the department. [LB44]

SENATOR WATERMEIER: Yeah. [LB44]

SENATOR SMITH: Further questions from the committee for Senator Watermeier? I see none. Thank you. [LB44]

SENATOR WATERMEIER: All right. Thank you, Chairman. [LB44]

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SENATOR SMITH: Now we invite Senator McCollister to open on his bill, LB564. And his bill is the adoption of the Nebraska Main Street Fairness Act. Welcome. [LB564]

SENATOR McCOLLISTER: (Exhibit 1) Thank you. Good afternoon, Chairman Smith and members of the committee. I am John, J-o-h-n, McCollister, M-c-C-o-l-l-i-s-t-e-r, and I represent the 20th Legislative District in Omaha. I am here today to introduce LB564, the Main Street Fairness Act. This proposal would amend the sales and use tax to improve the Department of Revenue's ability to enforce current law. LB564 differs from LB44, which is also being heard today, in the following important ways. First, LB564 would apply to remote sellers whose annual gross sales in Nebraska exceed \$25,000 or who annually have at least 200 Nebraska-source transactions. The total annual sales amount proposed in LB44 is \$100,000. Second, LB564 would allow taxes owed but not remitted by the remote sellers to be paid through either an individual's income tax which coincides with the calendar year in which the purchase was made or through filing Form 3, the Nebraska Department of Revenue's individual use tax form. We're passing out copies of this particular form. As I think you will see, this is not a difficult...it's not an easy form to complete, particularly if you don't know what the taxes are in your particular town or don't pay attention to that. So I think by including the ability to pay through your income taxes is an important feature of the bill which should be incorporated. Under current law, Internet sales of goods and services by out-of-state vendors may be subject to the use tax. However, as you know, many taxable transactions over the Internet occur but sales or use tax is seldom paid. The bill would correct the situation by giving the Department of Revenue the information needed to enforce the collection of the tax on these Internet sales. The bill would do this by providing sellers of goods and services without a physical presence in the state the choice of two ways to comply. To collect and pay the tax, as sellers do with physical presence now or to gather and report the information about their sales to Nebraska consumers in much the same way that businesses do now each January when they mail their information forms, such as a Form 1099. As Senator Watermeier indicated, states have been hesitant to step into the subject of collecting sales tax on a Internet transaction because of the 1992 decision by the U.S. Supreme Court in the case of Quill v. North Dakota. However, recent court rulings, including the case of Colorado concerning its approach on this issue signal a changing legal environment. LB564 would combine the expanded nexus for sales tax purposes--as adopted in South Dakota--with expanded information reported--as in Colorado. The word fairness in the act that would be created by LB564 speaks to the heart of the issue addressed by this proposal. I understand and appreciate the concept from a personal perspective. My wife used to own two toy stores in Omaha. She was continually frustrated by people who would come into her stores to look at her merchandise and they would make the decision to purchase the same or very similar item on the Internet. Internet sales that don't charge sales tax have an automatic price advantage. This situation should not be allowed to continue. It's just not fair. The bill does carry the emergency clause. I'd be happy to answer any questions. [LB564]

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SENATOR SMITH: Thank you, Senator McCollister. Do we have questions for Senator McCollister? I'll give you a question here. I know you were a small business owner in the past and I as well. I think you made the case there that small...our local small business owners are brick and mortar small business folks. They put a lot into the community. They pay their taxes. And they're in competition with an Internet transaction. But what would you say in the case of, well, these Internet transactions, they do not really add to the cost of the local community? That is, they are not paying taxes to pay for the roads and everything, but neither are they using them. What say you? [LB564]

SENATOR McCOLLISTER: Why, I'd have to say that it's an unfair advantage for that on-line retailer. The fact that they don't pay for our roads and some of the taxes is also an issue. So it's not fair in either respect. [LB564]

SENATOR SMITH: All right. I appreciate you bringing the bill. I think we had Senator Groene and then Senator Harr. [LB564]

SENATOR GROENE: Thank you, Chairman. But isn't it reality it isn't the business that's paying the tax, it's the citizen? And isn't that citizen driving those streets and using those...all of those infrastructure? [LB564]

SENATOR McCOLLISTER: That is exactly true. The same thing for education. There are many people that reside in a town whose kids are grown up and gone, but... [LB564]

SENATOR GROENE: So do you think it's fair that one individual is paying his taxes locally for the amount of money he spends and using the roads and stuff and another individual is on the computer doing it? [LB564]

SENATOR McCOLLISTER: Well, I'm not troubled by having that Internet seller pay taxes for us. We need to maintain those roads. And you can't strictly go to a user kind of fee. You'd have to broaden that. [LB564]

SENATOR GROENE: You mean the Internet purchaser pays that tax? [LB564]

SENATOR McCOLLISTER: Yeah, they should pay taxes just like those main street sellers. [LB564]

SENATOR GROENE: Thank you. [LB564]

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SENATOR SMITH: Senator Harr and then Senator Brasch. [LB564]

SENATOR HARR: Thank you, Mr. Chairman. And for the second day in a row Senator Groene and I are on the exact same wavelength and so he took my question, so I thank him. [LB564]

SENATOR GROENE: Your turn next. [LB564]

SENATOR SMITH: You know what? I love it when that happens. Senator Brasch. [LB564]

SENATOR McCOLLISTER: Is it a rare thing? [LB564]

SENATOR BRASCH: Thank you for introducing this and also to Senator Watermeier. And I understand how important it is to keep our main street businesses open. In some of the communities I represent, availability of items is not there sometimes. And their major competitor may be the people...if you drive down main street on a Saturday everybody has gone to Omaha, they've gone to Sioux City or another community. So I'm thinking that...so we charge this tax, but they're still shopping Omaha or Lincoln or...so it's really hard for me to...I understand we need the tax dollars. Is that the reason for an emergency clause? You have a clause, the other bill has a clause. Why an E clause? [LB564]

SENATOR McCOLLISTER: I think there's two questions here. First off, it does the emergency clause because I presume the Revenue Department needs time to get to work and make it possible for them to collect that tax. As Senator...did I answer your question? Secondly, as Senator Schumacher indicated, where that buyer takes possession of the item is important. So in your case, Senator Brasch, if a person drives to Omaha, takes possession of that item at a store in Omaha, that person pays not only the state tax but the Omaha tax. So that's the important question, I think. [LB564]

SENATOR BRASCH: Okay, thank you. [LB564]

SENATOR SMITH: Senator Schumacher. [LB564]

SENATOR SCHUMACHER: Thank you, Chairman Smith. From time to time we've heard testimony from folks that say that no tax or low tax is a great thing, people will flock to those areas that don't have a tax and that's how an economy grows. Well, in this case we are attempting to enforce a tax that for all practical purposes either doesn't exist or isn't collected. So why wouldn't we want to do the exact opposite and beat all the other states out and say, come to Nebraska, set up shop and live here, because we don't have a tax on Internet sales? [LB564]

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SENATOR McCOLLISTER: Well, I think that it's been said that taxes are what you pay for a civilized society. And so I think we need to pay our taxes and it's a part of doing business in Nebraska. We provide money for schools, roads, and everything else, so I think on-line sellers should help us do that important task. [LB564]

SENATOR SCHUMACHER: Thank you, Senator. [LB564]

SENATOR SMITH: Seeing no further questions, thank you, Senator McCollister, for your opening on LB564. So now we will open to proponents, proponents of either LB44 and/or LB564. Welcome. [LB44 LB564]

DOUGLAS KINDIG: (Exhibit 2) Thank you. Good afternoon, Chairman Smith and members of the Revenue Committee. I am Douglas Kindig, K-i-n-d-i-g, I'm mayor of the city of La Vista but I also represent the United Cities of Sarpy County, which is Gretna, Springfield, Papillion, and La Vista. I'm here today in support of both bills, LB44 and LB565 (sic: LB564). I appreciate Senator McCollister and Senator Watermeier bringing these bills in front of you. Brick and mortar retailers, they are the cornerstones of our communities and they're essential to our economic health and vitality. Today they operate at a distinct disadvantage to certain on-line retailers who are not collecting sales tax at the point of purchase. Whether a sales tax takes place on-line or at a local business, sales tax is owed and should be collected. The same sales tax rules should apply to all retailers. Those of you who have served on this committee in the past have likely heard me speak about the significance of sales tax receipts to the city of La Vista and other members of the United Cities. In La Vista alone, a one cent sales tax makes up approximately 30 percent of our general fund revenue. The citizens of La Vista have also voted to implement a half cent sales tax for public infrastructure and another half cent sales tax for public infrastructure improvements associated with our 84th Street corridor. In total, sales tax makes up about 13 percent of the city revenue. As you can see, our citizens understand the importance of both continuing to provide the public infrastructure necessary to grow our local economy and sustain our older areas. We continue to lose sales tax revenue because of the on-line sales trends, which not only affects our ability to provide essential public services, but will ultimately increase our reliance on property tax. This proposed legislation would impose no new tax while increasing revenue and protecting local businesses from unfair competition. This can be a significant financial benefit to our cities and to the state of Nebraska. Therefore, on behalf of the United Cities of Sarpy County I would ask the committee advance LB44 and LB564 for passage by the entire Legislature. Thank you, Chairman Smith. And I'll try to answer any questions you may have. [LB44 LB564]

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SENATOR SMITH: Thank you, Mayor Kindig, for your testimony. So in your understanding, the remote seller would be subject to the public infrastructure optional sales tax that you mentioned, that additional half cent sales tax. They'd be subject to that as well? [LB44 LB564]

DOUGLAS KINDIG: Yes. And we've actually checked when Amazon made the announcement that they would voluntarily collect the sales tax. Well, this is at 7.5 percent because of the citizens' votes to give us that right for 2 cents at a local level. I did get on Amazon and checked and they are charging that entire amount for LaVista. [LB44 LB564]

SENATOR SMITH: All right. So going back to my question with Senator McCollister is, so since that half cent sales tax is going toward infrastructure improvements, why would a remote seller have to pay that? [LB44 LB564]

DOUGLAS KINDIG: A couple of reasons. I think it's back to what both of the senators said is, it's just fair. Let's keep it simple. It's just fair. The brick and mortar owners in our towns struggle because of on-line sales. To be able to have the infrastructure so that those people can get around, that they can have medical and police services, we have to have a tax base. And when that tax base is eroding we have to look at other ways to be able to do it. Really, you can cut services or you can find other ways to generate revenue. We believe it's a fair tax to be able to charge those on-line retailers. We believe they see a benefit from the purchases. I think it's not just a savings of sales tax, but it's the convenience of ordering on-line. I think that's a large component of why these places are successful. [LB44 LB564]

SENATOR SMITH: Thank you. Senator Harr. [LB44 LB564]

SENATOR HARR: Thank you, Chairman Smith. Thank you, Mayor Kindig, for coming. It's always a pleasure to have you in front of our committee. I consider you an honest broker and so I guess my question is, to follow up with Senator Smith's, the tax is owed by the taxpayer, not the retailer. Is that correct? [LB44 LB564]

DOUGLAS KINDIG: Correct. [LB44 LB564]

SENATOR HARR: And that taxpayer is in your jurisdiction that's owed. Correct? [LB44 LB564]

