

Revenue Committee January 31, 2018

## **Revenue Committee January 31, 2018 Room 1524**

**SMITH:** [00:00:00] Good afternoon. We're going to begin our hearing for the day. I do have a few housekeeping items so I'm going to stand so my voice can project back. Thanks, all of you, to being here today. Welcome to the Revenue Committee. My name is Jim Smith and I'm the Chairman of the Revenue Committee. I am from Papillion, Nebraska, and I represent the 14th Legislative District. And I serve as the Chair of the committee. The committee will take up the bills in the order that's posted on the outside of the room today, and we have one bill to take up today. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation that's before us today. And we appreciate you being here to do so. To best facilitate the proceedings today, I ask that you abide by the following procedures. First, if you would please turn off or silence your cell phones and electronic devices so as not to interfere with the person that's testifying at the table at the time. We are using a new approach on hearings where we have a large number of people present; we alternate proponents and opponents. So in today's hearing we will be taking five proponents following my introduction of the bill, we'll take five proponents. And we're going to reserve the five chairs over here next to the Governor for individuals that would like to testify in support. And so when those things become vacant, come on up and fill those seats up. We will then, after we hear those five, we're going to alternate over and take up five opponents. And we have five seats over here that are labeled reserved, and if you would like to queue up in those chairs. It just makes it a lot easier to move into the testifiers' chair. So we're going to alternate back and forth through the afternoon, hopefully not the evening. But if it-- if we need to be here, we will. We will do that to hear everyone that has come here to testify. We will then take up our neutral testimony at the end. And then I will close. So I will open and then I will close at the end of the hearings today. If you do plan to testify, please complete the green form and hand that to the committee clerk when you come up to testify. We will need 11 copies of anything that you are wanting to distribute. If you need assistance in making those copies, let one of the pages know right away. We can have those copies made so that they're ready to go when you come up to testify. We are going to use the light system because we have so many people that are going to be here to testify in one way or the other. We're going to use a three-minute rule. So when you begin to speak, the green light will be on for two minutes, it will then turn to an amber color for the third minute, and then at that point we're asking you to wrap up your testimony, it will turn to a red. We do not eject you out of your seat when it turns to red, but it will turn to red and we ask that if you're still on your testimony go ahead and wrap it up. I-- we will try to be as lenient as possible, but for the courtesy of everyone else here, we want to keep things moving. If your remarks were reflected in a previous testimony or if you would like your position to be known but do not wish to testify, we offer that you sign the white form at the back of the room as it will be introduced into the official record. At the conclusion-- towards the end of the hearing today we will read any letters that we received in, in opposition or support of the bill. We will read those into the record as well. The microphone is primarily to take your testimony for the transcribers. It's not really to project your voice, so be mindful of that. You may want to make certain that your voice can be heard by those behind you. We will ask that you both state and spell your name for the record so we get it right for the transcribers. I'd like to now introduce legislative staff. To my right is legal counsel Mary Jane Egr Edson. To my left is research analyst Kay Bergquist. And to my far left is committee clerk Krissa Delka. And Krissa is the one that you will be turning your green sheets in to. And I'm going to then ask my committee to introduce themselves, starting with Senator Harr.

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**HARR:** [00:04:47] Thank you. Burke Harr, Legislative District 8.

**SCHUMACHER:** [00:04:50] Paul Schumacher, District 22. That's Platte and part of Colfax and Stanton Counties.

**BRASCH:** [00:04:55] Lydia Brasch, District 16. That's Burt County, Cuming County, and Washington County.

**FRIESEN:** [00:05:02] Curt Friesen, District 34: Hamilton, Merrick, Nance, and part of Hall County.

**LINDSTROM:** [00:05:06] Brett Lindstrom, District 18, northwest Omaha.

**GROENE:** [00:05:09] Mike Groene, District 42, Lincoln County.

**LARSON:** [00:05:12] Tyson Larson, District 40.

**SMITH:** [00:05:15] And we do have two pages with us today. And we have Heather Bentley from Miller, Nebraska. Heather is a junior at UNL and she is majoring in agricultural economics. And we have Bailey Dehning from Omaha and she's studying at Union College and she is majoring in social work. So we appreciate the pages being here with us this afternoon. They're here to assist you and to assist us. Please also remember that my colleagues around the table here, the committee members, may have to come and go during this hearing as they have obligations in other committees. So please have patience with us on that. It's not that they're not interested in your being here and listening to your testimony, but we have to kind of move around a little bit to cover ourselves in other committees. And with that, I am going to open on LB947. Vice Chairman Friesen and members of the Revenue Committee, thank you for allowing me to be before you today and to introduce LB947. LB947 has been introduced as a path to unify and to strengthen our business communities, both agriculture and nonagriculture, and to create opportunities to grow our state's economy and doing this while providing certainty in property tax relief. As a small business owner myself, and many of you, likewise, you're in business for yourselves, you understand that we benefit best whenever we have a growing state. And I think it's in everyone's best interest to try to find a path forward in which we have unity among the ag and non-ag business interests, and also among the citizens across the state. LB947, as previously expressed by me and by Governor Ricketts, is a work in progress. Though it's more than a framework, we understand that it-- it's short of perfection. It's a framework for tax relief and it's a framework for economic opportunity. But again, we understand that it's a work in progress. So with that caution and with that qualifier, let me provide a brief overview of LB947. If a page could take it and distribute to the committee, I have a one-pager that helps to outline LB947 as introduced. There are three primary components to it: property tax relief, income tax relief, and work force development. For property tax relief, the bill restructure prop-- restructures property tax credits to prioritize middle-income Nebraska homeowners and ag producers. The bill replaces Property Tax Credit Fund-- the Property Tax Credit Fund with a new refundable tax credit. Under LB947 as introduced, the property tax relief will be delivered as a credit on state taxes to only residents of the state. For residential homeowners, the plan targets relief at middle- and low-income earners by capping the amount of property tax credit at \$230 per residential homestead. For farmers and ranchers, the plan provides a tax credit on agricultural land, farm sites, and improvements equal to 10 percent of property taxes paid with no

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cap on the amount of annual credit. When state revenues reach certain benchmarks, triggers are in place to increase the amount of the homeowner to-- of the homeowner and agriculture property tax credits over time. For individual income tax relief, the bill repurposes existing tax credits to lower the top individual income tax rate from 6.84 percent to 6.69 percent from January 1 of 2019 to January 1 of 2020. For corporate income tax relief, the bill converts existing tax credits now accruing to businesses in order to reduce the state's business tax rates from 7.81 percent to 6.69 percent over two years. And then finally for work force development, the bill commits \$10 million over two years to bolster state work force development programming. Right now the state has no job training funds in the state's traditional programs such as InternNE or the job training program. Nebraska's job creators consistently identified work force development as a top priority and that's why it's critical that we have a component in this bill to address work force development. Following me today, the Governor will share his own brief thoughts on LB947 and expand on ongoing conversations that both he and I have had with ag leaders and others in the Legislature and that-- and the-- and the various interest groups, and then also how those discussions could affect LB947. Also I want to make note that tomorrow, in this committee, we will have expanded discussion on work force development. And I appreciate Senator Burke Harr bringing a very comprehensive bill on work force development. We will hear from Senator Harr as well as Senator Kate Bolz on work force development. We will dig into what it means, why it's important to economic growth, and how and to what degree it should be funded. So that is the framework for LB947. And at this point we do not have any amendments to file as discussions are ongoing. And with that, I will entertain any questions.

**FRIESEN:** [00:11:38] Thank you, Chairman Smith. Any questions from the committee? Seeing none, thank you.

**SMITH:** [00:11:45] Thank you. We now invite Governor Ricketts as our first proponent of LB947. Governor Ricketts, it's a pleasure to have you with us today in committee. Thank you for being here.

**GOVERNOR RICKETTS:** [00:12:09] My pleasure. My name is Pete, P-e-t-e, Ricketts, R-i-c-k-et-t-s. And I want to thank the senators for the opportunity to be able to testify here this afternoon, and in particular Senator Smith, as Chairman of the committee, for introducing LB947. As I have traveled the state for the last four and a half years, the number one thing people talk to me about is property tax relief. The Tax Foundation ranks us the 11th highest property tax state in the country and the highest of all of our surrounding states. When I talked to farmers and ranchers, they tell me they are paying two, three, four times or more property taxes per acre as their colleagues in South Dakota, Kansas or Iowa. In fact I had one rancher tell me he was paying 24 times the property taxes on his pastureland here versus what he owns in Kansas. In an agricultural state, this is a problem. It makes our agricultural producers competitively disadvantaged versus others in the nation. We also hear from homeowners about their complaints about property taxes and the struggles they face. We also know that we've got high income taxes. The Tax Foundation ranks us 26th highest in the nation when it comes income taxes, the highest of all of our surrounding states except Iowa. And Iowa right now is working at reducing their rates and Missouri reduced their rates as of January to below 6 percent. We also know we have to have the right trained, skilled work force to be able to grow our states. Our companies need this to be able to hire so we can grow Nebraska. LB947 is the framework to be able to address all of these issues. Now, as Senator Smith said, this is an iterative process. And we plan to continue to talk with pro-growth senators and

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pro-growth groups with regard to how we can amend this bill to be able to get consensus to get it to my desk. One amendment we're going to propose has to do with the chart that you've been handed out. It addresses an issue we heard with regard to the triggers that are in the bill. And this amendment will change the triggers into a schedule of laying out how we increase those tax credits over time, starting in 2018 at 12 percent and moving it up over a period of years to get to 30 percent by 2031. That's what this chart represents. We will continue, and that's my commitment to all of you, to work with this committee, other pro-growth senators and groups on how we can amend the bill to get consensus to get it to my desk for signature. The Legislature has the opportunity right now to deliver pro-- tax relief to our hardworking Nebraska families. The time is now. I encourage all of you to work very, very hard on how we can accomplish this. We must deliver tax relief right now. We have a great state. And if we want to continue to grow our great state we have to be competitive. We have to make sure our farmers and ranchers can compete with other producers around the nation by addressing property taxes. We have to help our homeowners out. We have to make sure we address our high income taxes so that we don't put up a barrier for individuals or corporations coming here. And we have to make sure we have the right trained, skilled work force in our state for our companies to hire if we're going to continue to be able to grow. I look forward to taking your questions. Thank you again very much for the opportunity to be here today, and I'd take your questions.

**SMITH:** [00:15:31] Thank you, Governor Ricketts. Questions from the committee? Senator Brasch.

**BRASCH:** [00:15:35] Thank you, Chairman Smith. And thank you, Governor Ricketts, for-- for your support and the time you have spent, especially in our rural districts. Senate-- Senator-- Chairman Smith and you both state that it is a work in progress and I think progress is a wonderful thing, especially when it comes to our taxes and property tax. What would you-- what do you believe are the-- the things that we can do to this bill where 49 of us senators can find a place that we're all comfortable and can call it progress?

**GOVERNOR RICKETTS:** [00:16:18] Well, that-- that's exactly the point of the conversations that we're having right now is to continue to talk to the various stakeholders with regard to how we can amend this bill to make sure we have the consensus to be able to get this bill to my desk. And the chart I handed out is an example of some of that feedback. Our stakeholders expressed concern with regard to the trigger mechanism, they wanted more certainty with regard to how that would lay out. And what this does-- the way we've-- we're going to propose to amend this is do away with the triggers, but instead start taking that-- that refundable tax credit up starting in 2018 to 12 percent, then the 14 percent, and then on up until we reach that 30 percent level in 2031. What this will allow us to do is to be able to schedule that tax relief so that we have certainty around its growth, but also do it in a way that allows it to be orderly and for us to manage it in the budget. And we are going to continue to solicit ideas from various stakeholders with regard to their issues they may have with regard to this bill so that we can make the changes. Again, what we're trying to do is get that consensus by working together, getting that compromise so that we can get to-- the votes to get to my desk. And at the end of the day, that's what's important. We got to remember that we've got to all work together and that we're going to have to compromise. Not everybody is going to get what they want because that's the nature of compromises. But that's the only way we'll be able to find that consensus to get this bill to my desk.

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**BRASCH:** [00:17:44] Very good. Thank you, Governor. I have no other questions.