DOUGLAS KINDIG: Correct. [LB44 LB564]

SENATOR HARR: And there is a benefit to the retailer as well, because now there are good roads to deliver that package to the home. Correct? [LB44 LB564]

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DOUGLAS KINDIG: Right. [LB44 LB564]

SENATOR HARR: And there is law enforcement so that...protection so that that item that's delivered actually isn't stolen. Is that correct? [LB44 LB564]

DOUGLAS KINDIG: That's correct. [LB44 LB564]

SENATOR HARR: I know I had a incident this year where I had a L.L.Bean package stolen from my home. Snow blower earlier this week, but at Christmas it was a L.L.Bean package; and L.L.Bean guaranteed delivery. And so I called L.L.Bean, I said, hey, I didn't get it. And to their credit, they sent me a new one because they...we guarantee delivery, even though they had the UPS that it was delivered to our home. So it's a savings for them as well to collect this or it could be a savings to the retailer as well. [LB44 LB564]

DOUGLAS KINDIG: Right. [LB44 LB564]

SENATOR HARR: Okay. Thank you. And I see in your testimony that you say, the sales tax makes up about 13 percent of the city's revenue. What makes...first of all, what makes up the other portions of the city's revenue? [LB44 LB564]

DOUGLAS KINDIG: Well, about 13 percent in overall funds is generated from property tax. And then, of course, there's all the fees, there's our sewer fund, which... [LB44 LB564]

SENATOR HARR: Makes up the difference. [LB44 LB564]

DOUGLAS KINDIG: ...continues to grow and grow and grow. So mostly our fees, but then our sales and our property tax do make up the lion's share of our revenues. [LB44 LB564]

SENATOR HARR: Okay. And do you know--and if you don't I would understand--if this bill were to pass, approximately how much you would expect to garner in additional revenue? [LB44 LB564]

DOUGLAS KINDIG: No. I've been asking questions, too, and I don't think we've got a real solid figure on that. What the senator testified is really kind of what I know today also. [LB44 LB564]

SENATOR HARR: Okay. Well, I appreciate it. Thank you very much and thanks for coming. Look forward to seeing you here more often. [LB44 LB564]

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DOUGLAS KINDIG: You bet. Thank you, Senator. [LB44 LB564]

SENATOR SMITH: Senator Schumacher. [LB44 LB564]

SENATOR SCHUMACHER: Thank you, Chairman Smith. And thank you, Mayor Kindig, for your testimony. Just to clarify the numbers that you recited to Senator Harr, what percentage of your revenues are from property taxes? [LB44 LB564]

DOUGLAS KINDIG: About 39 percent, 38 percent of our general fund and then approximately 13 percent of our...of all of our funds. [LB44 LB564]

SENATOR SCHUMACHER: And what about from sales taxes? [LB44 LB564]

DOUGLAS KINDIG: Sales tax runs 13 percent of our regular funds. And if I would have looked at that e-mail one more time I'd have that number for you, Senator. I believe we're somewhere in about 25 percent, 26 percent on sales tax. I can provide that for you as soon as I... [LB44 LB564]

SENATOR SCHUMACHER: So just in rough, good enough for government work figures, if you didn't have the sales tax, your property taxes would almost have to double. [LB44 LB564]

DOUGLAS KINDIG: It would be one of the few revenue sources that would be left to us. [LB44 LB564]

SENATOR SCHUMACHER: And in the late 60s, early 70s, when we redid the taxing system in Nebraska we gave the cities a sales tax and the counties or the property tax to the counties. And the state's revenue base was the sales tax and the income tax. So, in essence, by this bill and other bills that have been passed, the state is enabled about a 50 percent reduction in property taxes by letting the cities use its tax base. That's substantial property tax relief coming from the state. Is that not correct? [LB44 LB564]

DOUGLAS KINDIG: I would agree with that. [LB44 LB564]

SENATOR SCHUMACHER: Okay. And so why is it with this tax...wouldn't it be fair for the state to say, you know, this is kind of a new source of revenue and we're really hurting, so we're going to keep the use tax from what's the local sales, because we've been really generous by picking up half the property taxes? [LB44 LB564]

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DOUGLAS KINDIG: Well, and I guess my answer to that would be is, I agree with you mostly. [LB44 LB564]

SENATOR SCHUMACHER: Okay. [LB44 LB564]

DOUGLAS KINDIG: I do think the state should pass this because of the budget issues at the state level. But that's not my job to deal with those. My jobs are to deal with my issues at the local level. The state collects 5.5 percent--correct, Senator, right?--so the additional taxes, this could help you with your issues. I believe that if you go back to prior times, local municipalities also received an awful lot of state aid, which has disappeared over the years. So we've been allowed to be able to implement local sales tax options by the vote of the people. We deal with the people. I deal with them every day, just as you do, but I'm at the local level dealing with them. They've given us the right to have those local sales tax options. That has been their vote. I wouldn't go against what they directed us to do, so I guess that would be my answer. But I truly think the state should implement this. I think it would be a great influx of cash into the state so we can help solve all the other issues that you have to deal with this year. [LB44 LB564]

SENATOR SCHUMACHER: Thank you, Mayor. [LB44 LB564]

SENATOR SMITH: Senator Friesen. [LB44 LB564]

SENATOR FRIESEN: I'm sorry, Chairman Smith. Just a question. I mean, if you had basically a retailer who did a lot of out-of-state sales...obviously, now other states probably are going to jump on board and I hope that Nebraska...I guess...how do you look at us collecting from other states also, because down the road we're going to have to reciprocate I think as time goes on. And those small retailers now will have to remit to other states, too, I take it. Is that correct? [LB44 LB564]

DOUGLAS KINDIG: Yeah. I think every time we implement something new there's going to be some bumps in the road. I would hope that the Department of Revenue, under the direction of your body, will be able to figure out a way on how to do that. Will there be a price tag for that? There very well could be, but I think it will be outweighed by the positive number that we're going to be able to collect. So I don't have an answer to your question. I do understand that there could be a fiscal note, but I also think that the revenue generated will be much greater than that fiscal note. [LB44 LB564]

SENATOR FRIESEN: Well, again, it will be paid by the buyer so I mean I don't think it will have a direct impact. I'm just curious what you thought might happen with the impact on the

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sales from those retailers if they suddenly were forced to collect taxes in other states. I mean, obviously, we know that the small retailers look at it as a competitive advantage. [LB44 LB564]

DOUGLAS KINDIG: Right. And to be honest, I hope that every state does pass it. I would hope that we can get it on an even playing field with everybody nationwide. I would also say that on incentive programs. I wish that incentive programs were on a level basis nationwide. If they were, we wouldn't have a need for incentive programs, because everyone would be playing in the same game. But I think we can do that with the sales tax issue. [LB44 LB564]

SENATOR FRIESEN: Okay. Thank you. [LB44 LB564]

SENATOR SMITH: One last question, Mayor Kindig. So you're talk about from the state's perspective, so think about the state's perspective. If somehow every new dollar of remote sellers' sales tax that is received by the state that there is a dollar-for-dollar reduction in tax burden on resident businesses and individuals in Nebraska, would you still support the bill? [LB44 LB564]

DOUGLAS KINDIG: I would say, no, for a couple of reasons, if I may, Senator. In a stagnant growth pattern I would say you can do that because you're not giving up anything to gain anything. But in a growing community like La Vista and Sarpy County, which you represent... [LB44 LB564]

SENATOR SMITH: I'm referring to the state, not La Vista or the local. [LB44 LB564]

DOUGLAS KINDIG: To the state, excuse me. I'm going to go back to what I said before, Senator. My main concern is my local community. I appreciate all the work that you do down here in Lincoln and I will go ahead and let you decide on that issue. [LB44 LB564]

SENATOR SMITH: Okay. But since you brought the local up, then I'll ask you this. Do you see potential for offsetting some of the local tax burden in your communities by receiving these new influx of dollars? [LB44 LB564]

DOUGLAS KINDIG: You know, I've said before in front of this committee that I will never make a promise, because I think you're setting yourself up. My job as a mayor is to make sure that the services are provided to my community in not only an efficient, but also in the best cost effective way possible. We constantly look at all of our programs, all of our departments and where can we save. In a growing community it is harder to lower the tax rate base, but I can assure you that my goal for the last 11 years has been to do that. I'm also a taxpayer. I want to

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pay as least as I possibly can for the best services. So my question would be on that, that is always the goal. [LB44 LB564]

SENATOR SMITH: All right. Well, thank you. Senator Groene. [LB44 LB564]

SENATOR GROENE: Thank you, Mr. Chairman. Are you telling us that your property taxes is three to one sales tax? [LB44 LB564]

DOUGLAS KINDIG: No. It's 39 percent of the general fund. And then sales tax is somewhere...and Senator, I'll get that for you. I'm sorry, that number escapes me a little bit but it's in the high 20 (percent) on sales tax. [LB44 LB564]

SENATOR GROENE: Okay. [LB44 LB564]

DOUGLAS KINDIG: Thirty-nine percent for property. The difference between the 13 percent and the 13 percent number that I gave you for all of our funds, that's because some of that half cent local taxes is... [LB44 LB564]

SENATOR GROENE: The ratio between property taxes and sales tax is what? [LB44 LB564]

DOUGLAS KINDIG: About 39 percent to approximately 28 (percent) and I'll verify that number afterward. [LB44 LB564]

SENATOR GROENE: I'm just curious about that. I think in North Platte it's like one to three. I think in Kearney it's like one to four or five. Sales tax is the major. Is your retail district that small? [LB44 LB564]

DOUGLAS KINDIG: Well, sir, invite you up to my city any time. As you know, I mentioned our 84th Street redevelopment. We lost almost that entire mile when Walmart moved out, so that did hurt drastically. [LB44 LB564]

SENATOR GROENE: Are you losing any of it to another incentive? [LB44 LB564]

DOUGLAS KINDIG: They moved across the border to Papillion. So we are under a major redevelopment for that area now. We were able to bring in...Cabela's is in our city. We just opened up a Costco. But I will mention to you, Senator, since you've asked me, part of the issue that we have with some of our sales tax dollars is Nebraska Advantage. [LB44 LB564]

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SENATOR GROENE: I was going to say, you're losing some of it. [LB44 LB564]

DOUGLAS KINDIG: We're losing a lot to Nebraska Advantage. We've gone months without sales tax receipts. You've heard me say it, that incentives should be investments, so I do believe in incentives. But because of the lack of transparency with Nebraska Advantage, we do have issues budgeting and we have lost sales tax dollars because of that. I'm not speaking out against incentives, but it has hurt our overall (inaudible). [LB44 LB564]

SENATOR GROENE: Do you know--and maybe somebody behind you will answer this--but I...if the on-line retailer has a store in Nebraska, they have to collect sales tax in Nebraska, do they not? Like, is Oriental Trading...that's the one I always remember used be out of Omaha. Don't even know if they exist anymore. But they would have to...and they were one of the original on-line ones. If they sold in Nebraska they have to collect, do they not? [LB44 LB564]

DOUGLAS KINDIG: I don't know the answer to that. OTC is in La Vista...but legal counsel is telling me that they do have to collect in Nebraska. [LB44 LB564]