**SMITH:** [00:17:47] Senator Harr.

**HARR:** [00:17:48] Thank you, Governor. I don't know if you've listened to me very often, but I have-- and people ask me what my legacy is going to be. And I hope to God it's that people pay more attention to fiscal notes and the way we do fiscal notes. And I'm absolutely furious right now because I have a fiscal note for LB947 and then I have your proposed change, which quite frankly I don't know if it's good or bad, so I'm not going to comment on whether it's good or bad. I have no way of knowing what it's going to cost. That's not a fault of yours. It's a fault of the way we do fiscal notes. I have absolutely no idea how we make tax policy when I don't know what it's going to cost. I have in 2030-- we'll get to residential at '28 and '31-- we'll get to resi-- ag and residential at 30 percent. I have no idea how that correlates to the fiscal note. I have no idea how much that's going to cost. I don't know how I can make tax policy when I don't know what anything is going to cost or even assumptions for that. It's absolutely wrong the way we do this. And we have to do something about it because-- I-- I-- I mean, I guess my question is, when fully implemented, do you have an idea of how much individual income tax rate, corporate tax rate, and refundable income tax credit this will cost?

**GOVERNOR RICKETTS:** [00:19:24] Your criticism with regard--

**HARR:** [00:19:26] Not to you.

**GOVERNOR RICKETTS:** [00:19:26] -- to the process--

**HARR:** [00:19:26] Yeah.

**GOVERNOR RICKETTS:** [00:19:26] -- I think is absolutely fair. And I think it's really an artifact of how we go through this process to be able to make amendments to be able to try and develop that consensus. And we're still early on in that process, right? One of the things is we're still talking to all the different stakeholders. So there's no amendment to provide you today because we don't have everybody-- all-- you know, all of everybody's-- the stakeholders feedback on these bills. So, absolutely, we have to do that. And there has to be an amendment and then a fiscal note assigned to that. So I think all of that is fair; before you can make a decision, or anybody make a decision, any of the senators,--

**HARR:** [00:20:04] Right.

**GOVERNOR RICKETTS:** [00:20:04] -- you should have all that data. So this is a work in progress, as the Senator said.

**HARR:** [00:20:08] And this is the frustration--

**GOVERNOR RICKETTS:** [00:20:10] Yeah.

**HARR:** [00:20:10] -- we as state senators have, is we don't know how much-- we have two bites at the apple. We can negotiate all summer long, all fall, introduce a bill in January, and we don't know

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until the bill hearing date, today, end of January, how much it's going to cost. You come in with the amendment because maybe some assumption that's wrong in it, [INAUDIBLE] And I won't know what it's going to cost again until Final Reading. It's just-- it's an asinine way to make tax policy. I understand the purpose behind fiscal notes, but there has to be a change. There just has to be a change with this when it comes to making tax policy. And I'm going to leave you with this; my other concern is that we can't-- a great man once told me we can't raise taxes to lower taxes. And he also said he had a concern about when you come forward with this change, changes in revenue have to come-- well, that these losses will be offset by spending cuts but we don't identify specific cuts that would actually offset the hefty price tag. Now we don't know what the hefty price tag is here. I mean it looks like it could be \$700 million, maybe more. And my fear is that such deep cuts in revenue would leave Legislatures with no options but to raise sales taxes. So, can you address that?

**GOVERNOR RICKETTS:** [00:21:33] Sure. So for example, with regard to your concerns about the fiscal note, while there has to be a fiscal note yet on a final amendment that would still have to go through your committee and be amended into this bill, so there's still many steps in that process. If you're looking for a good proxy of what that would be, just look to see how, you know, for example this bill as originally proposed started at 10 percent. But if you look at what it would be at 12 percent, that would give you would be in 2018. And the difference between what we're proposing here and the triggers is the triggers were estimated to trip about six times out over ten years. So you can see what an estimate on that might be if you just say, OK, now we're just going to look to see how it goes up and we're actually scheduling that in place. You can assume that when you reach 12 percent, 14 percent, 16 percent, whatever, those fiscal notes are going to be roughly the same.

**HARR:** [00:22:23] OK.

**GOVERNOR RICKETTS:** [00:22:23] So you're going to roughly get the idea. But you're absolutely right, we need to give you, you know, those things.

**HARR:** [00:22:27] So-- so the fiscal note that we have says in 2027-2028 that the total general-- General Fund impact, including the elimination of the real and personal property tax, would be \$462 million. Is that the equivalent of the 2031 on your proposed--

**GOVERNOR RICKETTS:** [00:22:47] It's not the 20-- equivalent of 2031. If you want to get to the equivalent of that--

**HARR:** [00:22:50] Yeah.

**GOVERNOR RICKETTS:** [00:22:50] -- I believe that was-- you'd have to go down-- down to [INAUDIBLE] Probably would be more like a 16 percent.

**HARR:** [00:22:56] Sixteen percent?

**GOVERNOR RICKETTS:** [00:22:57] Yeah, so if you get down to the-- I don't know what year that is right off the top of my head.

**HARR:** [00:23:00] OK.

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**GOVERNOR RICKETTS:** [00:23:00] That's probably like--

**HARR:** [00:23:00] 2021.

**GOVERNOR RICKETTS:** [00:23:02] -- 2021,

**HARR:** [00:23:02] OK.

**GOVERNOR RICKETTS:** [00:23:02] -- something like that. So that would give you a rough estimate. It just-- if you look to see, you know, under the-- the-- the old plan, we start at 10, and every time we get a trigger we go to 12, then the 14 and then to 16. In this case what we're doing is we're scheduling those out. We're starting at 12, going to 14, taking a year off, going to 16, then to 18, taking a year off. You know, so at the year off it would stay at the previous level and that would-- so if you can roughly correlate that you get a rough idea of what the fiscal note is. And with regard to your question with regard to paying for it. It would mean that we would have to, in this biennium, take that money out of the Cash Reserve. So the dollars to go from 10 to 12 percent would roughly be about, you know, \$44 or \$45 million. That would have to come out of the Cash Reserve. So your-- your-- your-- you know, your observation is exactly right.

**HARR:** [00:23:53] OK. All right, thank you.

**SMITH:** [00:23:57] Further questions from the committee? Senator Groene.

**GROENE:** [00:24:01] Governor-- thank you, Mr. Chairman. This is first paid by the \$240 million dollars in property tax credits now?

**GOVERNOR RICKETTS:** [00:24:08] Correct.

**GROENE:** [00:24:10] -- the \$224 plus the \$16 in personal. The property tax credit goes into effect in '18. Income tax goes into effect in '19. Is that right?

**GOVERNOR RICKETTS:** [00:24:22] Correct.

**GROENE:** [00:24:22] So, do the numbers add up? In '18 there's \$249 property tax relief. The 10 percent or 12 percent doesn't use all of that, does it?

**GOVERNOR RICKETTS:** [00:24:35] Actually, a-- again, if you look at what it is at 12 percent plus, again if we're looking for the entire biennium plus what you're pulling in from the income tax credit, which you're right, it's only going to be half our fiscal year, the impacts then, you're going to be roughly getting to those kind of numbers.

**GROENE:** [00:24:53] The 240--

**GOVERNOR RICKETTS:** [00:24:54] Yeah, because remember you're-- you're not starting at 10 percent anymore. You're going to 12 percent.

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**GROENE:** [00:24:57] So--

**GOVERNOR RICKETTS:** [00:24:57] That's additional roughly \$44-\$45 million--

**GROENE:** [00:24:58] Originally I understood that about \$200 million originally went to the income tax-- I mean the property tax and then \$40 million was going to be used for the-- for the tax cuts.

**GOVERNOR RICKETTS:** [00:25:08] For the income tax side. [INAUDIBLE]

**GROENE:** [00:25:10] Yes.

**GOVERNOR RICKETTS:** [00:25:10] Yeah. That-- that's roughly correct. Right.

**GROENE:** [00:25:12] But now--

**GOVERNOR RICKETTS:** [00:25:12] But the difference between the-- and again, it depends on whether you're talking fiscal year or tax year. But again, we're accelerating that, remember? We're accelerating the 10 percent to a 12 percent in this fiscal year.

**GROENE:** [00:25:22] And that will use all--

**GOVERNOR RICKETTS:** [00:25:23] In this year.

**GROENE:** [00:25:23] -- \$240 million. So it's a wash then. We're not--

**GOVERNOR RICKETTS:** [00:25:25] Yeah.

**GROENE:** [00:25:26] -- losing.

**GOVERNOR RICKETTS:** [00:25:26] So-- yeah, right. So again-- so-- and it will require, by moving from 10 to 12 percent, it will require us going into the Cash Reserve.

**GROENE:** [00:25:32] And 2 percent increases the cost to 89 [INAUDIBLE].

**GOVERNOR RICKETTS:** [00:25:37] It increases the cost. Just that alone increases by about \$44-\$45 million.

**GROENE:** [00:25:43] But the income tax starts in '19.

**GOVERNOR RICKETTS:** [00:25:44] But the income tax starts in '19, correct.

**GROENE:** [00:25:47] And there's no trigger there. It just happens.

**GOVERNOR RICKETTS:** [00:25:48] No trigger. No, it's just two steps going from, depending on which rate, down to 6.75 in '19 and then 6.69 in '20.



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**GROENE:** [00:25:57] Thank you.

**SMITH:** [00:26:00] Remaining questions from the committee? I see none. Thank you, Governor Ricketts.

**GOVERNOR RICKETTS:** [00:26:04] Great. Thank you, Chairman.

**SMITH:** [00:26:07] We now take the next proponent of LB947. Welcome.

**DEAN MAGEE:** [00:26:17] Thank you for allowing me to speak. I am Dean-- Dean Magee, D-e-a-n M-a-g-e-e, small business owner in Omaha. Been in business 29 years. I employ approximately 85 individuals. And been fortunate enough to stay in business that long. One of the things that I do as a business owner is I have to evaluate where my dollars go and what I get in return. Personally, I think LB-- the basis of this makes a lot of sense. And by that, I mean there'll be rebates-- more spendable income back to the individuals within the state that they can reinvest back into the-- into the community and support the businesses around themselves. As for me, as a business owner, I probably reinvest in my business and give me an opportunity to pay more for good-quality employees. I liked the aspect of the bill with training. I struggle daily trying to get high-quality individuals to run my business. And, you know, the other side of the equation here is-- this bill is very comprehensive. I particularly like the aspect that it doesn't put one side against the other. It's a sharing of the-- of the costs and I think the overall benefits here is it will strengthen our economy. And I think getting people money that they've already paid into the state back into their pockets-- pockets can help us. So that's what I have for you. Any questions?

**SMITH:** [00:27:58] Thank you, Mr. Magee, for your testimony. Questions? Questions from the committee? Mr. Magee, do you mind sharing with us your-- your business and a little bit about your--

**DEAN MAGEE:** [00:28:07] I'm a Little Caesars franchisee.

**SMITH:** [00:28:11] All right.

**DEAN MAGEE:** [00:28:12] And it's all about pizza. [LAUGHTER]

**SMITH:** [00:28:16] There you go.

**DEAN MAGEE:** [00:28:16] Thank you.

**SMITH:** [00:28:17] Thank you very much for being here and for your testimony. Next proponent of LB947. Welcome.

**SHANE GRECKEL:** [00:28:26] Welcome. Thank you, committee members, for allowing me to speak today. For the record, my name is Shane Greckel, S-h-a-n-e G-r-e-c-k-e-l. I'm here today in support of LB947. I'm a fifth-generation farmer from Knox County, Bloomfield area. It's what I've been doing all my life, is grain farming with my dad, who also has a small cattle operation. I tell you that because of my background and where I'd like to see this bill go and how I support it. I support it on the aspect of there is a framework. There is something to be done about property taxes,

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which are rising at a record pace. We've all known that and we've talked about it for many times and many years. What we don't see is a lot of the commodity slip on the back side, the tough time it is to find workers and helpers on the farm that are skilled enough to grow these businesses. Farming is no different than any other business, and that's exactly what it is and we need to grow it. I believe LB947 has a great way to do that. If we're not landowners, we are land-- we are land renters. And rent also affects-- property tax also affects how rent is being administered on our farms. It is hard for me to get new ground and to grow and expand my operation when commodity prices are shrinking more and more and still we see land rent prices at all-time highs. Some dryland rent is over \$225, which is not even feasible on a break-even \$3.09 corn. So this provides us in the steps to start lowering that, it provides us in the right direction. It may not be the magic bullet, but at this point, as a farmer, it is what I like to see: steps in the right direction. As we look around, it also is a responsible tax plan. And that's what I like most about this bill, and again, that's why I support it is responsibility of taking it down incrementally so that education is funded, so that we see also that our roads and bridges are funded so that we can get our commodities to town. These are important aspects to me as a farmer. There's also dis-- decreasing taxes but also keeping our infrastructure strong. The other part to this bill is the work force development. That might be interesting to come from a farmer's standpoint, but as we heard from previous testimony, it is important in all businesses. I, as a farmer, cannot find qualified help at reasonable rates to keep my operation going. We just do not have trained work force out there to help grow agriculture in the way that we could see it done. I hope that work force development continues to hold on to this and continues to develop more and more practices so that we can grow that. Again, I support this bill and will leave you with a kind of a final thought in property tax as it is related to my farming practices. I worked it up to where my property taxes on one farm was equal to the total cost of the fertilizer bill, which that is a needed input, that is a large input, and my property taxes are equal to that. It's a vast thing. I thank you for your time. I'd be happy to answer any questions that I could.

**SMITH:** [00:31:27] Thank you, Mr. Greckel, for your testimony. Senator Friesen.

**FRIESEN:** [00:31:30] Thank you, Chairman Smith. You mentioned that you do rent some ground. Are any of those out-of-state landlords?

**SHANE GRECKEL:** [00:31:41] No. Used to be but not anymore.

**FRIESEN:** [00:31:43] So if-- if they would be out-of-state landlords and they're not benefiting from these tax credits, are you going to see your rent go down?

**SHANE GRECKEL:** [00:31:51] I would not suspect. But in the same breath I would also say I support the idea of Nebraskans first, especially when property tax hasn't been achieved in the past years.

**FRIESEN:** [00:32:01] So are you saying we should discourage outside capital investment?

**SHANE GRECKEL:** [00:32:05] I don't believe I said that.

**FRIESEN:** [00:32:08] You did in a way, but that's all right. You talked about finding help, and I-- I agree. We're-- we are all, I think, struggling with that. When it comes to wages, how much more in wages would you be willing to pay to attract help? In a way, sometimes we subsidize workers so

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that you can have cheaper help, but if you pay more you attract the better help. And are you maxed out on what you could possibly pay to attract help?

**SHANE GRECKEL:** [00:32:39] I can give-- depending on what the individual is doing, obviously, those hourly wages range. We do have-- we start a lot of times like \$15, we also have been paying up to \$25 an hour, you know, to some skilled-- more skilled workers running with GPS equipment. That honestly is over budget in farming with the current commodity prices. But we need to do that and we continue to do that and take a loss just so we can maintain the help.

**FRIESEN:** [00:33:08] You offer any health insurance benefits?

**SHANE GRECKEL:** [00:33:11] Not-- not at this time. I would like to, but we just cannot afford that.

**FRIESEN:** [00:33:14] Okay, thank you.

**SMITH:** [00:33:16] Senator Groene.

**GROENE:** [00:33:19] What-- these employees you would hire, what would this bill do for them?

**SHANE GRECKEL:** [00:33:26] Well, again, from employees I would hire, I would hope work force training would provide a little bit more know-how and just a little bit more experience when it comes to working with agricultural equipment.

**GROENE:** [00:33:37] They make over \$58,000 a year?

**SHANE GRECKEL:** [00:33:41] You know, that would really have to be dependent upon their skill set. But if--

**GROENE:** [00:33:48] You know, they wouldn't get any income tax cuts until you reached \$58,000 for a family.

**SHANE GRECKEL:** [00:33:52] Correct. I-- I know they wouldn't, but--

**GROENE:** [00:33:55] And if they bought a home, it wouldn't affect their tax credit they already get with the Property Tax Credit Fund. So, do you know-- do you see a benefit to individuals moving to our state for those type of jobs? Would this help that?

**SHANE GRECKEL:** [00:34:11] I don't know if I'm qualified to answer that. I think a lot of individuals, from my experience with the employees that we had, moved to the area because they liked the line of work. They enjoy doing that. And I would foresee that trend continuing if we can pay them and offer other health insurances with them as well,--

**GROENE:** [00:34:30] Thank you.

**SHANE GRECKEL:** [00:34:31] -- especially with job training.

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**GROENE:** [00:34:31] Thank you.

**SMITH:** [00:34:33] Senator Harr.

**HARR:** [00:34:37] Thank you. You're aware of the fact that the state doesn't collect property tax?

**SHANE GRECKEL:** [00:34:42] Yes, that's the county's job.

**HARR:** [00:34:44] OK. And do you realize if this bill were to pass that your property tax, the amount you pay out of your pocket for property tax, would actually go up?

**SHANE GRECKEL:** [00:34:58] Depending on, I guess, some scenarios.

**HARR:** [00:35:00] Under every scenario your property tax, the amount you pay out your pocket, would go up. Are you aware of that?

**SHANE GRECKEL:** [00:35:08] Not completely.

**HARR:** [00:35:09] OK. Thank you.

**SMITH:** [00:35:18] Any remaining questions? I see none. Thank you, Mr. Greckel, for your testimony.

**SHANE GRECKEL:** [00:35:21] Thank you, committee members.

**SMITH:** [00:35:24] Next proponent of LB947. Welcome.

**QUENTIN BOWEN:** [00:35:33] Thank you, Senator Smith. My name is Quentin Bowen, Q-u-e-nt-i-n B-o-w-e-n. I live and farm down in extreme southeast Nebraska, Humboldt, Nebraska, with my father and my uncle. I've been most fortunate to have the opportunity to farm with them. I also raise hogs down there. But being the part of state that I live in, I'm 30 minutes from Missouri, 30 minutes from Kansas. I own land in Nebraska, I cash rent land in Nebraska from landowners that are out of state. I rent some farms in Kansas that are equivalent to, value-wise and production-wise, to farms that we farm in Nebraska. I was visiting with that landowner one time after we got our property tax bill and told him, I said, man, our taxes are getting high. And he said, boy, ours are getting terrible too. And I said, really? How many dollars an acre are yours in Kansas? He said, well, I couldn't really tell you, but it's high. And I said, well, no offense, but if you don't know how many dollars per acre your taxes are, you don't have a tax problem because every farmer and rancher Nebraska could tell you, to the penny, what their taxes are. And likewise, I have a friend that farms in Missouri and his production is greater and his taxes are \$4 an acre. So on 126-- or 160 acres that I farm in Nebraska, my property taxes are near \$10,000. In Kansas, his property taxes are between \$3,200 and \$4,000. And in Missouri it's \$640. This is a burden. You know, during the Great Recession when all-- a lot of other states were having budget problems, this state really kind of rode the coattails of the commodity bull run that farming got to be a part of. And property taxes went up. We all paid it. But now I guess I feel like we're in our fourth year of eroding equities and a farm crisis, the greatest that my generation-- generation has seen, and I understand you guys all have to balance the budget at the end of the day, but I guess we kind of feel like we're carrying the

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load now. We-- we can't sell our corn for the \$4 that we need. We got to take what's coming. And we need some help. This is a burden a long time coming. And-- I mean, my wife teaches in the school district and her-- her salary is close to my tax bill. So my wife is working for my taxes. And I am a mere farmer. So, thank you.

**SMITH:** [00:38:50] Thank you, Mr. Bowen, for your testimony. Senator Harr, then Senator Brasch.

**HARR:** [00:38:58] Thank you. My wife is also an educator. And I will tell you what I make as a legislator is less than what I pay in taxes. She pays the taxes. So, you're ahead of me. Did you say that you cash rent property?

**QUENTIN BOWEN:** [00:39:16] That is correct.

**HARR:** [00:39:17] OK. And do you pay the property tax on that?

**QUENTIN BOWEN:** [00:39:22] Well, the same way that a homeowner-- or a person that's renting a house pays the property tax--

**HARR:** [00:39:28] Fair.

**QUENTIN BOWEN:** [00:39:28] -- in Omaha.

**HARR:** [00:39:29] Yeah, I just wanted to make sure. OK, thank you. And you said that property owner is outside the state?

**QUENTIN BOWEN:** [00:39:34] One of them is, yes.

**HARR:** [00:39:34] OK. Are you aware that if this bill were to pass that that taxpayer would still pay the same tax rate-- actually their tax-- property tax rate would go up?

**QUENTIN BOWEN:** [00:39:49] Yes.

**HARR:** [00:39:50] OK. Thank you--

**QUENTIN BOWEN:** [00:39:51] But whether this bill gets passed or not, property taxes are going up.

**HARR:** [00:39:58] Fair, but right now that out-of-state taxpayer gets a tax credit, property tax credit.

**QUENTIN BOWEN:** [00:40:05] Um-hum.

**HARR:** [00:40:06] That will go away, so their property taxes will go up and then it'll go up the additional amount if taxes do go up as well. I just wanted to make sure you were aware of that.

**QUENTIN BOWEN:** [00:40:15] I am aware.

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**HARR:** [00:40:16] OK. Thank you.

**SMITH:** [00:40:18] Senator Brasch.

**BRASCH:** [00:40:21] Thank you, Chairman Smith. And thank you, Mr. Bowen, for coming here today to testify. Can you tell me again how many acres you farm?

**QUENTIN BOWEN:** [00:40:34] Well, in the farm community that's kind of personal information.

**BRASCH:** [00:40:38] Oh, I thought it was like 115 acres. Were you just-- I'm a farmer too.

**QUENTIN BOWEN:** [00:40:42] A-- a quarter-- well--

**BRASCH:** [00:40:44] All right.

**QUENTIN BOWEN:** [00:40:45] -- farms, you know--

**BRASCH:** [00:40:46] But do you farm enough that it's a full-time income for you?

**QUENTIN BOWEN:** [00:40:49] It is a full-time job, yes.

**BRASCH:** [00:40:52] I'm a rural senator, my husband farms. There are many farmers, unless they have a certain quantity of acres, that many of them, like your wife has an outside job, many farmers they will go trucking, they will perhaps work at, you know, custodial or something to help supplement their farm income. Are you familiar with that? Would you agree with that?

**QUENTIN BOWEN:** [00:41:22] Yes.

**BRASCH:** [00:41:22] You would agree. So farmers, even though their farming isn't paying income tax, they are out with other incomes. They're-- they're-- they're--

**QUENTIN BOWEN:** [00:41:32] You mean not paying income tax?

**BRASCH:** [00:41:33] Well, they're-- well, if you don't make any money.

**QUENTIN BOWEN:** [00:41:38] Well, you know--

**BRASCH:** [00:41:39] But--

**QUENTIN BOWEN:** [00:41:39] -- you cannot make money and still pay income tax--

**BRASCH:** [00:41:41] Right.

**QUENTIN BOWEN:** [00:41:42] -- because a farmer--

**BRASCH:** [00:41:43] But then we have--

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**QUENTIN BOWEN:** [00:41:43] -- that's making--

**BRASCH:** [00:41:43] Yeah.

**QUENTIN BOWEN:** [00:41:44] -- any sort of principal payment, that's taxable income.

**BRASCH:** [00:41:46] Right. And if they need to get a second job to help support the farm, like your wife, you know. So farmers do pay income tax.

**QUENTIN BOWEN:** [00:41:58] Yes.

**BRASCH:** [00:41:58] Yes. Maybe not as much income off their farm, but they are seeking outside employment to be able to continue farming, if they are not large landowners. Is that accurate?

**QUENTIN BOWEN:** [00:42:16] Maybe.

**BRASCH:** [00:42:17] OK.

**QUENTIN BOWEN:** [00:42:18] There's many different-- I mean--

**BRASCH:** [00:42:19] So do you think that--

**QUENTIN BOWEN:** [00:42:19]-- you do what you do to pay the bills.

**BRASCH:** [00:42:21] All right.

**QUENTIN BOWEN:** [00:42:21] Yeah.

**BRASCH:** [00:42:21] Would a farmer benefit from an income tax cut, a reduction on that?

**QUENTIN BOWEN:** [00:42:26] Even though farmers-- I think you guys have seen with your-- the way revenues have been down, income tax revenues collected have been down. Farmers clearly pay income tax.