SENATOR GROENE: So any...well, somebody else can catch that. [LB44 LB564]

DOUGLAS KINDIG: You bet. [LB44 LB564]

SENATOR GROENE: If they have a facility at all in your state I'm assuming you have to. [LB44 LB564]

DOUGLAS KINDIG: Yes. Yes. [LB44 LB564]

SENATOR SMITH: Well, Mayor Kindig, thank you for testimony today. And thank you for what you're doing in the great city of La Vista, which is in the heart of District 14 in Sarpy County. [LB44 LB564]

DOUGLAS KINDIG: Thank you. [LB44 LB564]

SENATOR SMITH: Let me ask, a show of the hands how many people are going to testify either one way or the other on this bill. Okay. For my colleagues, take a look, we have a number of folks wishing to testify, so I'm holding myself accountable to this as well, if we could limit our questions and make certain that they are relevant, I'd appreciate it. Welcome. [LB44 LB564]

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JIM OTTO: (Exhibits 3, 4, 5, 6) Senator Smith and members of the Revenue Committee, my name is Jim Otto, that's J-i-m O-t-t-o, I'm president of the Nebraska Retail Federation and I'm here today to testify in favor on behalf of the Nebraska Retail Federation, both LB44 and LB564. And we thank both Senators Watermeier and McCollister for their introduction. You have received many letters of support from individual retailers, chambers of commerce, downtown associations, and others. We...I actually brought some more besides the ones you've received electronically. But in the interest of time and all of the people that want to testify, we only have two actual retailers testifying today, because many more want to testify and we don't want to keep you here all afternoon. The...I want to especially point out, this...there's a stapled report from MultiState that I would really call all of your attention to. There's been some discussion of what's going on in other states. This report was actually completed this morning and it lists on the second page, the back of the first page, some 17 states, including Nebraska, that have similar legislation going on. So this is going on across the country. I do want to talk a little bit about the voluntary compliance that's going on in South Dakota. As was indicated by both senators, this bill incorporates the South Dakota collection law. And what the state of South Dakota Department of Revenue did was, they sent out letters to over 200 on-line only retailers and told them--as I understand it, I'm paraphrasing my understanding of it--but basically said, you need to comply with South Dakota's law. If you don't think it's constitutional, you don't have to comply. However, if we win in the court argument as it gets appealed all the way to the United States Supreme Court, if the state of South Dakota someday wins, you will owe the sales tax from the date that this bill takes effect. So it is my understanding that over a hundred of those have complied and say they're going to collect voluntarily, because they simply don't want to have to go back and try to make up those sales taxes because they can presently collect them from the purchaser. And I'd like to point out that since we have...this bill actually combines both South Dakota and Colorado, it will probably encourage even more compliance, because while the South Dakota law has a...is being contested constitutionally, the Colorado law has been, at least in the Tenth Circuit, certified to be constitutional because the U.S. Supreme Court is not hearing it, has refused to hear at, at least in the Tenth Circuit. And so we believe that this, as the senator said, that this kind of satisfies any constitutional argument. Also, businesses don't like to rat on their customers, which reporting requires, because you have to tell your customer and the Department of Revenue that you owe the tax. And businesses do not like to rat on their customers, so we think that will encourage more to just collect the tax because then they would not have to do anything else. I did want to answer Senator Friesen's question about the number of 200 transactions and \$25,000 or \$100,000. We have to remember that this just..this only...if anybody is already, as Senator Groene pointed out, if anybody is already in the state of Nebraska, it doesn't...they're already collecting sales tax even if they are very small, from Nebraskans. But anybody outside of the state of Nebraska does not have to collect sales tax if they have no physical location presently. This would say, if you have over 200 transactions, you do. Well, 200...if are selling nationwide and you have over 200 transactions in Nebraska, if you take the percentage of Nebraska's population to the national population, that would equate to

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36,000 national transactions in order to have 200 in Nebraska if you use the same ratio, population of the state versus population of the entire United States of America. That equates to 3,000 transactions a month or 100 a day nationwide in order to have that 200 in Nebraska. And also, the \$25,000 in sales equates to--if you use that same ratio--\$4.5 million in sales nationwide to have \$25,000 of sales in Nebraska. And the \$100,000 benchmark equates to over \$18 million in sales nationwide to have \$100,000 in Nebraska. So we think that it is a small business exemption and it does, in fact, exempt small businesses. Just in conclusion, it is a issue of fairness. The bricks versus clicks; the bricks are collecting, the clicks are not. And what we have right now, I would just summarize is, it's just very similar to telling Mike Riley or Tim Miles that they need to start every game seven points down. And if that were to exist in the sports field, it would be done and it would be fixed in a minute, but we've been putting up with it for decades. The Legislature has a chance to change it. We urge you to do so. Glad to answer any questions. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Otto. Do we have questions from the committee? I see none. Thank you for your testimony. Next proponent. Welcome. [LB44 LB564]

THOMAS WRIGHT: Good afternoon. My name is Thomas, T-h-o-m-a-s, Wright, W-r-i-g-h-t. My wife, Mary, and I for almost 40 years have had Wright's Jewelers here in Lincoln. I, in difference (sic--deference) to some of the people who have spoke so far, I see the Internet problem for the local retailers every day. Every day I'm having people come into my store telling me, I can get this on the Internet. And I'm already...I can be the same price but they're getting, for me here in Lincoln, 7.25 percent less right off the bat. And so why not buy it on the Internet? As an example, the just past Christmas season in our industry it was estimated there was approximately a 15 percent increase in Internet sales and it was estimated that in the next few years it will grow at least by 15 percent a year. It's going to be a growing problem. When we small businesses are gone, who's going to pay for those streets? Who's going to pay the property taxes for your schools? Who's going to pay...those on-line people aren't going to come in here and do that. We have a different situation here. In my instance, a sale is a sale. If they sell it, if I sell it, to be fair, to be fair, they should both pay taxes for our state and communities. I...Senator Brasch mentioned asking about people going from your community to Omaha to purchase. The state sales tax is still being paid. Those same people today are probably looking on the Internet for those same products they cannot get in their community and are in many case buying it. Then nobody is getting any. My daughter-in-law and my son, at Christmastime we said, what do the grandchildren want for Christmas? We got a major e-mail. For the four grandchildren, each one of them, every gift they had was an Internet Web site to order it on-line. My daughter-in-law and my son are both very busy people in business. The convenience is wonderful. They don't have time to go shopping so the Internet is their answer. That's going to continue to grow. And as it grows, our communities and our state will be harmed. Any questions? [LB44 LB564]

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SENATOR SMITH: Thank you, Mr. Wright, for your testimony. Senator Groene. [LB44 LB564]

SENATOR GROENE: You've paid a lot of property taxes. You own your own storefront? [LB44 LB564]

THOMAS WRIGHT: Currently, no. We did and we are now leasing. [LB44 LB564]

SENATOR GROENE: So it's in your lease, your rent. [LB44 LB564]

THOMAS WRIGHT: It's in the lease, yes. [LB44 LB564]

SENATOR GROENE: How about we give you a tax credit of the sales taxes until you break even on your property taxes so you're on the same playing field as the Internet dealers? I'm being sarcastic here. [LB44 LB564]

THOMAS WRIGHT: Yeah. I'm just...my main issue is, treat me fair. My state, I want you to treat me fair and not give them the benefit that I cannot get. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Wright, for being a business owner, a small business owner and investing in the community. How long has your business been around? [LB44 LB564]

THOMAS WRIGHT: I've been a jeweler for 50...over 50 years. My wife's been a jeweler for 44 years. And we've had our own store for 39 years. [LB44 LB564]

SENATOR SMITH: Well, thank you for doing that. [LB44 LB564]

THOMAS WRIGHT: Thank you. [LB44 LB564]

SENATOR SMITH: Thank you for your testimony. Next proponent. Welcome. [LB44 LB564]

ALAN HIRSCHFELD: Thank you for holding this hearing. I'm Alan Hirschfeld, H-i-r-s-c-h-f-e-l-d, I come from the same district that Senator Groene does and it's nice to see you, Senator. I represent a retailer that's been in business for a hundred years, this year. We've dealt with a lot of competitive situations, but never has the generations before me or myself experienced such an unfair playing field. Brick and mortar, on-line sales, I mean most of us retailers are even playing in the on-line field. It's just part of our future. It's part of the state of Nebraska's future. It's part of running the state of Nebraska's business, as far as collecting taxes. It's two things that go on with

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the on-line sales. One of them we haven't talked about today, it's called showrooming. And it's where Senator Groene might come in my store, look at a North Face jacket, take a picture of the tag, and go sit out on the bench in front of my store or go home and order it. And there's not a lot this group can do about showrooming, but it is a reality. We are presenting the merchandise for people to go order on-line. The second thing is, the playing field that everybody else has talked about today is collecting sales tax on on-line sales to make this a fair playing field for brick and mortar. And that's what we're asking you, as the Revenue Committee, to advance to the floor and hopefully get passed. It would be good for the state of Nebraska. And it would be good for our small communities, our retail base. And we very much feel like it's our future. The Internet sales are growing very rapidly. The Internet is just part of all of us and I think the state of Nebraska, as well as our communities, need to collect our fair share and we need to create a fair playing field for our brick and mortar stores. I had this situation happen to me last year at Christmas season, then I'll be quiet and we'll move on. I sell some nice clothes in my store. And I had a customer walking a \$300 North Face jacket up to my cashier station and I'd been helping them all along. Young lady says to me, three or four feet from the cashier's stand, oh, I can order this on-line and save sales tax. And I said, well, I know, but we're here, you like the coat, it fits you, all that kind of stuff. Says...and she's pretty sharp, says, that's 21 bucks this would save me. And she started walking out. I swallowed the 21 bucks in a discount because I wanted to keep the sale. Did I make money on the sale, I don't know for sure, but I wanted to keep that customer. And I said, that's what we're faced with. That's what Tom is faced with in his jewelry store. And that's where this is going. You're putting a double burden on us. One, the state of Nebraska and our communities are not collecting sales tax in that scenario and I am losing the profit or the gross margin to pay my bills and make money in our communities. Anyway, I thank you again for having us here. I appreciate all of you that are serving. I know in our great state, it's not so much you wanting to serve, it's just how much money you make as senators to let you serve (inaudible). I appreciate that very much. I will answer questions. [LB44 LB564]

SENATOR GROENE: Thanks for driving four hours down here. [LB44 LB564]

ALAN HIRSCHFELD: Mine was a little quicker than that, but I... [LB44 LB564]

SENATOR GROENE: But didn't you miss one step in there when you said the show floor?  
[LB44 LB564]

ALAN HIRSCHFELD: Show flooring or floor showing. [LB44 LB564]

SENATOR GROENE: Don't they take it off the rack, try it on, make sure they got the right size? And I'm sure at the jewelry store they get their ring size fitted. The service you offered and then they go out and order it. [LB44 LB564]

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ALAN HIRSCHFELD: You're correct. They pick out the color they like, they size it like you say. In Tom's situation, as a good jeweler, he'll educate them on what's a good stone and what's a bad stone so they order the right one on the Internet. And not intentionally, but that's exactly what's going on. [LB44 LB564]