**BRASCH:** [00:42:37] Yes.

**QUENTIN BOWEN:** [00:42:38] And-- and we are still paying income tax, because just as I said, you know, principal payments-- farming is-- you know, in a lot of ways, a person that owns a business can separate their business books and their personal books. But a lot of farmers-- when they say farming is a lifestyle, it really is because there's not necessarily a separation between your-- your farm payments you make, your principal payments that's going through your personal account, are taxable income. And so you can be not-- you could be eroding equity and not-- having a hard time meeting your obligations and still pay income tax.

**BRASCH:** [00:43:28] I-- I do--

**QUENTIN BOWEN:** [00:43:28] So-- so this will--

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**BRASCH:** [00:43:30] I do understand that.

**QUENTIN BOWEN:** [00:43:30] -- benefit us.

**BRASCH:** [00:43:30] So, yes, that's what I'm looking to see. I think--

**QUENTIN BOWEN:** [00:43:34] LB947 will still support--

**BRASCH:** [00:43:36] So--

**QUENTIN BOWEN:** [00:43:37] -- and provide relief.

**BRASCH:** [00:43:38] -- for all-- most working Nebraskans--

**QUENTIN BOWEN:** [00:43:41] I would-- yes.

**BRASCH:** [00:43:43] -- and rural and those who farm and agribusiness as well as the other business, will mutually perhaps see income tax as-- a relief as something welcome.

**QUENTIN BOWEN:** [00:43:58] I would hope so.

**BRASCH:** [00:43:58] I would hope so, too, so thank you. And then my other question for you today would be that on your-- the properties that you have, do you have employees as well? Do you hire farm help, seasonal, or--

**QUENTIN BOWEN:** [00:44:15] Seasonal help as needed, yes.

**BRASCH:** [00:44:18] And is that getting more and more difficult to do because of the tax burden-- or the property tax burden? Excuse me.

**QUENTIN BOWEN:** [00:44:28] Yeah-- I-- I don't know, I haven't ex-- labor, I think is difficult for everyone to find in this state, qualified good labor, no matter the profession. I don't know if I can quantify it and completely lay it down at the doorstep of property tax relief, but-- but it is a burden nonetheless.

**BRASCH:** [00:44:47] You've had great testimony here. And I-- as you were speaking I was thinking of the many smaller rural farmers who have outside employment above and beyond that they work around planting and harvest and-- and everything else. They-- they carry a nightshift somewhere, so.

**QUENTIN BOWEN:** [00:45:08] Well, I-- I have friends that live in the big city too. And I think it's fair to say that--

**BRASCH:** [00:45:13] They all count.



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**QUENTIN BOWEN:** [00:45:14] -- everybody works to get done what they need to feed their family, at the end of the day.

**BRASCH:** [00:45:19] And I would agree with that as well. Thank you for testifying.

**QUENTIN BOWEN:** [00:45:23] Thank you.

**SMITH:** [00:45:23] Senator Friesen.

**FRIESEN:** [00:45:24] Thank you, Chairman Smith. This my fourth year here. We've talked about property taxes every year.

**QUENTIN BOWEN:** [00:45:33] I'm sorry.

**FRIESEN:** [00:45:33] Mostly we just talk. So, do you see an urgency to doing anything? Are you willing-- how long are you willing to wait?

**QUENTIN BOWEN:** [00:45:44] I would like to see something. I would hope that there's urgency felt by everybody when there's rumblings of a ballot initiative. And-- and-- I mean, I was born in '79 so I can only read about what happened in 1967 or '69 or whatever. But I don't-- even-- even in any occupation, any decision you have to make rashly sometimes has unintended consequences. And I would hope that you guys would feel the urgency to provide some sort of relief to as many Nebraskans as you can so you don't have to potentially make a decision out of urgency, because I think that could, in the long run, fare worse for all of us than--

**FRIESEN:** [00:46:33] So do you feel though it's urgent?

**QUENTIN BOWEN:** [00:46:38] Yes. It's-- it's unbearable the amount of money that we have to pay for the privilege to own property in the state of Nebraska.

**FRIESEN:** [00:46:54] OK, thank you.

**SMITH:** [00:46:55] Senator Groene.

**GROENE:** [00:46:59] Do you know how much personal property tax credit you got on your personal property? Your combines, equipment--

**QUENTIN BOWEN:** [00:47:09] Come again? I was thinking on my--

**GROENE:** [00:47:11] Not on your land. There's also a personal property tax credit that was capped at \$16 million or something and farmers got that on their equipment. Do you have any idea what you got?

**QUENTIN BOWEN:** [00:47:22] I'm not as confident in telling you--

**GROENE:** [00:47:26] That's fine.

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**QUENTIN BOWEN:** [00:47:26] -- or giving you the number for that as I am the property tax for the real estate.

**GROENE:** [00:47:30] Do you understand that after you and your wife make \$58,000, if you,-- after deductions you make another \$100,000, when this tax cut comes you'll get \$150 of deduction in your income? That's after you make another \$158,000.

**QUENTIN BOWEN:** [00:47:44] Well, to your point on my combine and tractor and stuff, though, it's on a seven-year depreciation schedule anyway. And I'm in year four of tough times. So here in another couple of years, my school district is going to have a bigger problem because farmers aren't replacing their equipment as frequently as they were. So after seven years that property is going to go off of the tax roll and there's going to be less revenue for the-- for the counties, from that perspective.

**GROENE:** [00:48:16] And you do understand that-- that the property tax relief in this bill, it's just trading dollar for dollar for the first year or so that you're-- that you're going to gain. Just-- it depends on how high tax levy you are. If you're in a low tax area with a-- with a consolidated school, you probably won't get as much credit as you were getting if you're in a high-taxed area because now it's on-- on how much you pay, not on your valuations.

**QUENTIN BOWEN:** [00:48:45] But-- unless-- correct me if I'm wrong, but LB947 has a mechanism in place to help account for future growth. And so I know the need is urgent. I told you the need is urgent now, but I'm not going to get pigeonholed into the fact that the relief maybe doesn't come right now because the wheels of government move slowly. And it's urgent to get something done soon because two or three, four years down the road from here, where are we going to be? And we all intend to do better, do we not, in the future? I mean we're all optimists. So I am willing to take my dollar for dollar now if it gives me the chance that the future is better.

**GROENE:** [00:49:41] And-- the original bill didn't do that, but the amendment would. Which I agree, the amendment would give you some certainty for tax cuts in the future-- the proposal. It's not an amendment yet, but.

**QUENTIN BOWEN:** [00:49:52] Well, I would hope if somebody did have a silver bullet that they wouldn't keep it to themselves.

**SMITH:** [00:50:03] Sen-- Sen-- Senator Larson.

**LARSON:** [00:50:05] Well, I don't know if there is a specific silver bullet, but what would you think of expanded gaming in the state of Nebraska when that shows that we could add another \$300 to \$400 million in revenue on-- and-- and not raise taxes except on those that are voluntarily choosing to do such?

**QUENTIN BOWEN:** [00:50:23] I think you're kind of shifting gears on me here, Senator Larson.  
[LAUGHTER]

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**LARSON:** [00:50:25] I mean we have a legislative resolution that-- I do, that all the money would go to property tax relief. And I'm not going to say that's a silver bullet, but, I mean if property tax is the number one issue to individuals, shouldn't that be something that we consider?

**QUENTIN BOWEN:** [00:50:45] I've been up here a long time. I think-- I have a lot of Farm Bureau friends-- [LAUGHTER] I have a lot of Farm Bureau friends in the back of the room that-- that will give you the answer from our policy book.

**LARSON:** [00:50:57] And-- and the Farm Bureau has-- stated that policy and they shifted that-- they- they've moved on that policy on the simple fact that they understand. And so-- I mean, if you're-- and I guess that's why I was asking you specifically. And if you're not supportive of gaming, I have no problem with that. I-- I disagree with many of my conservative colleagues on the issue of gambling. But I guess my point comes to the fact of, if property taxes truly are an issue and there is a solution out there in which-- in which doesn't raise taxes, doesn't take money from-- from anyone, and we have however many Nebraskans that we-- there's a lot-- living-- over 90 percent living within 100 miles of a casino and 80-- over 80 percent within 75 miles of a casino, we're just bleeding money while having the social costs. So in the end, if property taxes are the issue, the number one issue, LR294CA has 98 percent of the money going to property tax relief. And I would encourage anybody that really cares about it to support that.

**SMITH:** [00:52:06] It's not-- go ahead.

**QUENTIN BOWEN:** [00:52:06] Well, I just-- thank you, I guess. [LAUGHTER]

**SMITH:** [00:52:09] Well, Mr. Bowen, thank you for your testimony and thank you for your patience.

**QUENTIN BOWEN:** [00:52:14] All right.

**SMITH:** [00:52:14] Appreciate it.

**QUENTIN BOWEN:** [00:52:15] Thank you, guys.

**SMITH:** [00:52:18] And our next proponent. And then after this proponent, we are going to switch over to take opponents. Welcome.

**JOHN CEDERBERG:** [00:52:30] Good afternoon. My name is John Cederberg, J-o-h-n C-e-d-e-r-b-e-r-g, and I'm appearing this afternoon on behalf of the Nebraska Chamber of Commerce and Industry, and the Lincoln Chamber of Commerce. I'm having some-- a handout here, not that it's much different than what I'm going to say, but in case I would consume more than three minutes I wanted you to have the whole-- the whole two pages. The Nebraska Chamber of Commerce and Industry and the Lincoln Chamber both are very supportive of the concepts and objectives that are reflected in LB947. We understand that this is a bill that's a bit of a work in progress, and so we certainly look forward to being helpful wherever we can as it progresses. I would just make four comments generally speaking on the bill on behalf of the Chambers. One is that we certainly are in support of the reduction in tax rates. Income tax rates, as well documented, are toward the high end of the national group. And I think others are probably going to talk about that in greater detail. But

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we are in support of that. For years-- and perhaps I've been the one that's been the spokesman here for the Chamber-- but for the years-- for years we've supported the concept of having equal corporate and individual maximum rates. And the reason for that is very simple. We are a small business state. We're largely a closely held business state. And so you have very similar businesses operating in both pass-through form and in corporate form. And something happened in Washington in December. Usually we think nothing happens in Washington but something did happen: big tax bill. And they totally changed the relationship between corporate and individual rates. And we are probably going to see more people that are needing to retain their income go over to the corporate side and so this is the ideal time to conform those. We certainly do support the work force. Each year we take a survey of our members; 80 percent of them this year said that recruiting and retaining qualified help was the most challenging issue in their business. And so we certainly do support that piece of the trend-- of the bill. And finally, the Lincoln Chamber in particular has some real concerns about having left out commercial property. And you will see that discussed in the fourth-- or the last paragraph of my two pages there. With that, I would be happy to take questions.

**SMITH:** [00:55:51] Senator Harr.

**HARR:** [00:55:52] Thank you, Mr. Cederberg. It's a pleasure to see you here. I've been told to only ask you yes-no resp-- or yes-no responses. So on December 26, 2017, since you're representing the State Chamber, they produced a priorities. And are you familiar with that?

**JOHN CEDERBERG:** [00:56:14] Yeah.

**HARR:** [00:56:14] Okay. And in there-- I just-- I-- I-- I read your comments. I just wanted to make sure we got the work force development in there. And it said that among their priorities it said a recent Chamber survey of Nebraska's business leaders found that eight in ten respondents said their community or business faced a work force shortage with skilled labor being highest in demand. Because Nebraska's job depends on a talent supply, the Chamber will support policies and programs aimed at growing, educating, and improving Nebraska's work force. Specifically, the Chamber recognizes the value of the state's InternNE program and customized job training as well as career academies that focus on specified vocational skills in high school and junior high. I believe that's the Governor's Youth Talent Initiative. Do you agree with that as well?

**JOHN CEDERBERG:** [00:57:03] Oh, yes. Yes, I do.

**HARR:** [00:57:06] OK.

**JOHN CEDERBERG:** [00:57:06] And I might-- I might respond to you, Senator, that how that happens, each fall we have a long series of member forums throughout the state, from Scottsbluff-- Gering to Omaha. And we take our surveys of our members there. So this is-- this is not a mail out and you get 4 percent response, OK, or you get a response from only the people who have the problem. And over the-- over the years of our history-- I have been treasurer of the Chamber and therefore kind of involved in this now for 26 years. And I can assure you those are very reliable results of how our members feel. And the ability to recruit and retain qualified help-- just-- it's statewide and it runs across all lines of business. As I said in the written testimony, it's not limited to mechanics and welders. It's-- you know, it runs through the economy.

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**HARR:** [00:58:10] Thank you. And I am off to another hearing now, myself, so it was a pleasure.

**SMITH:** [00:58:17] Senator Groene.

**GROENE:** [00:58:18] Does it frustrate the Chambers that we spend \$12,500 a student in our public schools and they come out the other door and they can't-- they don't have any skills? I mean, adding another \$5 million on top of that-- shouldn't that have been done with the 12,500 bucks?

**JOHN CEDERBERG:** [00:58:43] I would say this, that the economy and the needs that our members have for employees seems to have moved beyond the curriculum in many of our schools. You know, when I was in high school I went to what is now a Class D-2 school. It was a C school at the time: Osceola, Nebraska. Well, we had a full-fledged shop. We had auto mechanics training. We had welding training. Never used it in my life, but I did learn how to weld when I was a sophomore. OK? Those things have gone away from our school system. Partly it's been the emphasis on academic college prep work. Part of it is simply budgeting. Part of it is the number of students available to do it. And I think part of it is a-- is an attitude. When I was in high school, I mean, there was absolutely no negative attitude on being a welder, on being a mechanic, you know, working with your hands. We were all farm kids. Even the city kids were really farm kids because they worked on our farms in the summer. And that has escaped even in our rural schools. And that's-- and that's frustrating. It's unfortunate. It's probably a subject for the educate-- for your committee as opposed to this one. But, yes, it's-- that's an issue.

**GROENE:** [01:00:36] Thank you.

**SMITH:** [01:00:36] Senator Friesen.

**FRIESEN:** [01:00:37] Thank you, Chairman Smith. Mr. Cederberg, we talk about being able to recruit employees but our unemployment in this state is historically low. There just doesn't seem to be enough bodies. In rural Nebraska, I mean, we have-- the struggle there I think is we have employees that are out there working, whether they're for the co-op or for the agribusiness. And they're working 40 or 60 hours a week in order to make a good living. If a company wanted to come in and recruit them, they could obviously pay a better wage and they'd work 40 hours a week and they could recruit some really good talent. So is it-- to attract these people, are we going to have to attract workers from out of state or where do they come from? Because obviously, we are-- we have continually drained our population from the western part of the state, or outstate Nebraska, and that supply is going to continue to go down as we shrink. And so from where do we attract these workers and how do we do that?

**JOHN CEDERBERG:** [01:01:43] Back when he was Governor, Bob Kerrey was-- and I was in several meetings of groups where he was discussing not only economic development but work force development. And his concept has stuck with me all these years; that it is more efficient and more successful to grow your existing businesses and to retain your existing young people than it is to attract them from Vermont. I don't know why he used Vermont as an example, but Vermont is an absolutely beautiful state and I will never forget that he used them as an example in one of those meetings. I agree with him, that we need to-- we need to have an attitude change that it is OK to live- to stay and live and work in Nebraska. Where we are now is a lot of the young people are doing exactly what I did. They went to college. I ended up having my first full-time employment in

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Washington, D.C., and then, after being experienced, came home. At least I came home. In many cases that never happens.

**FRIESEN:** [01:03:25] I mean, I-- I do the same thing. My-- my kids moved out of state, now they've all moved back.

**JOHN CEDERBERG:** [01:03:30] And that's good.

**FRIESEN:** [01:03:31] But they have to have a job here that pays well.

**JOHN CEDERBERG:** [01:03:33] But you have to have something for them to do. Did you know my good friend Senator Coordsen when he was-- ?

**FRIESEN:** [01:03:39] Yes.

**JOHN CEDERBERG:** [01:03:40] Yes, I thought you would have. Senator Coordsen was a-- a very astute individual. But he said to me one day in the Rotunda: John, the biggest problem we have outside of the 13 populated counties is creating living wage employ-- private living wage employment. And I think-- I think he was spot on. That, you know, to fill up our state-- because just adding and sprawling Omaha doesn't really solve the problem. You know, Missouri kind of solves its population problem on each side, Kansas City and St. Louis. I'm not really very excited about that. But we need the-- we-- we need to, over time, re-- you know, repopulate at least the viable communities so-- with living wage employment so that our young people choose to stay here, because they have an incentive. After all, Grandma and Grandpa are here, Mom and Dad are here, their extended family is here. Nebraska is very big on extended families. We have advantages. We just haven't pulled it off, Senator.

**FRIESEN:** [01:05:06] Thank you, Mr. Cederberg.

**SMITH:** [01:05:08] I see no further questions. Thank you, Mr. Cederberg,--

**JOHN CEDERBERG:** [01:05:10] And--

**SMITH:** [01:05:10] -- for your testimony.

**JOHN CEDERBERG:** [01:05:11] And thank you for letting me go because usually I try to stay, but today I've got a commitment.

**SMITH:** [01:05:18] All right, very good. Good to see you. All right, we are now going to move to opponents and we're going to take up to five opponents. And what I'm going to ask is for anyone else here that are proponents, if they could swap out seats and allow the next group of proponents to come up so we're good to go with the next round. Welcome, Ms. Fry.

**RENEE FRY:** [01:05:46] Thank you. Good afternoon, Chairman Smith, 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. Senator Smith, we appreciate the intent of this bill to target the property tax credits to low- and middle-income families. But when we look at our re-- real taxpayers of Nebraska that we've

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used before to look at how policies impact real Nebraskan taxpayers, we see that the results are sort of hit and miss in terms of this goal. We do see, when we look at those real Nebraska taxpayers, which are being handed out to community right now, this bill in its current form and likely with the amendment as well does prioritize tax cuts for the wealthiest Nebraskans. Senator Groene had made a point about the top income tax rate. When that kicks in,-- a couple who's married filing jointly would have to have more than \$73,840 in income before that top rate would impact them and they would get an income tax cut. And that's only on the income above that amount, above that approximately \$74,000 where they would get a tax cut. Which is why we see our Nebraska taxpayers, it's really hit and miss in terms of whether they will get a tax cut or whether they will see a tax increase. You can see the second page, we've also augmented our real Nebraska taxpayers with a couple of families that own agricultural land. You can see here as well that one of those couples receives a tax cut, the other receives a tax increase in the short term. Over the long term as these credits are extended, they would receive a tax cut. It starts out pretty nominal and will continue to be pretty nominal as time goes on. So, we haven't seen the amendment, haven't been able to study that, but it certainly would increase the fiscal note. I assume it gets to somewhere potentially in the billion-dollar range, which would be a concern for us. And whether it's triggered or not, it still puts tax policy on autopilot. You can always pass tax cuts in the future when we're on stable footing rather than in the middle of a continued budget shortfall. We would disagree that now is the time to pass tax cuts after the federal tax changes. We think that there's a lot of uncertainty about this-- the state revenue impact from federal tax cuts. So we think this is not the right time to be cutting state taxes. And so not only will this amendment take money from the Cash Reserve, but the ongoing and growing commitment will make it more difficult to fund the level of services Nebraskans expect and it will be difficult to build back up our Cash Reserve. There was some conversation about tax rankings. Most of our tax rankings we end up right about in the middle. I think the Governor, if I heard him correctly, mentioned we rank 26th highest on income taxes. If I'm doing the math right that puts us in the bottom half, but right around in the middle. In-- in property taxes we do rank in about 10th to 12th. But again, this bill, we're sympathetic about addressing property taxes but we don't see this bill as being fundamental property tax reform and we're concerned that it would likely exacerbate our current financial situations. I see I have a red light, so with that, I'd be happy to answer questions.

**SMITH:** [01:09:08] All right. Questions from the committee? I see none. Thank--

**RENEE FRY:** [01:09:12] Thank you.

**SMITH:** [01:09:13] Thank you, Ms. Fry, for your testimony. Next opponent of LB947. Welcome back to Revenue Committee.

**AL DAVIS:** [01:09:30] Good afternoon, Senator Smith, members of the Revenue Committee. I am Al Davis, A-l D-a-v-i-s, here today represent the Independent Cattlemen of Nebraska. ICON is a membership organization made up of ranchers and businessmen situated largely in the Sandhills and the Panhandle of Nebraska. Nebraska is a clear outlier in its tax policy with property taxes, which are extremely high for all Nebraskans but particularly for rural, farm, and ranch families whose income is determined by national markets over which they have very little control. Some of you served on the Tax Modernization Committee in 2013, which toured the state and took testimony on Nebraska's tax policy. I attended of all those hearings and the overwhelming cry from those testifying was to find a solution to the property tax problem in Nebraska. In fact, that was the

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number one recommendation of the committee when the final report was issued. Last summer, UNL compiled data which shows that-- should cause this committee concern about Nebraska's property tax structure. UNL processed ag data provided by USDA and presented that data on a Market Journal video on August 11, 2017. The data showed that Nebraska led the nation in the payment of property taxes and that the average Nebraska farm paid \$22,934 in property taxes, over \$9,000 more than farmers in second place, California, which stood at \$13,299. Iowa, Kansas, and Minnesota followed at approximately \$9,350 per farm; 14th from the top was Missouri at \$2,686 per farm. This data indicates just how poorly Nebraska treats its number one industry. LB947 simply doesn't fix the ag problem. The bill does nothing for most of rural Nebraska. In fact the property tax relief provided in the bill will actually penalize many farmers and ranchers by requiring them to pay more property taxes once the property tax credit is eliminated. I have provided a copy of one of my parcels to demonstrate that fact. Under LB947, the tax credit would be \$268 as opposed to \$308 under the existing Property Tax Credit Fund. LB947 solves nothing for the residents of Cherry County, the largest county in the state. But that is not the only problem with LB947. The bill exempts commercial property from property taxes. The rationale given in news reports on this issue is that CEOs would prefer to benefit from income tax reductions rather than property tax reductions. Nebraska's two major railroads pay a massive property tax bill already and it would be an egregious affront to stockholders in those companies if the CEOs of those railroad remain silent on this particular bill to feather their own nests. And other small commercial property owners will also be hurt by the bill. Many of those individuals are the owners of rental property. And assuming they pass their costs on to their tenants, as they are likely to do, this will result in imposing a higher burden on renters, many of whom are either young Nebraskans just starting a household, students, or the elderly on a fixed income. Nebraskans whose residential property valuations exceed \$260,000 will also be net losers via LB947 since their tax credits will be capped at \$230. In the metro areas of our state, a residential value of \$260,000 is not a mansion on hill but simply a well-maintained, nice but modest home. And I see I have a red light. I-- I'd like to touch a little bit on the income tax piece, which I recognize is an attempt to try to fix another problem that we do have. The property tax piece has been number one in the state for a long, long time. It requires a tax shift to fix it. It retires [SIC] guts, it requires working across state-- across the aisle, and it requires vision. Unfortunately, LB947 is just not the bill and I hope you will consider postponing it indefinitely. Thank you.

**SMITH:** [01:13:06] Thank you, Mr. Davis. Questions from the committee? I see none.

**AL DAVIS:** [01:13:09] Thank you.

**SMITH:** [01:13:10] Thank you for your testimony. Next opponent of LB947. Welcome, Mr. Hansen.

**JOHN HANSEN:** [01:13:23] Good afternoon, Mr. Chairman, members of the Revenue Committee. 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, also our lobbyist. Our organization is about 3,500 farm and ranch families that we represent across the state. We're the second-largest, second-oldest general farm organization. Our policy is set by our members. And as we look at the economic situation that agriculture is in, we are in extremely tough shape. We're in four years of below-cost of production commodity prices. It looks like we're headed toward the fifth. We have flushed billions of dollars of equity, billions of dollars of cash down the creek in the last four years. We are in a tough situation.



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Whatever the number is going to be, we're going to find out in 30 to 45 days when we get to March 1. But we have a lot of farm loans that are in trouble. So we think that the state, as well as at the federal level, there needs to be an appropriate response to the worst farm crisis since the mid-1980s. And for those of us who provide services to farm and ranch families who are in crisis, we know what the-- what the level is. We know what the numbers are. We helped form and create the Rural Response Hotline in 1984. We have data relative to the number of calls that we get. And while it's not apples to apples and oranges to oranges because we provide more services now than we did then, this last year we've set three new records for the most new high financial stress phone calls to the hot line since 1984. Well, that's a pretty-- and these are folks who are not just young; they're folks my age and older. They're big, they're small, they're established farms, they're beginning farms, they're in trouble. And I think that what we are hoping for this legislative session is something that provides more real tangible property tax relief than what this bill offers. We appreciate the efforts that have been made. It represents a part of a conversation. We-- we appreciate that conversation and the efforts to date. But if we were to say that we're satisfied with this, then I-- I would take away all of your enthusiasm for trying to come up with more. And so with that, I would end my remarks and answer any questions if you have any.