SENATOR GROENE: So you have costs in service for selling for the Internet company. [LB44 LB564]

ALAN HIRSCHFELD: In my style store and Tom's style store that would be the case. Thank you for bringing that up. [LB44 LB564]

SENATOR GROENE: Yeah. [LB44 LB564]

SENATOR SMITH: Senator Harr. [LB44 LB564]

SENATOR HARR: Thank you, and I'll make this brief. Thank you for bringing us Senator Groene, we enjoy him. But whenever you want him back, you can have him. [LB44 LB564]

SENATOR GROENE: It's the only way they could get me out of town. [LB44 LB564]

ALAN HIRSCHFELD: We were wondering the other day in the coffee shop where he was and we finally figured out he was down here. Thanks for having the session. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Hirschfeld. Thank you for your testimony. [LB44 LB564]

ALAN HIRSCHFELD: All right. Thank you. [LB44 LB564]

SENATOR SMITH: Next proponent. Welcome. [LB44 LB564]

KATHY SIEFKEN: Chairman Smith and members of the committee, my name is Kathy Siefken, K-a-t-h-y S-i-e-f-k-e-n, representing the Nebraska Grocery Industry Association. We are here to support both LB44 and LB564 and we would like to thank Senator Watermeier and Senator McCollister for bringing both bills. In the grocery industry 10 percent to 20 percent, depending on product mix, 10 percent to 20 percent of the items that we sell in grocery stores are taxable items. So Internet sales do directly impact our business. The Internet sales or the Internet purchases are automatic discounts of anywhere from 5.5 percent to 7.5 percent. And we believe that these bills will level the playing field and make it more fair than the current system, because

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this is a tax that is owed and it is an uncollected tax. Both of these bills will allow the state of Nebraska to collect the taxes that are owed. It would help our state. And the final thing that I would like to say is the fact that although Amazon has volunteered to remit sales taxes, they're only 20 percent of the Internet sales. So 80 percent of those taxes will go uncollected, as they are now, if one of these two bills are not passed. So we would encourage you to pass one or the other bill, based on the conclusion that you come to out of committee so that we can move forward in leveling the playing field for all of the retailers in the state of Nebraska. With that, if you have any questions, I'd be happy to answer. [LB44 LB564]

SENATOR SMITH: Thank you, Ms. Siefken. Questions? I see none. Thank you. [LB44 LB564]

KATHY SIEFKEN: Thank you. [LB44 LB564]

SENATOR SMITH: Welcome. [LB44 LB564]

DON HERZ: (Exhibit 7) Good Afternoon, Chairman Smith and members of the Revenue Committee. My name is Don Herz and that's spelled D-o-n, last name is H-e-r-z. I'll be presenting a little bit different perspective. And I'm the interim finance director for the city of Lincoln. I am providing testimony on both LB44 and LB564, which proposes the Remote Seller Sales Tax Collection Act and the Nebraska Main Street Fairness Act. And thank you for the opportunity to testify. The city supports these two bills and we want to thank Senators Watermeier and McCollister for introducing the bills. Here in Lincoln we often hear from our local main street retailers regarding this important issue. It is, in essence, about equity. LB44 will assist the state and local governments in leveling the playing field between local merchants on main street and out-of-state merchants that sell via the Internet, telephone, and catalog mail order. The current system, which requires purchasers to calculate and submit taxes on their on-line purchases, simply is not working effectively. This tax loophole under current law has given remote sellers a significant competitive advantage over our local business and these bills would effectively close that loophole. We estimate that LB44 would increase the city of Lincoln's local option sales tax collection by about \$1.5 million to \$2 million per year. Here in Lincoln that equates to about one cent of property tax levy. The city based this estimate on two things: first, the projected impact of the recent Amazon announcement to voluntarily collect and submit state and local taxes; and second, information in the legislative fiscal note regarding the bill's fiscal impact on the state of Nebraska. Like the state, the city has faced challenging economic times over the last decade or so. During the downturns we delayed maintenance projects, cut staff, and reorganized. At the same time we dealt with restrictions and reductions of different funding streams, including the loss of state aid several years back, which meant about \$1.8 million to the city of Lincoln. To balance our budgets we, too, have had to make some tough choices. We figured out how to do more with less and we ultimately streamlined our operations. And since

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2006, our nonpublic utility employees in Lincoln have been decreased by over 100 employees or approximately seven percent of that portion of our workforce at a time when our population base was growing over 10 percent, so really it was more of a 17 percent impact. In short, local governments have tried to do their part as we collaborate with the state to grow our economy. And now LB44 is particularly important. It will assist the state of Nebraska and communities across the state as we deal with current fiscal shortfalls. It will help cities manage new challenges, including the impending Emerald Ash Borer crisis, which is expected to cost the city of Lincoln over \$30 million over the next 15 years. Ultimately, LB44 will reduce pressure on the property tax, which along with sales tax are the primary revenue streams that fund Lincoln city government. For those reasons, I urge you to support or advance these bills to the full Legislature. And I'm willing to take any questions that you may have. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Herz. Senator Schumacher. [LB44 LB564]

SENATOR SCHUMACHER: Thank you, Chairman Smith. One quick question. You guys have one of those sales tax turnback deals for the arena? [LB44 LB564]

DON HERZ: Yes, we do. [LB44 LB564]

SENATOR SCHUMACHER: Okay. And how are you going to know which sales tax to turn back from the system? [LB44 LB564]

DON HERZ: It's the...the state of Nebraska is actually turning back the state's portion of the sales tax that's collected in the arena and several of the surrounding hotels, so really we would not be in that calculation, but it would be the Department of Revenue. [LB44 LB564]

SENATOR SCHUMACHER: So we'd have to somehow know from the information you garner from here whether or not that order was placed from the area or whether the shipping drop-off point was in that area? [LB44 LB564]

DON HERZ: I really think that the arena or those hotels simply report what their sales tax is to the Department of Revenue and whatever that 5 percent, whatever the state portion is, is the amount that's rebated. So I don't think there would be any complications as a result of the passage of this particular bill. [LB44 LB564]

SENATOR SCHUMACHER: I guess I'll have to think about that some. Thank you for that answer. [LB44 LB564]

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SENATOR SMITH: Senator Friesen. [LB44 LB564]

SENATOR FRIESEN: Thank you, Chairman Smith. Sometimes around here we just sometimes talk to get things on the record, but this is kind of a question but kind of a comment. As a rural person who when I purchase something I expect to pay the 5.5 percent sales tax and I fully understand that and I am totally in favor of these bills. But I just want it known that as I've been forced to come to Lincoln, here I am helping you reduce your property taxes by shopping here and paying your 1.5 percent sales tax plus occupation tax plus whatever the taxes you are. And so I look at it as though there's going to be this problem where sometimes we're going to enter into where I do get charged the 7 percent sales tax even on an Internet sale, because I have a zip code that is in a city that charges 7 percent. I live in the country, but they tend to collect that from me anyhow. That's my problem, I guess. But one of my complaints with the city option sales tax is that I do come do business somewhere and then I have to help them reduce their property taxes while I don't get so much help the other way, so. Thank you. [LB44 LB564]

DON HERZ: I don't disagree with your comments. The only thing I would suggest is if you actually took delivery of that sale item at your location then you would not be paying sales tax to the cities. [LB44 LB564]

SENATOR FRIESEN: I am charged it, but they just tell me I should file for a refund from the state. It's my problem. Thank you. [LB44 LB564]

SENATOR SMITH: Senator Harr. [LB44 LB564]

SENATOR HARR: Thank you. And thank you for coming, Mr. Herz. I guess I want to follow up on Senator Schumacher's question, because I'm not sure I understand what you said. [LB44 LB564]

DON HERZ: As far as the turnback question? [LB44 LB564]

SENATOR HARR: Let me ask the question and then you can answer, and maybe that will help. If I have a condo or apartment that is located...there's a turnback zone around the Pinnacle Bank Arena. Is that correct? [LB44 LB564]

DON HERZ: There's actually not. Not for Lincoln. [LB44 LB564]

SENATOR HARR: Okay. [LB44 LB564]

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DON HERZ: The only turnback in Lincoln occurs within the arena or within the hotels that are within a 440... [LB44 LB564]

SENATOR HARR: And not the retail? [LB44 LB564]

DON HERZ: Not the retail. If there's retail within the arena or in those hotels, then we would see that. That differs from I think maybe a couple of other projects where there's a more global sales tax turnback. [LB44 LB564]

SENATOR HARR: I'll look that up. Okay, thank you. [LB44 LB564]

DON HERZ: Yes. [LB44 LB564]

SENATOR SMITH: All right. Thank you for your testimony. Welcome. [LB44 LB564]

JOHN BONAIUTO: (Exhibit 8) Thank you, Senator Smith. Senator Smith, members of the committee, John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, representing Nebraska Association of School Boards. I'm having a letter passed out from the executive director of the School Boards Association, John Spatz. School boards are supporting both of these bills as part of your broader discussions on tax reform. With that, I'll conclude my testimony. Thank you. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Bonaiuto. Questions? I see none. [LB44 LB564]

JOHN BONAIUTO: I'll try to be more brief. [LB44 LB564]

SENATOR SMITH: Thank you. Next proponent. Welcome. [LB44 LB564]

PAUL BRISENO: (Exhibits 9, 10, 11) Good afternoon, Chairman Smith, Revenue Committee members. My name is Paul Briseno, I'm the assistant city manager for the city of Kearney, Nebraska, here representing the Greater Nebraska Cities as well as the city of Kearney, Nebraska. Last name, Briseno, B-r-i-s-e-n-o. I am also representing the Greater Nebraska Cities' city of Kearney, in support of LB44 and LB564. Within the handouts you'll see letters of support from the Greater Nebraska Cities' city of Kearney, as well as items supporting our position. The Greater Nebraska Cities is comprised of seven communities, including Grand Island, Hastings, Kearney, North Platte, Minden, Lexington, and Holdrege. We do come together quite often to collaborate and ensure the voices of our residents are heard. We represent roughly 147,000 residents within our area. The GNC letter that was handed to you does outline the potential

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positive impact of this legislation. I will note that the Greater Nebraska Cities communities utilize sales tax as a major source of the revenue funds. On average it accounts for 22 percent of their budget, with the exception of two communities: Grand Island, the sales tax accounts for roughly 42 percent of their general funds; and within my city, the city of Kearney, sales tax accounts for 30 percent of our general funds. Kearney's local sales tax provides for services, amenities, and a quality of life that our residents voted for. Kearney's sales tax is 1.5 percent. Of that, 1 percent, it's utilized for property tax relief. And the other half is a special sales tax primarily used for capital projects. The special sales tax, the .5 percent, has been leveraged over the past ten years to provide for roughly \$36.7 million worth of projects. And Kearney, with the 1 percent property tax relief, Kearney has been able to provide the lowest property tax rate across all first-class cities in the state of Nebraska. Now, we wouldn't be able to do this without our local sales tax. Our general fund, once again, the highest revenue is sales tax. It partially funds seven out of every ten employees within our general fund. It provides for the quality of life, including parks, trails, our library, and programs that our residents love. The fund...it also funds the police and fire services that make our community feel safe and also funds the necessary infrastructure improvements that we make every year. However, over the past two years the city of Kearney has seen our sales tax flatline. It's estimated--just using some of the numbers that we've seen--we'd lose right around \$250,000 to \$500,000 a year. This is the equivalent of 2 mils, if not more, every year. With this decrease of sales tax, the city of Kearney has taken whatever measures we can to ensure our vitality in the future. We look for opportunities to be as efficient and effective as possible with the services we provide. We do this every day, regardless of economic conditions. We're educating residents as well as our own employees of the importance of buying local, what it means to our local sales tax and our community. We've hired a retail consultant to give our local businesses insights and strengthen their sales through data and analytics. We've also recruited retailers to complement our existing businesses and make our region stronger. With all that said, we're now to the point we're exploring revenue options, including our lowest property tax rate across the state. And we hope that this will be our last option. The passage of LB44 and LB564 will assist in strengthening local economies of cities across the state. The proposed legislation collects tax that's already owed. It also allows our local businesses to be more competitive with on-line retailers. Without the passage of this legislation, our low property tax rate and quality of life in Kearney will be affected. With that, I'd be more than happy to answer any questions that you may have. [LB44 LB564]

SENATOR SMITH: Thank you for your testimony. Senator Brasch has a question. [LB44 LB564]

SENATOR BRASCH: Thank you very much for your testimony, Mr. Briseno. How much...you stated a percentage that sales tax has dropped, an amount. Can you repeat that, I didn't quite... [LB44 LB564]

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PAUL BRISENO: Yeah, our estimated figure is right on \$250,000 to \$500,000 a year. It's flatlined for the past two years. [LB44 LB564]

SENATOR BRASCH: Okay. And you look like you're a rural area, basically. Farm income has dropped 60 percent. Do you think perhaps that is an influencer also, not just on-line sales? Are you seeing Amazon's drones flying around? [LB44 LB564]

PAUL BRISENO: No. I'm sure it's impacted us as well. But at the same time, those farmers, those ag people also buy on-line as well. So it's hitting us almost twofold, if you will, at times. [LB44 LB564]

SENATOR BRASCH: But I believe the farm purchases have slowed down as with the economy. That's why I was just curious if you're using a dollar amount and I'm using a percentage amount... [LB44 LB564]

PAUL BRISENO: Sure. [LB44 LB564]

SENATOR BRASCH: It would be interesting to see if that correlation ties into that. But...and I do understand the need to make brick and click equitable. So thank you for your testimony. [LB44 LB564]

SENATOR SMITH: Senator Schumacher. [LB44 LB564]

SENATOR SCHUMACHER: Thank you, Senator Smith. Briefly now, Senator Friesen on occasion has raised the point that he did I think today that he's out in the country, outside the city limits when he clicks. And this will be an additional check coming from Lincoln to your area. What if the revenue...in order to make this fair for everybody, if the revenue from this additional tax that these out-of-state Internet companies are now going to be mailing in, instead of going to the cities went to the county that the zip code was in? [LB44 LB564]

PAUL BRISENO: I think that taking the sales tax the Kearney residents voted for to reduce our property taxes is something that probably needs to come back to the local municipalities. Without it, if it continues to decrease we will have to increase our property tax dollars. So in effect what you're doing when you do keep those sales tax, if you would, would be raising the local property taxes at our level. [LB44 LB564]

SENATOR SCHUMACHER: But we go up...we'd send it to the county, so you'd be lowering them there. [LB44 LB564]

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PAUL BRISENO: Our county has about two times higher property tax rate than our municipality, sir. [LB44 LB564]

SENATOR SCHUMACHER: Thank you. [LB44 LB564]

SENATOR SMITH: Senator Friesen. [LB44 LB564]

SENATOR FRIESEN: Thank you, Chairman Smith. Following that logic, though, I mean if you're expecting me--who's living in the rural area--to help you lower your property taxes, it benefits me not at all. I mean, I don't think I ever have shopped on-line in order to avoid paying a sales tax. In fact, I am very much in favor of this tax. But when I look, as a rural resident, and when I in my shopping and through our creating of these regional shopping centers, now suddenly I am the one that is being asked to help lower your property tax rate. And so that's where I think Senator Schumacher was going. If you always put the sale back to the buyer--and that's what we're trying to say, I guess, with Internet sales--you want that tax to be collected, come back to the buyer's home. Then I would say, too, that I want that sales tax when I make a purchase, make it come back to my home and help me out. But I understand that. So I guess when you look at collecting this tax to help lower your property taxes, what justification do you have for collecting it from me to help you lower your property taxes? [LB44 LB564]

PAUL BRISENO: Sure. Other than we are a community that pulls a lot to Kearney because of our medical services, because of our retail, because of our amenities that are going on. Therefore, we have a lot of individuals coming to our community for other services utilizing our infrastructure. We have so many different services we provide to not only our residents, but also people out in the county and outside of our county. Senior Center is a great example. A large majority of those...not a large majority, a large portion of those folks do come from outside our city, but they pay the same rate when they do come for food and services and what have you. But that's just part of the reciprocity that I would say we give. We also help our neighbors as much as possible. City of Minden, we do provide building inspections for that community. We recognize that in order for Kearney to succeed, so do those rural areas around us. And we need to do whatever we can to help them out. [LB44 LB564]

SENATOR FRIESEN: You have seen the study that Bruce Johnson has done on the pull factor of cities? And...there's numerous cities in the state that they have a negative pull factor. And actually when they put on a sales tax they're just taxing their own citizens more. You know, and I think Kearney probably has a positive pull factor, Grand Island does, Lincoln, but almost every other small community out there--even though they have a 1.5 percent sales tax--they actually have a negative pull factor. Are you familiar with that study at all? [LB44 LB564]

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PAUL BRISENO: I haven't read it in depth. I do know that Kearney has a pull factor of right about 1.7, 1.8. [LB44 LB564]

SENATOR FRIESEN: Yeah. Numerous communities are on the negative on that .8 and so, basically, it's just a tax on their citizens, but thank you. [LB44 LB564]

SENATOR SMITH: Seeing no further questions, thank you for your testimony. [LB44 LB564]

PAUL BRISENO: Thank you. [LB44 LB564]

SENATOR SMITH: Next proponent. Welcome. [LB44 LB564]

JOHNATHAN HLADIK: (Exhibit 12) Good afternoon, Chairman Smith and members of the committee. I am Johnathan Hladik, it's J-o-h-n-a-t-h-a-n H-l-a-d-i-k, and I'm testifying on behalf of the Center for Rural Affairs and have been watching with deep interest at all these rural questions. So thank you for those of you with that interest. We feel the most effective and desirable economic development strategy for many rural communities is small entrepreneurship. This is development based on locally owned and owner-operated small businesses. In Nebraska's farm and ranch counties, which many of you represent, over 70 percent of the net job growth is coming from people creating their own jobs and current law undermines the success of these businesses by favoring on-line retailers. And because of this, we ask that the committee advance both of these bills or either of them, as the case may be. I wanted to...there's a handout with a couple graphics. And the first one pertains to U.S. Census Bureau Department of Commerce numbers. And I haven't heard a lot of discussion about the actual numbers, but this shows that total on-line retail sales in the third quarter of 2016 reached \$101.3 billion and this an increase of 4 percent from the second quarter of 2016. Total retail sales increased over 2 percent from that same period in 2015 and this is where the graphic comes in. The graphic demonstrates this increase has been in place steadily since 2006, which is intuitive. This shows that on-line retail sales grew from approximately 2.5 percent to 8.5 percent during that ten-year period. Moving onto the rural economy, it's clear to us that that advantage can make it difficult for local enterprises to compete. Small businesses are especially important today, as opportunities to attract large employers to remote rural areas have diminished. And in Nebraska, microenterprises primarily have filled this gap. As demonstrated in the second graphic, Nebraska is home to over 145,000 microbusinesses--and this is 86 percent of all businesses in the state--and of these, over 74 percent report that microbusiness is the sole source of income for that earner or that earner's family. They employ community members as well. Over 24 percent of Nebraskans are employed by a microbusiness. And you can see if you have a color copier, which I hope you do, you can see the way this map is overlaid with...the darker colors are those counties with a higher proportion of microbusinesses relative to regular businesses. One small recommendation for

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modification is the fee schedule in Section 5. We notice that in subsection (2) this requires that the remote seller pay a penalty of ten dollars for each instance in which the seller fails to notify the purchaser of the total amount purchased in that calendar year. And subsection (3) requires that a remote seller pay a penalty of ten dollars again for each instance in which the seller fails to file an annual statement for each purchaser showing the total amount paid during the calendar year. I was not involved in drafting this bill and one can assume that maybe that these were the exact requirements taken from the other states that we looked at. But in reading that, the ten dollar amount seemed arbitrary and we thought a better approach would be to assess fees based on the amount of the total purchase. So in subsection (2), the failure to comply could result in the remote seller being assessed a fee based on the percentage of the total amount purchased in that calendar year. And then similarly, in subsection (3) the seller should be assessed a fee based on a percentage of the total amount paid by the purchaser in the preceding calendar year. The impact of this, we felt, is...result in fees that are proportionate to the severity of the violation, which would more effectively deter noncompliance. That's especially true in cases where large items or large purchases may justify it. And it's also likely that these modifications would result in a greater amount of tax relief, which is of interest to a lot of us here in this room. To conclude, we know that nurturing locally owned businesses puts the economic future of the community in the hands of its own members that build strong local leadership and strong communities, as we've heard many say today in this room. And eliminating loopholes that benefit on-line retailers which we have now gives these businesses and the communities they depend on the best opportunity to thrive. Thank you. I'm happy to answer any questions if you have them. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Hladik. Questions from the committee? I see none. [LB44 LB564]

JOHNATHAN HLADIK: Thank you. [LB44 LB564]

SENATOR SMITH: Oh, I'm sorry. Senator Groene has a question for you. [LB44 LB564]

SENATOR GROENE: Thank you. Does the...thank you, Chairman. Does the \$101.3 billion, is that just hardware or is that downloads of books, games, software? [LB44 LB564]

JOHNATHAN HLADIK: That's a fair question. The Census Bureau puts that in a category of just retail sales, so I'm not sure if that's just clothes, actual hardware, etcetera or if that would count software. I'm not sure how they classify retail. I would assume it's just actual goods, retail goods. [LB44 LB564]

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SENATOR GROENE: Why wouldn't you tax somebody downloading a book on their Kindle? Why wouldn't we tax somebody downloading games on their phone? I mean, that's a sale. Would you agree? [LB44 LB564]

JOHNATHAN HLADIK: Yeah, I don't have strong feelings either way on that. I think if those goods were produced here in Nebraska, then they would. It just happened that the Census Bureau was tracking retail sales and so that's just what I used. [LB44 LB564]

SENATOR GROENE: What do you mean by produced in Nebraska? You mean available in Nebraska? [LB44 LB564]

JOHNATHAN HLADIK: Well, if there is a Nebraska business producing these goods and then selling it on-line... [LB44 LB564]

SENATOR GROENE: Why would that make a difference? [LB44 LB564]