**SMITH:** [01:16:06] Thank you, Mr. Hansen. I see no questions.

**JOHN HANSEN:** [01:16:09] Thank you very much.

**SMITH:** [01:16:10] Thank you for your testimony. Next opponent of LB947. Welcome.

**JORDAN RASMUSSEN:** [01:16:23] Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Jordan Rasmussen, J-o-r-d-a-n R-a-s-m-u-s-s-e-n. I'm a policy associate with the Center for Rural Affairs. The Nebraska Property Tax Cuts and Opportunities Act should be recognized for its attempt to address the state's property tax challenge. However, this act does little to bring balance and sound tax policy change to the state's tax system. By giving permanence and prioritization to income tax cuts for Nebraska's highest income earners and corporations, rural Nebraska's property tax plight remain secondary. Rural-- rural residents are not calling for an income tax reduction that will further imbalance the Nebraska's tax system. Instead, rural residents and members of the farm and ranch community have shared, often publicly, that they would rather see an increase in income taxes to help offset the property-- the cost of property tax relief. Nebraska's rural residents are desperate for property tax relief, but this desperation does not supersede the demand for-- for-- for pragmatism or wise investment in healthcare, schools, and services that are so critical to our rural communities. Failing to account for the significant and long-term budget gap, which this legislation stands to create, not only is irresponsible but will fundamentally reshape rural Nebraska. Drawing from an analysis that the center put together last year, the imbalance between property and income tax collections is striking. Between 2005 and 2014, individual income tax and property tax collections in Nebraska grew with the economy at an average rate of 5 percent each year. Yet during that same time, property taxes on agricultural land increased more than twice as much, by 11 percent. Statewide, that share of total property tax paid on agricultural land increased from 18.41 percent in 2005 to 29.14 percent in 2014. In those same years, property tax accounted for approximately 1.7 times the revenue of-- as individual income tax. Of the counties that we considered in our study, those with the greatest population aligned with the state's average. However, those lesser populated, more rural counties were the exact opposite. Nebraska's metaphorical tack-- three-legged tax tool is currently imbalanced and leaning heavily

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upon property tax. This proposed tax plan only ex-- exacerbates this imbalance by reducing revenue incomes. Moreover it fails to address the structural reliance upon property taxes for funding education and local governments, and that will continue to remain the case as imposed. As I said before, rural Nebraskans are desperate for property tax relief. This act recognizes it. Yet residents are not so naive as to be willing to carry the burden of an income tax cut for the state's wealthiest residents while "forgoring"-- forgoing access to healthcare, education, and public safety which upholds their communities. In order for real property tax relief to be achieved, the Legislature must bring forth and vote for legislation that is not-- not only addresses the actual property tax burden but that also identifies how the state will fulfill its obligations. Thank you. I welcome your questions.

**SMITH:** [01:19:30] Thank you, Ms. Rasmussen. Questions from the committee? I see none. Thank you. Next opponent of LB947. All right, we will come back around two opponents a bit later. We'll go now to proponents. The next proponent of LB947. Welcome, Mr. Seline.

**STEVE SELINE:** [01:19:58] Mr. Chairman, members of the committee. I'm Steve Seline, S-t-e-v-e S-e-l-i-n-e. I'm a past-chairman of the Greater Omaha Chamber of Commerce and a current chairman of the Chamber's public policy committee. I appreciate the opportunity to be here today to offer testimony on LB947. We appreciate the hard work and extra effort made by the Governor and Senator Smith in introducing this bill. We know this proposal is a work in progress and we look forward to being part of the discussions going forward. But there are two elements of the bill, as introduced, that we especially support. One is the corporate tax rate. A long-overdue, albeit modest, reduction in the top rate will have multiple benefits. It will allow businesses to direct more of their resources for rewarding the many thousands of Nebraskans they employ for new hiring, for new investment, and for new expansions. That, in turn, will foster more economic growth. LB947 would be the first reduction of the corporate tax rate since 1985. We are now almost 2.5 points above the seven-state region that we compete with on their average rate. This is a matter of competition. This is about attraction and retention of employers and employees. This is about addressing Nebraska's reputation as a high tax rate state. Further, LB947 would marry the top corporate and individual tax rates. This rate differential is outdated, if it ever made sense, as Mr. Cederberg pointed out, as so many entities pay through their individual income tax. This is an issue of equal footing among business models. The second point that we find particularly impressive and important is the work force support. LB947 provides a crucial boost for the customized job training program which is currently without funding. Though the proposed funding is very modest, the importance of this funding to employment expansion efforts cannot be overstated. It's often the difference in attracting new businesses to our state. Moreover, it should be noted that this provides a quality essential work force for Nebraska's present employers and it directly embr-- it benefits Nebraska citizens who acquire enhanced skills through the education and training the programs provides. Like the Governor and Senator Smith, the Chamber's number one priority is growing our state. Is impair-- it is imperative that we look for every opportunity to advance that agenda. This entails many elements, but certainly that includes a tax policy that fosters gross-- growth. One that does not discriminate between business models, one that imposes reasonably low tax rates, one that provides for a competitive business environment, and every compet-- in this very competitive world. LB947 is a good first step in that direction. With that, I'd be open for questions, and thank you.

**SMITH:** [01:22:37] Thank you. Questions from the committee? Senator Groene.

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**GROENE:** [01:22:40] Earlier, the other Chamber lobbyist said-- you-- do you foresee a lot of foreign companies switching from-- to-- their make up as corporate-- corporations instead of individual taxes because of the federal difference now between individual tax rate and the corporate rate?

**STEVE SELINE:** [01:22:59] It's certainly possible for those companies that are trying to grow that they would switch because of the fed-- change in the federal tax law, that they would switch so they can retain more capital to invest into the new growth in their businesses if they were in a C corp form rather than S corp form or an LLC.

**GROENE:** [01:23:15] Because their corporate tax would go down quite a-- I mean their federal taxes would go down quite a bit.

**STEVE SELINE:** [01:23:20] Their federal tax would go down for that-- for that amount that's being retained. So if they were-- it-- it-- it gets complicated. But if they were paying it out in dividends, it doesn't go down. But if they're retaining it and using it to reinvest then it does go down. And that's one of the reasons why it favors those companies being a C corp, would favor those companies that want to grow--

**GROENE:** [01:23:42] So--

**STEVE SELINE:** [01:23:42] -- and to add more capital.

**GROENE:** [01:23:44] So do you-- would you-- if-- of the two, you'd rather keep the corporate or even lower it more than-- than the individual one?

**STEVE SELINE:** [01:23:49] We feel it's important to keep them on the same level. That's the model that most states have adopted. It certainly is the most fair. So that if you're in a C corp or in-- as an LLC, we don't want to-- you know, many of our members of the Chamber are LLCs and S corps. Many of the employers of the state of Nebraska are LLCs and S corps. They may, at some point in time, switch over to C corps, but right now the smart thing to do would be to put-- we feel, I shouldn't be saying-- I'm not the definitive word on what's smart or not, but we-- we feel like the smart thing to do would be to keep a tax policy where those two things-- where those two rates would be equal.

**GROENE:** [01:24:33] Thank you.

**SMITH:** [01:24:33] I see no additional questions. Thank you, Mr. Seline, for your testimony.

**STEVE SELINE:** [01:24:36] Thank you, Mr. Chairman.

**SMITH:** [01:24:39] Next proponent of LB947. Welcome.

**PHILLIP DOERR:** [01:24:47] Thank you. My name is Phillip Doerr, P-h-i-l-l-i-p D-o-e-r-r. I'm in support of the Governor and Senator Smith's tax plan. I'm from Wausa, Nebraska, Knox County. I'm a third-generation farmer. I have two sons that I want to hope to farm. This tax plan-- the property tax are currently too high for-- for future sustainability. Property tax relief is a slogan that everyone

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really likes to rally behind, but few have good-- found good solutions. I appreciate the work the Governor has done for this group to find a solution that Nebraska can really get behind. My taxes have been about \$50,000 and ultimately this tax credit could cut them in one-third. I know that would make a big difference for me. I'm having a hard time finding ground to rent because the taxes are too high and people are basing their rent off of the taxes. This bill is structured to provide relief without raising taxes on Nebraskans. While I know there are other ideas that promise more relief, LB947 is a fiscally smart plan that will continue to provide relief for farmers and ranchers as the state revenue grows. Thank you. That's all I have for right now.

**SMITH:** [01:26:08] Thank you, Mr.-- is it Dougher [PHONETIC] ?

**PHILLIP DOERR:** [01:26:10] Door [PHONETIC] .

**SMITH:** [01:26:11] Doerr. Thank you for your testimony. Senator Groene.

**GROENE:** [01:26:14] The way I understand the bill, maybe somebody can correct me if I'm wrong, you won't get any nickel, dime worth of relief until you get your tax refund in, or write your check, in 2019 if you get your refund in April or May.

**PHILLIP DOERR:** [01:26:28] You know, it really doesn't affect me. I'm looking more at the future for my sons. I'm hoping that, you know, by the time they're farming we've got a proper tax bill that has lowered our property taxes down some and also maybe ground has gone down for future generations. Maybe the ground won't be as high.

**GROENE:** [01:26:45] I understand. This May you will still, April, May, when you pay your property tax, you'll get your regular property tax credit.

**PHILLIP DOERR:** [01:26:52] Well, we've been paying it-- paying it currently this way it is now, so.

**GROENE:** [01:26:56] And then in 2019, when you do your taxes for '18, you will get a credit on your income taxes and that won't show up until you pay your taxes in '19. So there will be no appreciative property tax increases for over-- under two-- two--

**PHILLIP DOERR:** [01:27:09] Well, like I said, I'm--

**GROENE:** [01:27:11] -- two farming years.

**PHILLIP DOERR:** [01:27:11] -- I'm looking more at the future for my sons and hopefully they can continue farming. You know, like I said, this is-- property taxes now-- it-- it's a tax. I was told when I was in high school that you have two things you have to do: die and pay taxes. I'm not trying to get away from the taxes. I know that taxes are going to be there. Currently they're high. I'm hoping we can find a solution in the future to bring them down. Like I said, I'm looking more at the future of my sons, hoping that, you know, maybe not you guys, maybe not five years down the road, this plan has worked out somewhere and that is what I'm looking for.

**GROENE:** [01:27:48] I agree with you, but I want more, quicker.

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**PHILLIP DOERR:** [01:27:51] Well, I would like quicker, too, but I know government doesn't move quick, so.

**SMITH:** [01:27:56] Other questions from the committee? I see none. Thank you for being with us today.

**PHILLIP DOERR:** [01:28:00] Thank you very much.

**SMITH:** [01:28:01] Thank you for your testimony. Welcome, Mr. Nelson.

**STEVE NELSON:** [01:28:08] Thank you, Senator Smith, good afternoon. And good afternoon, members of the committee. My name is Steve Nelson, S-t-e-v-e, Nelson, N-e-l-s-o-n. I'm a fifth-generation farmer from Axtell where I produce commercial corn, soybeans, and hybrid seed corn with my son. I currently serve as president of the Nebraska Farm Bureau, as well-- and I'm here testifying on behalf of the Nebraska Farm Bureau as well as the Nebraska Corn Growers Association, the Nebraska Pork Producers, the Nebraska Soybean Association, and the Nebraska State Dairy Association. I want to thank Senator Smith, Governor Ricketts, and other senators, including those of you on the committee, for your ongoing efforts and work towards property tax relief for all Nebraskans. Our organization believes something of substance must be done this year as it relates to property taxes and we are looking for bills that contain provisions that help us achieve that goal. With that in mind, I want to be clear that I'm testifying in support today, not based on the green copy of the legislation but based on the proposed changes to the bill outlined by Senator Smith and Governor Ricketts in their opening remarks. In short, we're generally supportive of the concepts outlined to amend LB947 in a manner that would statutorily increase the refundable income tax credits for agricultural land and farm and livestock buildings. Furthermore, our support is contingent upon such refundable income tax credits reaching a tax credit equal to 30 percent of the total property tax burden over time. While the changes outlined are not perfect, we recognize that we are in an ongoing conversation about how best to arrive at property tax relief and these conversations will continue. Again, our organizations are working on proposals for property tax solutions that are significant, that provide between \$600 million and \$1 billion in property tax relief on top of the existing credit-- property tax credit program. We are working on measures that will provide-- pro-- relief as soon as possible, which has been stated before. We were also working on solutions which put us on a path to long-term relief for all property taxpayers. And we are seeking a solution that generates broad enough support in this Legislature that it can be passed this session. We recognize it will likely take many different elements to solve the property tax problem. With that in mind, we believe the adjustments outlined by Senator Ricketts-- or Senator Smith-- my-- I wasn't trying to say anything there, that was just a-- [LAUGHTER] by Senator Smith and Governor Ricketts to LB947 have merit and offer those elements that can be part of moving towards a solution this session. We look forward to working with Senator Smith, the Governor, members of this committee, and all of the members of the Legislature to deliver meaningful property tax relief. I would welcome your questions.