JOHNATHAN HLADIK: ...or maybe if a Nebraskan was purchasing from a different state, then I think it would fall under the same rule-reg. But I'm not sure how far this bill goes or whether the Census Bureau had that in mind. [LB44 LB564]

SENATOR GROENE: Thank you. [LB44 LB564]

SENATOR SMITH: Very good. Thank you for your testimony. Next proponent. Welcome. [LB44 LB564]

TODD REED: Good afternoon, Senator Smith and members of the committee. My name is Todd Reed, T-o-d-d R-e-e-d, I'm here testifying on behalf of Nebraska Farm Bureau in favor of LB44 and LB546 that will require remote sellers to collect and remit sales tax. I want to thank Senator Watermeier and Senator McCollister as well for introducing these bills. From 2007 to 2016, total property taxes levied on an annual average rate, total property taxes levied through at an annual rate of 4.81 percent per year. Over a comparable period, state General Fund reserves of income, sales, and miscellaneous tax receipts averaged half that growth of around 2.5 percent. Property taxes have no doubt taken on a greater role in supporting state and local government services. Nebraska Farm Bureau supports taxing remote sellers as a means of providing property tax relief and more fairness for our main street businesses. As has been stated here many times today so far, Nebraska law currently provides that the federal government acts to allow states to collect sales tax from on-line retailers, the revenue generated would go to the Property Tax Credit Fund. When that language passed, it was generally thought that federal action was the only vehicle to

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begin forcing on-line retailers without a physical presence in Nebraska to collect and remit sales tax, just like businesses located in the state. Now that states are taking matters into their own hands, as we've seen with South Dakota and Colorado as mentioned many times today, we believe it only makes sense and is consistent with the intent of the Legislature to send revenue generated through LB44 or similar legislations to the Property Tax Credit Fund. For many years Nebraska Farm Bureau policy had reflected the notion of broadening the tax base in an effort to ensure all taxpayers, not just property owners, have a vested interest or "skin in the game" when it comes to paying for state priorities. With a billion dollar tax imbalance in the state, I'm sure you're all very aware of that, and property taxes pay for close to 50 percent of our state and local priorities. Ag stakeholders are asking the Legislature for \$600 million to bring the property tax leg of a three-legged stool of property tax, income, and sales closer down to 40 percent. We are not asking for the state to correct this imbalance overnight. We're willing to work with this committee and policymakers to find workable solutions. We believe LB44 and efforts to bring more sales tax to the table solely as a mean of offsetting property taxes is a fair and reasonable place to start. Thank you very much. I'll entertain any questions you may have. [LB44 LB564]

SENATOR SMITH: Senator Harr. [LB44 LB564]

SENATOR HARR: Thank you, Chairman Smith. You said you're asking for \$600 million? [LB44 LB564]

TODD REED: Of the total of the reduction of...excuse me, make sure I have the right (inaudible). So the...to rebalance the three-legged stool between property, sales, and income tax. To get it down to where it's more...instead of property taxes paying around 48 percent of that three-legged stool, to get it down to 40 percent. [LB44 LB564]

SENATOR HARR: So you want to shift \$600 million from sales and income or from property tax to sales and income? [LB44 LB564]

TODD REED: It's a rebalancing. It's a matter of taxes have been...property taxes...the overall tax base have been shifted to property taxes over time. And it's a matter of rebalancing it back to where it's more equitable between the three. Property taxes will still be paying a big chunk of it at 40 percent, but it's more quote unquote fair than having it be close to half. [LB44 LB564]

SENATOR HARR: Okay. And maybe I didn't ask this very well. So you want to shift \$6 million (sic: \$600 million) from...the current property taxpayers are currently paying to sales and income tax. Is that correct? [LB44 LB564]

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TODD REED: Somewhere it's got to come off the base to get the overall tax dollars to come from to get that...to somewhere get the total balance back in place, back in that leg, yes. [LB44 LB564]

SENATOR HARR: \$600 million? [LB44 LB564]

TODD REED: Instead of the...I don't have the exact numbers in front of me and what the numbers are today, but that's what we're asking, to bring it back to balance that leg of the stool, yes. [LB44 LB564]

SENATOR HARR: And I think we'll have a chance to talk about that more later. I don't want to do it on a Friday afternoon, but thank you. [LB44 LB564]

TODD REED: It's not a short discussion, that's for sure. [LB44 LB564]

SENATOR HARR: But I appreciate you coming here today and the work that you and the Farm Bureau do do. [LB44 LB564]

TODD REED: Thank you. We wish to thank you for your work, as well, Senator Harr. [LB44 LB564]

SENATOR SMITH: Can you just tell me very briefly, what is your basis for saying that there must be a balance between the three legs or whether there should be three legs on our stool or whether there should be four legs or two legs or whatever? Explain the stool (inaudible) to me. [LB44 LB564]

TODD REED: Well, the two-legged stool doesn't very well. The two-legged stool doesn't work very well to stand up on. The idea was when the balance was already set up originally between the three, they used a third and a third and a third between property, income, and sales tax. And over time, that shifted much more to property taxes for a variety of reasons that would take a long time to discuss here today. And we would like to see more of a reliance back on the three, three, and three where all those involved in the state priority see that balance back in place. [LB44 LB564]

SENATOR SMITH: So there was a determination that there would be a balance three ways? At what point was that and what was that (inaudible)... [LB44 LB564]

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TODD REED: What I understand, when it was originally--this is before my time--back when that was originally...the tax base was originally set up--and I don't know or recall the time frame--but from what...my understanding of it, that was the idea that the three be balanced equally between them. Originally when it was set up, that's how the three be balanced out. And I can't cite certain bills. I can't cite a certain time frame. But from what I've studied and gathered, that's the way it was set up originally. [LB44 LB564]

SENATOR SMITH: Okay. Thank you, Mr. Reed. Appreciate your testimony. Next proponent of LB44 and LB564. [LB44 LB564]

MARK ZIMMERER: Chairman Smith, Revenue Committee members, thank you for allowing me to testify here today. I am Mark Zimmerer, Z-i-m-m-e-r-e-r, president and CEO of the Norfolk Area Chamber of Commerce, proudly representing 656 of my members. Many of those are small brick and mortar retailers and I am their voice to encourage your support of LB44 and LB564. I'm sure you noticed a letter from our chamber in support of these two bills. However, I knew this was an important enough issue that I should be here in person, so the two-hour drive was nice. I'll keep my testimony brief, as you'll have additional information in my support letter. The Norfolk Area Chamber stands with partners, the Nebraska Retail Federation, local municipalities, and retail storefronts across our state in support of these two bills. The enacting of these bills will provide Nebraska businesses the fairness that they have been without for too long. We believe all retailers should follow the same rules regardless of whether they're on-line or on the main street. We encourage a true free market by ensuring the government is not in the business of picking winners and losers. It is our local brick and mortar stores that bring people to our communities. These visitors buy our cars, they purchase our goods, and they utilize our services. And it's the same brick and mortar stores that support our local chambers of commerce, our local United Ways, and any other worthy request they receive on a daily basis. These are the things that are good about our local businesses and the owners that own them. They deserve better. After all, when was the last time Amazon or Overstock gave back to your community? As a Nebraska business organization, we wish to see the support of these legislative bills. And we thank you for your willingness to try. And I'd be willing to answer any questions. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Zimmerer. Do we have questions? I see none. Thank you. [LB44 LB564]

MARK ZIMMERER: Thank you. [LB44 LB564]

SENATOR SMITH: Welcome. [LB44 LB564]

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JOHN HANSEN: 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 Nebraska Farmers Union and appear before the committee today in support of both of these bills, LB44 and LB564. I think most of the arguments have been made. And to wander dangerously into unplowed ground, I would say that this is...the public policy has been made. The law has been passed and the hope was that the honor system would work. Well, the honor system has about a 20 percent track record here. So the honor and the rest of the enforcement just isn't there, so this is really an enforcement issue as far as we're concerned. And there's an obvious fairness part to it, but from our perspective we ought to be, whether you're an in-state or out-of-state retailer in our state, if you're going to do business in our state, you ought to comply with the law. And so from our view, we ought to start at dollar one. We ought not have a \$25K or \$100K threshold so you get to break the law up to that point or you ought to from dollar one. If it's sold, it ought to be collected. And so if you're sophisticated enough to be able to market on-line, you ought to be sophisticated enough to be able to collect the tax. That's the cost of doing business. And so the tax is owed. That's not the question. So then how do you collect it? Well, from my vantage point as someone who also orders Lands End stuff and other things on-line, is that the point of sale is the point of leverage. If you don't pay the tax, you don't get the product. And if you're going to market, you ought to include that cost of doing business in our state in the bill. And at that point, we don't have to keep track of who bought what where and when. I don't think there's very many of us that are busy...maybe there's other folks better than me, but I don't remember everything I bought on-line during the course of the year. But the point of leverage is the point of sale and that's when it ought to be collected. And so from our standpoint, whichever bill you go forward with, I think that those two considerations ought to be considered because this really, when you get down to it, is an enforcement of what is already the law. There's one other point I'd make. And that is that it's my understanding, based on folks smarter than me, that as a farmer if I use my nine-digit zip code I won't get drug into a local sales tax, even though I might share the same sales taxes as the burgeoning metropolis of Newman Grove, should they put a sales tax on. But if I live in the country I wouldn't pay that tax. So I think that that may be...is maybe a part of what the remedy is for Senator Friesen's shared frustration. And with that, I would end my testimony and answer any questions if I could. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Hansen. I see no questions from the committee. Thank you for your testimony. [LB44 LB564]

JOHN HANSEN: Thank you very much. [LB44 LB564]

SENATOR SMITH: Welcome. [LB44 LB564]

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RANDY GATES: (Exhibits 13, 14) Afternoon. I'm Randy Gates, R-a-n-d-y G-a-t-e-s, finance officer with the city of Norfolk. I'm not going to cover everything that I had in my testimony, because most of it's been well covered before. I just want to highlight what impact this would have on the city of Norfolk. I'm also having letters from the mayor and myself handed out to the committee in support of both of these bills. Norfolk sales tax has been relatively flat since 2000. It was about the time on-line sales really took off. People got comfortable going on-line, making purchases, giving their credit card information out over the phone. We were growing about 8 percent annually on a regular basis with sales tax prior to that. There was an economic downturn about then and we thought that was a really temporary decrease in our sales tax growth, but it's stayed relatively low ever since then. And part of it, I believe, is due to on-line sales. We estimate that if we were capturing all of the city of Norfolk's sales tax on on-line sales it would be \$400,000 to \$500,000 annually. We have a 2 percent sales tax rate. Senator Friesen mentioned a pull factor. Norfolk's pull factor is 1.9. So we're losing much more than that because people are buying on-line, because about half the people that would have come to Norfolk to buy those goods before live outside of Norfolk, have the address outside Norfolk, and they're never going to pay Norfolk sales tax when they buy on-line, even if this bill goes into effect. So we estimate we're losing somewhere around \$800,000 annually; at best, we'll get back about half that because of our (inaudible) pull factor. To put that into terms of property tax, we would need about a 3.8 cent property tax levy to make up \$500,000 lost to remote sales or \$38 on a \$100,000 home. A lot has changed since 1992 when the Supreme Court passed...well, when they said that you cannot tax without a physical presence in the state in 1992, it probably was an onerous burden on those remote sellers to ask them to collect sales tax from all 50 states. I don't believe it's an onerous burden anymore. Technology has greatly streamlined that. Speaking of streamlining, Nebraska belonging to the Streamlined Sales and Use Tax Agreement, we've done our part to make it simple for the remote sellers to collect our sales tax. It is no longer onerous and we should kill Quill. Nebraska can do their part to help kill Quill by passing one of these bills and I think it's long overdue that Quill be reversed. Unfortunately, we can't do that, but we can do our part by passing one of these bills. I'd be glad to answer any questions. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Gates. Senator Groene. [LB44 LB564]

SENATOR GROENE: A quick one. I'm old enough and you look like you are too, remember the mail order? [LB44 LB564]

RANDY GATES: Yes, I do. [LB44 LB564]

SENATOR GROENE: Sears Roebuck, now it's Internet sales. Mail order, at that time did you pay sales tax when you mail ordered something via Sears Roebuck? They're a victim. They were the ones (inaudible)... [LB44 LB564]

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RANDY GATES: Sears Roebuck you probably did, because they had a physical presence in the state. But if you ordered from somebody that did not have physical presence in the state, I do not believe you paid sales tax. [LB44 LB564]

SENATOR GROENE: Prior to 1992? [LB44 LB564]

RANDY GATES: Prior to 1992? I don't know for sure the answer. Legal counsel is saying, no. [LB44 LB564]

SENATOR GROENE: Thank you. [LB44 LB564]

SENATOR SMITH: I see no additional questions. Thank you, Mr. Gates, for your testimony. Welcome. [LB44 LB564]

RON SEDLACEK: (Exhibit 15) Thank you, Chairman Smith and members of the Revenue Committee. For the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k. I'm here today on behalf of the Nebraska Chamber of Commerce and Industry, also authorized to combine testimony to save time for you, with the Lincoln Chamber of Commerce in support of both legislative bills. We see these as appropriate regulatory structure to assist compliance by taxpayers to pay taxes due. And that's really the end of my formal testimony. We support the bills. Senator Groene, the definition of remote seller under both bills is similar, so the sale of tangible property as well as products delivered electronically as well as services. So that is all covered. [LB44 LB564]

SENATOR GROENE: So electronic games and books? [LB44 LB564]

RON SEDLACEK: Correct. [LB44 LB564]

SENATOR GROENE: But I seen you shaking your head about mail order back in the '60s. [LB44 LB564]

RON SEDLACEK: Well, there were a number of cases before Quill. And although there were some nuances and Quill was the definitive answer, if you were still an out-of-state seller and there was an attempt to collect and it was litigated, then there were past Supreme Court cases that said, no, you don't have to collect if you didn't have nexus, if you were...so. [LB44 LB564]

SENATOR GROENE: Thank you. [LB44 LB564]

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SENATOR SMITH: Additional questions? I see none. Thank you, Mr. Sedlacek. Welcome.  
[LB44 LB564]

LYNN REX: (Exhibits 16, 17, 18) Thank you. Senator Smith, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. First and foremost, I'm not going to repeat the important information that's already been presented to you by retailers who've outlined the inequities that are now currently happening to them. My mission this afternoon is to basically give you an overview of the property tax issues affecting municipalities across the state. With that, what's being handed out is a series of cuts of what you know as state aid to municipalities. And you know we don't have that anymore and I want to talk to you about the background to that. But it's a list of documents with all of those A cuts which began with \$17.9 million and then was reduced and eliminated with passage of LB383 in 2011. But I do want to talk to you about the genesis for what constitutes state aid, because I think there's been a lot of miscommunication about that over the years. Secondly, I would like to also underscore the fact that when we're dealing with these kinds of issues it's important to understand that when you live within the corporate limits of a municipality, you pay county sales tax. So when you're living in the city of Lincoln--and I know all of you know this--but those that may be listening, please know that when you're living within the corporate limits of a city you're paying county sales. You're helping to pay for county roads, you're helping to pay for those services that the county provides. In addition, I would just like to underscore the fact that this Legislature has commissioned two different studies of which I'm aware, certainly the Syracuse study, I believe, 1996. Pardon me? Nineteen eighty-seven? Sorry. And then also the Tax Modernization Study when Senator Hadley was Chair of this committee. And during that time, you may note that both studies talked about the fact that the Nebraska Legislature should do to reduce property taxes what has been done in other states, and that is to provide more money in state aid to local governments. And, in fact, in the last study that was done they emphasized that what they talked about in Syracuse never happened. In fact, the Legislature did just the reverse in eliminating state aid. So with that, I would just like to have your attention for a moment to talk to you about a quick overview. What you have here is a listing in your handouts of 222 municipalities in the state of Nebraska, 222 out of 529 municipalities that have local option sales tax. It is the single most important way in which municipalities have been able to provide property tax relief in the state of Nebraska. The reason for that is because of the next phase of my presentation, which is to talk about the tax base and basically how our tax base has been eroded over a period of years and significantly eroded. And again, you also have a handout outlining those cuts. If you go back to 1967, that's when the Legislature enacted, basically, exemptions for household goods and intangibles. And by the way, I'm not suggesting these exemptions were not legitimate, I'm just simply suggesting that local governments were not reimbursed for the tax base lost. The Legislature put in place a \$12.6 million governmental subdivision fund that was woefully inadequate to reimburse our schools, counties, and others for the lost tax base of the exemption of households and intangibles. In 1972, the Legislature passed

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LB1241. LB1241 put in place the first five-eighths of an exemption for livestock, farm equipment, and business inventory. In 1977, the Legislature passed LB518. That exempted the remaining three-eighths, for the total elimination of taxation of property tax on livestock, farm equipment, business inventory. When that took effect local governments in the state of Nebraska lost \$250 million, not in valuation, in actual dollars that would have gone to taxpayers. At that time, I was much younger and was a Junior Woodchuck law clerk at the League of Nebraska Municipalities. I was allowed to sit in on meetings and just take notes. And I can assure you that the new car dealers, the farm organizations, all these groups said, don't worry, cities, counties, schools, NRDs, we are going to have a dollar-for-dollar tax shift so that there will be...pardon me, dollar-for-dollar reimbursement so there will not be a tax shift to residential homeowners. That won't happen. We're going to give you dollar for dollar. The \$250 million, Governor Exon then said, we can't afford that. We're going to cap it at \$70 (million) and the municipal share of that was \$17.9 million. The handout shows you all of the cuts that happened along the way. But over time what occurred is that when the Legislature put in place a personal property tax relief fund--which was the combination of the 1967 Governmental Subdivision Fund plus the Personal Property Tax Relief Fund from the exemption of livestock, farm equipment, and business inventory--the Nebraska Supreme Court three times said, sorry, Legislature, unconstitutional because you didn't have an indicator so we could see how there was growth and change in the valuations. Consequently, a frozen class. It's unconstitutional. At that point, now down where the Revenue Committee Chair sits, where Senator Smith is, that used to be John DeCamp's office. And at that time what he said was, you know, I've had enough of the Nebraska Supreme Court. We're going to call it state aid. That's how the terminology came about. So I know my red light is on, but just let me close by saying that I think by some senators there's been a perception over the years that state aid was just extra money the state of Nebraska had that they would distribute back to local governments. Local governments have had their property tax base dramatically eroded and that has provided a tremendous shift. You can't take a base that's like this and narrow it down to this and think you're not going to have a shift. And, again, we've had two commissioned tax studies commissioned by the Nebraska Legislature saying if you want to address that, you need to give more aid to local governments. That has not happened. And so this is an opportunity with this type of on-line sales tax to try to help compensate for that. And, in addition, we cannot thank you enough for those of you that voted for LB610 in 2015, which increased the gas tax--which is a user fee--6 cents over a period of four years. And as a reminder, Iowa did it 6 cents in one day; South Dakota did it 10 cents in one day. LB610 was important then. It's even more important now, because local governments lost \$14.7 million because of our tie in to the wholesale price of gas. And that has been critically important in helping to offset that loss. So we can't thank you enough for that. So my mission today was just to outline some of the issues involving and impacting local governments in the state of Nebraska and specifically municipalities. I appreciate your time this afternoon. [LB44 LB564]

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SENATOR SMITH: Thank you, Ms. Rex. Do we have questions for Ms. Rex? I see no questions. [LB44 LB564]

LYNN REX: Obviously, we strongly support both measures and I should have started with that. And we really appreciate Senator Watermeier, Senator McCollister working on this and the great work of the Nebraska Retail Association and so many others in this room, including senators and your staff. Thank you very much. [LB44 LB564]

SENATOR SMITH: Thank you for the information. Thank you, Ms. Rex. Next proponent. Welcome. [LB44 LB564]

JESSIE HERRMANN: Good afternoon, members of the Revenue Committee. My name is Jessie Herrmann, J-e-s-s-i-e H-e-r-r-m-a-n-n. I'm testifying today on behalf of Nebraska Cattlemen in favor of LB44 and LB564. I'll go ahead and skip some of my testimony to save time. Currently, consumers are required by law to remit use taxes to their taxing jurisdiction for the use of the product purchased, but as we all know compliance with this requirement is quite low. The on-demand economy is revolutionizing consumer behavior. And as we shift to an e-commerce dominated marketplace, we must ensure our sales tax base isn't eroded. Nebraska has patiently waited for federal action to allow states to reach beyond their borders and compel out-of-state Internet retailers to collect sales tax owed by state residents and businesses. Unfortunately, Congress hasn't acted and appears unwilling to do so in the near future. Nebraska must now follow the lead of other states and act on its own. Nebraska Cattlemen supports both these bills as a necessary step to transition our sales tax base to the new economy and help reduce the overall property tax burden for all Nebraskans. Thank you. [LB44 LB564]

SENATOR SMITH: Thank you, Ms. Herrmann. Questions from the committee? I see none. [LB44 LB564]

JESSIE HERRMANN: Thanks. [LB44 LB564]

SENATOR SMITH: Thank you. [LB44 LB564]

SENATOR SMITH: Welcome. [LB44 LB564]

RENEE FRY: (Exhibit 19) Thank you. Good afternoon, Senator Smith and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. I'm going to be very brief as the comments I wanted to make today have already been made. We do see these bills as a way to enforce our tax code and I really just

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wanted to get this handout in front of you. It has been mentioned that Internet sales tax has been growing on average over 15 percent per year. You can see that trajectory we're on. And our sales tax base will continue to narrow unless we improve the enforcement of collecting our Internet sales tax, as these bills would do. And with that, I'd be happy to answer questions. [LB44 LB564]

SENATOR SMITH: Thank you, Ms. Fry. Do we have questions for Ms. Fry? I see none. Thank you. [LB44 LB564]

RENEE FRY: Thank you. [LB44 LB564]

SENATOR SMITH: Welcome. [LB44 LB564]