**SMITH:** [01:31:25] Thank you, Mr. Nelson. Senator Larson.

**LARSON:** [01:31:27] Thank you, Senator Smith. Farm Bureau, they changed their policy on gaming this year, too, didn't they?

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**STEVE NELSON:** [01:31:33] We did.

**LARSON:** [01:31:33] And that focuses a lot specifically with the money going to property tax relief, I would assume, with that hope.

**STEVE NELSON:** [01:31:42] Yes.

**LARSON:** [01:31:42] I understand supporting LB947 today as-- as part of the issue, and as you mentioned, you're looking for \$600 million to a billion in property tax relief. Can LB947 offer that alone possibly?

**STEVE NELSON:** [01:31:54] Well,--

**LARSON:** [01:31:54] Or do we need to look at multiple aspects such as-- that's why Farm Bureau expanded into the gaming effort.

**STEVE NELSON:** [01:32:00] A couple of things that I want to be clear about, Senator, first of all, I'm here on behalf of not only Farm Bureau but the other groups. And I'm not sure that the other groups--

**LARSON:** [01:32:09] I'll be asking you on Farm Bureau only, then.

**STEVE NELSON:** [01:32:11] -- what the other groups'--

**LARSON:** [01:32:13] Yep.

**STEVE NELSON:** [01:32:14] -- policies are as it relates to gaming and the use of that kind of money. What I would say is that-- that over the period of time this does-- this bill does provide significant property tax relief within that--

**LARSON:** [01:32:28] It does.

**STEVE NELSON:** [01:32:29] -- that dollar range.

**LARSON:** [01:32:29] I-- I agree with you there, it does. But at the same time, you guys are open to all sorts of ways to continue to relieve property taxes, then.

**STEVE NELSON:** [01:32:37] Well, we would be. And-- and obviously there are other bills in front of the Legislature this year that deal with property tax. We've already testified as it relates to one of those and I'm sure there'll be other bills that-- that will-- will be either in front of this committee or other committees to talk about. But-- but again--

**LARSON:** [01:32:55] But your-- I guess what--

**STEVE NELSON:** [01:32:56] -- that's not part--

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**LARSON:** [01:32:56] -- yeah. Yeah.

**STEVE NELSON:** [01:32:56] of the proposal here today--

**LARSON:** [01:32:58] No. I guess I'm-- what I'm getting more at is Farm Bureau switched their-- their policy on that front. And it shows that you guys are really working towards multiple avenues to resolve the property tax solution, wouldn't you say?

**STEVE NELSON:** [01:33:13] Well, we've-- I'm not really trying to play games with you, but- but I mean we've made lots of changes to our policy over time and we have always looked at multiple avenues to deal with-- with property taxes and of course many issues, so. So, you know, how-- how it relates to your question, you know, it would be, again, it-- it doesn't really apply to this bill and if there were some bill--

**LARSON:** [01:33:39] Well, I look forward to--

**STEVE NELSON:** [01:33:39] -- you're talking about--

**LARSON:** [01:33:39] -- yeah. Well, I look forward to seeing you or Ansley or one of those-- one of you guys on-- at that-- at LR294's hearing moving forward.

**STEVE NELSON:** [01:33:47] I would suspect you will.

**LARSON:** [01:33:49] All right, thank you.

**STEVE NELSON:** [01:33:52] Um-hum.

**SMITH:** [01:33:52] Senator Groene.

**GROENE:** [01:33:53] Thank you, Chairman. Steve, do you see anything in this bill where it will eventually control spending and-- and-- and the way our state relies on property taxes to fund most of our government functions? Do you see anything that-- in this bill that down the road would cause pressure on the state to actually relieve the burden of property taxes that fund their local governments?

**STEVE NELSON:** [01:34:20] It's not part of this bill.

**GROENE:** [01:34:22] But there's no-- there's no incentive in there to change?

**STEVE NELSON:** [01:34:24] Well, at the same-- I mean, and certainly we would-- we are supportive of those things and you've seen us testify in support of those things in the past. But-- but, you know, I think those are-- are other issues-- other important issues for another day.

**GROENE:** [01:34:36] Thank you.

**SMITH:** [01:34:38] Additional questions from committee? Seeing none, Mr. Nelson,

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**STEVE NELSON:** [01:34:42] Yes.

**SMITH:** [01:34:42] -- thank you for your continued commitment and your efforts being at the table, working towards a comprehensive approach to tax relief and I really appreciate all your efforts.

**STEVE NELSON:** [01:34:51] Thank you. And just know that we want to be helpful to all of you and in finding a solution to what is a very significant issue in the state of Nebraska.

**SMITH:** [01:35:00] Thank you. Next proponent of LB947. Welcome.

**DAVE RIPPE:** [01:35:15] Welcome. Good afternoon, Chairman Smith and members of the Revenue Committee. For the record my name is Dave Rippe, D-a-v-e R-i-p-p-e, and I'm the director of the Nebraska Department of Economic Development. I appear before you today in support of LB947. LB947 provides much needed property tax relief for ag land and for homeowners that reduces income tax rates for individuals and job creators. And it provides funding for two important programs administered by the Department of Economic Development: the customized job training program and, within that, InternNE. Tax rates are an important consideration for businesses, as most business decisions are made on the last dollar earned. Reducing tax rates at the margin will increase the competitiveness of Nebraska businesses and make Nebraska more attractive for business expansions, growing entrepreneurial businesses, and attracting workers, particularly the high-skilled and upper-management talent many businesses are seeking. Also, as you already understand, business recruitment between states is highly competitive. The tax rate reductions in LB947 will help targeted companies create long-term models that demonstrate Nebraska as a top state for conducting business. We must constantly be innovating to maintain a competitive edge and our tax policy is a critical strategy to growing our state. Of immediate interest of the Department of Economic Development and hundreds of Nebraska businesses, LB947 provides for a \$10 million transfer to the Job Training Cash Fund over the next two years. The job training program has been a valuable tool for our department and for our state in attracting companies and investment. The program helps our work force attain necessary skill sets required after businesses investment in equipment and technology. I also want to point out that the Job Training Fund draws questions nearly every year relating to the cash balance sitting in the fund. As of December 31, 2017, the balance was approximately \$10.5 million. Nearly all of that has been committed. Of those dollars, \$2.2 million are in process of being disbursed in active and ongoing contract. Sometimes these contracts go over two or three years as companies train employees. Two million dollars or a little better than that are associated with commitments to companies using the InternNE program. And a little better than \$5 million is committed to projects that have accepted the offers but are not yet under contract or ready to drawdown. The remaining \$1 million is committed to projects that are still on the recruitment process, primarily in the Sidney area right now. Up to \$1.5 million per year from the Job Training Cash Fund may be used to support the InternNE program. Over the last seven years, the program has distributed nearly \$11 million to better than 600 Nebraska businesses, facilitating 2,750 internship experiences for students across our state. I support the Governor's recommendation to strengthen work force development and the InternNE program and ask the Revenue Committee to support LB947. I'm happy to answer any questions that you may have.

**SMITH:** [01:38:04] Thank you, Director Rippe. Senator Groene.



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**GROENE:** [01:38:09] One of the big sales pitch out there now pushes for work force housing, rental properties. Do you understand this is going to take a huge hit? Rental people who have rental properties for housing, own apartment complexes, own business rental properties, they're going to lose their property tax credit and it's going to be a tax increase to those individuals.

**DAVE RIPPE:** [01:38:35] Senator, I personally own rental properties in our-- in my home community, Hastings, Nebraska. And I do understand that would be a part of our pro forma. I would say across the board though, if we want our housing to be full, we need to continue to help grow strong communities and we need to keep our state competitive. And so rental properties, none of the things that we have operate in a vacuum. Everything is interdependent. And certainly by growing a stronger state we can grow demand for our products.

**GROENE:** [01:39:00] And how, again, does this grow our state?

**DAVE RIPPE:** [01:39:03] How again does this program grow our state?

**GROENE:** [01:39:07] Yes.

**DAVE RIPPE:** [01:39:07] The-- LB947, as drafted and as proposed amended, helps to create a more competitive environment in our state for taxation. We know that we compete not only against other states but other countries for expansion projects and growth projects. And when those states-- when those companies look at the map and how Nebraska rates in taxes across the board, we don't rate favorably with our contiguous states. And so by making our state more competitive for business projects we can ultimately help to grow our state.

**GROENE:** [01:39:39] I'm not going to argue with you with tax cut. I just want to know how [INAUDIBLE].

**DAVE RIPPE:** [01:39:42] And I don't disagree with you on your earlier statement. I would like more, faster as well. Certainly we have to operate within our budget constraints.

**GROENE:** [01:39:52] Thank you.

**SMITH:** [01:39:53] Senator Friesen.

**FRIESEN:** [01:39:53] Thank you, Chairman Smith. Congratulations, Mr. Rippe, on taking over your position. I look forward to working with you down the road. How many businesses are in the state?

**DAVE RIPPE:** [01:40:05] That's a question I'm not prepared to answer today, Senator, but I will get you an answer.

**FRIESEN:** [01:40:10] You said 600 businesses take advantage of the work force development.

**DAVE RIPPE:** [01:40:14] InternNE programs--

**FRIESEN:** [01:40:16] InternNE.

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**DAVE RIPPE:** [01:40:16] -- specifically--

**FRIESEN:** [01:40:16] OK.

**DAVE RIPPE:** [01:40:17] -- over the seven years, correct.

**FRIESEN:** [01:40:18] And so, would those numbers be relative with work force development that's currently available? Would you say there are about the same number of businesses taking advantage of those programs?

**DAVE RIPPE:** [01:40:28] Oh, I would say the businesses accessing our InternNE program are a small percentage of the total businesses in the state. We allocate out \$1.5 million a year at 100 percent allocation. And I have a feeling, if that program was expanded, businesses would continue to take advantage of that program.

**FRIESEN:** [01:40:45] So you're-- you're not knowing the number of businesses that don't take advantage of it currently, I mean, it's-- we are looking at a pretty small percentage of the number of businesses in the state.

**DAVE RIPPE:** [01:40:57] Due to the limitations of the-- the program, correct.

**FRIESEN:** [01:41:00] Most of our business in the state is, you know, small number employees: 3, 4, 5--

**DAVE RIPPE:** [01:41:06] Uh-huh.

**FRIESEN:** [01:41:06] --employees, so.

**DAVE RIPPE:** [01:41:07] And-- and-- and I think-- and just to that point, many of those companies do access the InternNE program, available to companies big and small, east and west.

**FRIESEN:** [01:41:15] OK, thank you.

**SMITH:** [01:41:19] Senator Schumacher.

**SCHUMACHER:** [01:41:21] Thank you, Chairman Smith. And thank you for your testimony today. I had three questions for an earlier witness that I didn't get a chance to ask because I was called out to introduce a new city in Judiciary Committee.

**DAVE RIPPE:** [01:41:32] Oh, I'm certainly glad that I could be the beneficiary of these questions. [LAUGHTER]

**SCHUMACHER:** [01:41:37] Hey, it's all luck right?

**DAVE RIPPE:** [01:41:41] How did the discussion go on the city, by the way?

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**SCHUMACHER:** [01:41:45] It went great.