COBY MACH: Thank you. Good afternoon. My name is Coby Mach, C-o-b-y M-a-c-h. I am the president of the Lincoln Independent Business Association. I will spare you five minutes of testimony. I will share with you that we are an organization that typically fights for low taxes, so this is a little unusual for me today but we are here to support both of these bills. I will share with you very quickly that I have the privilege every day of meeting with business owners, small business owners throughout our city. And I do frequently hear stories of almost customers. That's what they called them, almost customers that walk through the door, they try on something...the latest two stories have been youth sports gear and shoes. Apparently shoes, it's pretty popular. With the brand, the size, you know what fits, and then they tell them, they actually say to the salesperson, well, thank you for your help. I appreciate it. I'm going to go buy it on-line so I can avoid paying the sales tax. So it really does happen. We believe these bills are worth your effort. And thank you for your time. [LB44 LB564]

SENATOR SMITH: Thank you, Mr. Mach, appreciate your testimony. Have any questions? So let me, if I may, ask you a question here. So I know it is a bit uncomfortable for you to be in that position today where you're advocating for this and so it helps me with my process and my thinking. So you do not see this as a tax increase? [LB44 LB564]

COBY MACH: We see this as leveling the playing field for the business owners that are here in our cities and in our state. [LB44 LB564]

SENATOR SMITH: Would you...would it be easier...so you support it now, but would you support it more if it were to offset other tax burden in our state? [LB44 LB564]

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COBY MACH: We are not here supporting this because it's going to add revenue to the state or revenue to our cities. We are here to support this because it creates more of a level playing field for our business owners that, quite frankly, are providing quality jobs in our community, that are providing employment base, and the list goes on. Without this, we see business leaving our state. And so what you decide to do with the money or the revenue, we'll leave that to this committee. [LB44 LB564]

SENATOR SMITH: All right. Well, I do appreciate your voice on behalf of businesses in our state and those retailers. So thank you for your testimony. Any other questions? Senator Groene. [LB44 LB564]

SENATOR GROENE: Isn't there another issue here where if I want something today, a lot of things I can't get today. We're going backwards, because a local business don't carry it anymore, because they'll tell you to order it on-line. Have you seen some businesses disappear? Stores are disappearing. Record stores are disappearing. Music stores are disappearing. The free market...isn't this because one industry has an advantage disrupting the marketplace? [LB44 LB564]

COBY MACH: I can't say that any business owner has told me they closed their doors. In other words, I haven't had that story shared with me personally, so I can't say that. But I do...even visiting with a liquor store where someone comes in and they'll buy a bottle of wine, now I have the brand, I know what vintage, what year it is and they will go...they'll tell them, I went on-line and bought a case because I could avoid paying the sales tax. So we're seeing business, business in quotes, leaving our state because you don't have to always pay a sales tax if you buy it on-line. [LB44 LB564]

SENATOR GROENE: Thank you. [LB44 LB564]

SENATOR SMITH: Thank you again for your testimony today, Mr. Mach. [LB44 LB564]

COBY MACH: Thank you. [LB44 LB564]

SENATOR SMITH: (Exhibits 20-58) Any remaining proponents of LB44 or LB564? All right. Before we move to opponents, I have a number of proponents to read into the record. This is almost like a high school graduation list, so you're going to have to bear with me but my legal counsel tells me I just read every one in. So we have Richard McIntosh, McIntosh Jewelry; Erika Godfrey, Hawthorne Jewelry; Jeanne Lillich from JML Jewelry Appraisals; Nathan Schneider, city of McCook; Kevin Hafer from Eakes Office Solutions; Sandy Faber, Eakes Office Solutions;

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Dan Eakes, Eakes Office Solutions; Bill Longnecker from Longecker Jewelry; Lance Hedquist, city of South Sioux City; Michael Phillips, North Platte Downtown Association; Marilyn Roth, D&S Hardware; Jeff Warren, Warren Garage Door; Bob Elder, The Sports Shoppe; Ron Romero, Schaefer's; Gary Person, North Platte Area Chamber and Development; Mark Zimmerer, Norfolk Area Chamber of Commerce; Linda Taylor, Video Kingdom Electronics; Jamie Mockry, Keystone Floral and McCook Area Chamber of Commerce; Troy Weyhrich from Renegade Stores LLC; Cassie Condon, DP Management, LLC; Todd Pospisil, Flooring Solutions; Agri-City Insurance; Russell Miller, Lincoln, Nebraska; Thomas Wright, Wright's Jewelers; K.C. Belitz, Columbus Area Chamber of Commerce; Joni Cover, Nebraska Pharmacists Association; Jason Hayes, Nebraska State Education Association; Larry Gilinsky from Bergman Jewelers; David Brown, Greater Omaha Chamber; and Mick Mines, Nebraska Corn Growers Association. We now move to opponents, those wishing to testify in opposition for either LB44 or LB564. Opponents. Okay, very good. We now move to...there's no opponents. I do have four letters to read into the record in opposition: We have Joanie Deutsch from TechNet; Robert Callahan from Internet Association; Tom Schatz from Council for Citizens Against Government Waste; and Matt Litt representing Americans for Prosperity. Anyone wishing to testify in a neutral capacity, neutral capacity on either bill? Very good. We now know that Senator McCollister passed a note to me saying he would...oh, Senator McCollister, would you like to close? And then we'll go to Senator Watermeier. I'm sorry. I thought you had waived closing, sorry. [LB44 LB564]

SENATOR MCCOLLISTER: Thank you, Chairman Smith. I welcome the chance to come back. Just a couple of observations. First off, the threshold in my bill was \$25,000 and the threshold in Senator Watermeier's bill was \$100,000. However, the fiscal note was the same amount. So I would suggest there's probably some refinements that need to be made to give us a more precise number on what those two bills would generate. Secondly, my particular bill gave taxpayers a chance to remit their money owed through their income tax, which I think is going to be a better solution. Those forms that are used for remitting sales tax, confusing. Different jurisdictions, you have to know all of that, so I think the income tax feature would be a welcome addition in the bill. So unless there's any questions, that's all that I have. [LB44 LB564]

SENATOR SMITH: Thank you, Senator McCollister. We have any remaining questions for Senator McCollister? I see none. Thank you, Senator McCollister, for your introduction of LB564 and for that closing. Senator Watermeier, to close on LB44. [LB44 LB564]

SENATOR WATERMEIER: Thank you, Chairman Smith, I appreciate that. I wouldn't get into too much detail between the two bills, but Senator McCollister is correct, he's got a provision in his bill that would direct it...but it's already in statute that you can submit your sales tax on the current form that we have on our Nebraska state income tax. I didn't get into where we ought to earmark these funds. I wanted that conversation directly where it should be, in the Revenue Committee. I respect you guys. We had a good conversation about where that ought to go. But

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the only thing I would leave you with is that I fully intend to make this my priority bill. And I think this is important and we need to have this conversation. And if you'll notice, at the end of the bill in my wording there, it's got the E clause in it. Every month we let this go it's going to be a lot of dollars and I believe it helps, so let's get it on the floor and get her going. [LB44 LB564]

SENATOR SMITH: Thank you, Senator Watermeier. Senator Schumacher, do you have a question? Okay. [LB44 LB564]

SENATOR SCHUMACHER: Just a very brief question. Thank you, Senator Smith. Are you aware of any state using the mechanism in your bill that is actually doing it? Is the implementation fairly easy? Is it confusing to taxpayers? [LB44 LB564]

SENATOR WATERMEIER: You're talking about the difference between the South Dakota and the Colorado part? [LB44 LB564]

SENATOR SCHUMACHER: Right. Are they actually doing it now? [LB44 LB564]

SENATOR WATERMEIER: Colorado is doing it. And I think what they're finding is that a fair number of them are saying we'll just remit it instead of doing the three steps of paperwork and regulations that we're asking them to do, like what Amazon is doing in Nebraska. And it brings up a good point, too. What Amazon has done is quite a unique feature. I believe that we ought to recognize the fact that they're voluntarily doing that. There's very likely a shift that some companies would or individuals would shift from buying the product from Amazon and shift it to one of the other 80 percent of the companies that aren't voluntarily collecting it. And so we could lose out on dollars just in that fact. And, indirectly, Amazon is putting themselves at risk by voluntarily doing it in that regard. [LB44 LB564]

SENATOR SCHUMACHER: Thank you. [LB44 LB564]

SENATOR SMITH: Senator Groene. [LB44 LB564]

SENATOR GROENE: I agree with Senator Friesen. I live out in the rural area. Do you know if Colorado and South Dakota mandated that if you put your...what is it, the nine-digit zip code or the ten-digit, that they cannot collect this local city sales tax? My cell phone bill...I live in the country and I get charged sales tax on the city, even though I live outside. [LB44 LB564]

SENATOR WATERMEIER: There's going to be some questions on that revenue. But my understanding--and we went over this pretty extensively six weeks ago when I was debating this

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bill--is that once you have the nine-digit zip code on there, it can identify that you live in the rural and you would be excluded from the city 1.5 cent. So that is the way that's supposed to be and the Department of Revenue is used to doing it that way already. [LB44 LB564]

SENATOR GROENE: Thank you. [LB44 LB564]

SENATOR SMITH: Senator Watermeier and also Senator McCollister, thank you for your efforts to establish fairness for our retail businesses in our state and our small businesses, so thank you. And no further questions. That concludes our hearings on LB44 and LB564 today. And I'm now going to turn it over to Senator Friesen. We have one last bill, LB462. [LB44 LB564]

SENATOR FRIESEN: Thank you, Chairman Smith. Welcome. [LB462]

SENATOR SMITH: Thank you. I'll be very brief. The bill that's in front of you is a technical correction to the section of statute that deals with the Streamlined Sales Tax Agreement and corrects a minor drafting error. That's the extent of the bill. [LB462]

SENATOR FRIESEN: Are there any questions for Chairman Smith? [LB462]

SENATOR LINDSTROM: Real, real easy question, because I might be doing this (inaudible). Would this be categorized as a shell bill... [LB462]

SENATOR SMITH: That is correct. [LB462]

SENATOR LINDSTROM: ...to be later modified, to be determined? [LB462]

SENATOR SMITH: So I did work with staff this year and we did establish a couple of shell bills for the committee to do any type of work that we may need to do in assembling a bill later in the session. [LB462]

SENATOR LINDSTROM: Okay, thank you. [LB462]

SENATOR FRIESEN: Seeing no further questions, thank you. [LB462]

SENATOR SMITH: Thank you. [LB462]

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SENATOR GROENE: No surprises. [LB462]

SENATOR FRIESEN: Is there anybody wish to testify in favor of LB462? [LB462]

LYNN REX: Senator Friesen, members of the committee, my name is Lynn Rex. And we just want to thank the committee for having the vision to put in this bill. We think it's important. We think that it may be critically important down the road this session, so appreciate you doing that. And in answer to somebody's question about what some other states are doing, Alabama actually did this and is implementing this by regulation. So they didn't pass a statute, they just did...their Department of Revenue just did it, so. [LB462]

SENATOR FRIESEN: Thank you, Ms. Rex. Are there any questions? Seeing none, is there any other testimony in favor of LB462? Seeing none, does anybody wish to testify opposed to LB462? Seeing none, is there anybody wish to testify in a neutral capacity? Seeing none, Chairman Smith waives closing. That will close the hearing on LB462 and will close the hearing for today. [LB462]