**DAVE RIPPE:** [01:41:46] I'm glad I have my lot reserved.

**SCHUMACHER:** [01:41:47] The President would call it hugely successful. Three questions: The handout talks in terms of the bill converts existing tax credits now accruing to businesses in order to reduce the corporate income tax. Is-- is this anticipating a phase-out of something like the Advantage Program, getting them to cash their credits in for something? What does-- what does that meant by that?

**DAVE RIPPE:** [01:42:14] I would hate to speak to the anticipation of the bill, Senator. I think that that's outside of my scope. Certainly any technical questions or anticipatory questions could be directed toward the introducer.

**SCHUMACHER:** [01:42:28] Second question then: Regardless which way you look at it, this-- this bill would have a big price tag. And last night I listened to the President, and the President talked in terms of the possibility of a billion and a half infrastructure program. And unfortunately, he didn't act like it was just going to be a free lunch, that you had to pay for the-- for the party. And as I interpreted it, the feds might kick in 20 percent, 25 percent of these infrastructure grants that the federal-- that he was contemplating. In order for us, then, if it's a matching program, to qualify for some of that federal participation, which could be substantial, we, in a cash-strapped situation, which we are, have a choice to make. We can try to do some type of-- of tax rebate on income property or sales tax, or we can take that money and pick up a 20 percent booster from the federal government to build bridges and infrastructure and all those kind of things that might be good. Which would do the most good for economic development?

**DAVE RIPPE:** [01:43:50] Well, I'm pleased that the people of the 22nd District have elected you to help make these decisions.

**SCHUMACHER:** [01:43:54] Not for long.

**DAVE RIPPE:** [01:43:58] You've heard-- and not just today, but you've heard in your time as senator the need today from farmers, ag producers in our state. I would answer your hypothetical question on-- on we can look at how to address an immediate need in our state where we are not competitive with the states around us when it comes to income tax, where we are not competitive with the states around us as it relates to how we treat our ag producers or we can wonder what might come down from the federal government. And your guess is as good as mine, Senator. And so, what you'll have to weigh, what we'll have to weigh as Nebraskans is whether we are address an immediate need now or whether we try to guess what might come from the federal government. And so I can't tell you what's best. If I knew I would tell you firm and unafraid, but certainly that's a policy decision.

**SCHUMACHER:** [01:44:53] OK. Then let's-- let's step into the next thing of something that we know for sure is-- is going to happen, at least if-- if all of the predictions and talk are correct. We've had a problem for years with the corporate income tax. Federal government was charging 35 percent corporate income tax, state of Nebraska was charging 7.81 percent corporate income tax. And then when you distributed out the money in dividends, say, or even wages, you got clipped

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with another third federal tax and another 6, 7 percent state tax. And pretty much so it was all gone or too much was gone in-- by anybody's standards. And the federal government said, hey, wait a minute, this is keeping money parked offshore, it's very high compared to other world competitors; we've got to do something. And they did. And they lowered the corporate income tax to 21 percent, part to repatriate tons of money that were parked overseas and part to eliminate what was a well in excess of 50 percent tax burden that people-- their retirement, their 401(k)s or whatever. All that eat-- eats off of what's left over from that tax burden. So now we're looking at 21 percent. If the plan works as it is supposed to, tons and tons of money are going to come rolling back into this country. And when that comes back into this country, some will be given away in corporate salaries, some of it in wage bonuses, but some is supposed to go to new infrastructure development and new business development. And, presumably, in order for the economy to grow and respond like it's supposed to, that's-- that's going to be available to states that are attractive. And so if you or I or the Governor sitting there, with a ton of money coming in, we decide we're going to build some infrastructure for expansion of our business, and we look around and taxes must make a difference to us because we've been keeping our money parked overseas to avoid taxes. And now we're going to bring her back. And we say, hmm, 21 percent for federal tax, and this state-- what's it called? Nebraska? Where is that? Oh, right the middle. Well, might not be bad. Probably has a railroad or something through there. Let's look at it. What's its taxes? Seven point eighty-one percent or even with the six point something percent in here. Say, wait a minute. These people are-- are out of their minds. They're charging a quarter to a third of what the federal government is charging. And I'm sorry, you know, we're out of that place. Aren't we-- by focusing-- the way this is currently structured-- and I understand that you can't believe what you read because it isn't written yet. But are we saying to those businesses we're not open for business? Aren't we saying, look, we're making a choice between tax relief-- and there's no time in our history that people didn't claim they need tax relief. Aren't we making that choice in favor of the past instead of an investment in the future? And isn't the conservative thing to do to invest in the future? You just are lucky today.

**DAVE RIPPE:** [01:48:41] I'm not certain as though I fully understand the question, Senator. But I would say is I hope that's a problem that we have, that billions of dollars come rolling back into our country and that we are positioned to capitalize on that. I know that in advance of the tax bill being passed, Senator Smith and the Governor and many others that you'll hear from today spent numerous hours crafting this strategy. The message that I certainly appreciated from the Governor was an openness and a willingness to continue to discuss what the correct strategy is going forward in light of changes certainly at the federal level. In our state, we prioritize investing in our people, our communities, and our businesses. I would certainly hope that as things change at the federal level, as this bill advances that we continue to prioritize those areas. And-- and certainly part of prioritizing investing in our communities is investing in our state, it is investing in infrastructure, and it is ensuring that we make the investments to keep our state competitive and attractive to those billions of dollars coming back home from overseas. So, if I-- if I understood your question, I agree with you and I hope the necessary changes are made and the discussion continues to hold going forward.

**SCHUMACHER:** [01:50:04] Thank you.

**SMITH:** [01:50:04] I see no further questions. Thank you, Director Rippe.

**DAVE RIPPE:** [01:50:07] Thank you.

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**SMITH:** [01:50:07] Appreciate you being here and for your testimony. Next proponent of LB947.

**BRAD STEVENS:** [01:50:16] Good afternoon, Chairman Smith and Senators.

**SMITH:** [01:50:17] Welcome.

**BRAD STEVENS:** [01:50:18] My name is Brad Stevens, B-r-a-d S-t-e-v-e-n-s. I'm a regional director with Americans for Prosperity, a free market advocacy group with 40,000 activists across the state. Some of them have joined us, behind my right shoulder, wearing the red shirts. So, excited about being part of the process today and thank you for this opportunity. We support LB947, legislation introduced by Chairman Smith on behalf of the Governor, for the simple reason that it will increase take-home pay for thousands of Nebraska families. LB-- LB947 is the only comprehensive tax reform plan this session that adheres to our three pillars of tax reform: reduced tax rates, is reasonable and sustainable, and is not a tax shift. Reducing the tax burden on individuals and small businesses will make Nebraska a better state to start a business, start a family, or start over. By start over I'm referring to the five businesses that leave California per week, or the 40,000 people who leave Illinois every year. Multiple studies have shown that people, businesses, and economic investment are fleeing high-tax states like California and Illinois in search for more favorable atmospheres. And the data shows that Nebraska could be a magnet for those new jobs, if we were to reduce-- excuse me-- reduce our tax burden. More importantly, reducing taxes means greater take-home pay for many hardworking Nebraskans. Nebraska families work hard and we pay a lot in taxes. In fact, Nebraska has the 21st highest tax rate in the nation, according to the Tax Foundation, and we pay the greatest tax burden of any neighboring state. The fact is this: States with low tax rates routinely outperform high-tax states in population growth, economic growth, job creation, and investment. Nebraska can do better but we must have the right tax climate. Crucial to our support for LB947 was knowing it was responsible and sustainable. During the State of the State Address, Governor Ricketts outlined a pathway for meaningful tax reform which would also be part of a plan to balance the state budget. We applaud the Governor's forward-thinking approach to the bread-- budgeting process that ensures states-- state priorities such as public safety, work force development, and protection of the state's most vulnerable are properly funded while simultaneously making the difficult decisions to promote another top priority: relief for Nebraskans who pay some of the highest taxes in the country. Governor Ricketts has shown tremendous political will by offering specific policy proposals which address both the revenue and appropriation sides of the ledger. We hope the Legislature agrees that LB947 demonstrates a fair approach to tax reform and has earned our support. Thank you very much.

**SMITH:** [01:52:48] Thank you, Mr. Stevens, for your testimony. I see no question from the committee. Great. Thank you.

**BRAD STEVENS:** [01:52:54] Thank you.

**SMITH:** [01:52:54] All right. Do we have any opponents that have come in that wish to testify? OK, seeing none, then I'm going to postpone taking any more opposition until the end of the hearings. We're just going to go ahead with the proponents of LB947. Welcome.

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**MADLINE NEWSTROM:** [01:53:13] Hello, my name is Madeline Newstrom, M-a-d-e-l-i-n-e N-e-w-s-t-r-o-m, and I'm here on behalf of BuilderTrend. BuilderTrend was founded in 2006 by three Omaha natives. It's a technology company that employs over 300 people. We sell the top software to residential concern-- to the residential construction industry. Our clients are home builders, remodelers, and specialty contractors who are located in every state as well as 40 countries. BuilderTrend has weathered the Great Recession, has never taken any outside capital and has experienced 50 percent growth year over year since 2011. After hiring over 130 employees in 2017, we have plans to hire over 150 employees in 2018. The future of BuilderTrend is bright and we're very proud to call Nebraska our home. Since our founding, BuilderTrend has provided 72 internships and has hired 19 of those interns on full time. I'm one of those. And 12 of those 72 interns went on to accept full-time jobs at other companies in Nebraska. InternNE has been a critically important tool as our company has grown and allowed us to add valuable roles to our team as well as provide unique work experience to students and allowed us to help train the future of our state's work force. I started at BuilderTrend as a support intern while pursuing my marketing degree at the University of Nebraska-Omaha. My role was to focus on implementing data for our client services team. Over the years I've been able to work my way up and take on multiple roles and positions in the company working in the support, sales, H.R., and marketing departments, ultimately resulting in a full-time job in the marketing department today. One of my favorite things about working at BuilderTrend was my internship, and through that internship being able to work with different departments as well as different management levels. BuilderTrend offers a great open environment to work with levels of all management. I'm very appreciative of the opportunity that both BuilderTrend and the Customized Job Training fund and enter-- InternNE have pro-- provided me and strongly urge the committee to approve the funding allocation for the Customized Job Training Program so that other members of our great state can follow in the path that I've been fortunate enough to experience. Thank you.

**SMITH:** [01:55:32] Questions from the committee? Thank you very much for your testimony. That's a great success story and congratulations to you in your successes. And you did a great job testifying today.

**MADLINE NEWSTROM:** [01:55:41] Thank you.

**SMITH:** [01:55:52] Welcome.

**DAVID GRIMES:** [01:55:58] Thank you. My name is David Grimes, D-a-v-i-d G-r-i-m-e-s, and I belong to several different organizations but I'm here just representing myself today. I farm in Kearney County, Nebraska. I'm here to testify somewhat in support of LB947. I appreciate that this bill provides property tax relief through refundable income tax credits to Nebraskans who own homes in agricultural land. However, property tax relief we have received from the state Property Tax Credit Fund is also removed by LB947. On our farm for 2017, our property tax bill was reduced by 10.9 percent by the state Property Tax Credit Fund. After reading the bill, it appears to me that we would pay close to the same amount of property taxes that we pay now. Nebraska-- excuse me-- needs a system of taxation that treats all of its citizens fairly, a system where citizens of Nebraska are taxed based on their ability to pay and/or their willingness to spend. Property owners in Nebraska need more relief than that provided for in LB947, but the concept of using refundable income tax credits by the state to compensate property taxpayers is a good idea. I understand this bill-- that under this bill the refundable income tax credit would increase over time, but I think the

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committee should consider raising the amount of the refundable income tax credits from 10 to, say, 30 percent of property tax paid in a timelier, faster manner. We keep hearing this problem wasn't created overnight and won't be solved overnight, but in some places and for some people in Nebraska property taxes on ag land went up more than 100 percent in about ten years and some cannot wait another ten years for relief. The credit should be targeted to taxpayers who live in Nebraska, as provided for in LB947. The refundable credits should be targeted to those citizens who pay large amounts of taxes relative to their incomes. This could be accomplished by limiting the amounts of the income tax credits using a gradual scale to those whose incomes fall below a certain defined level. This recognizes that wealth and the ability to pay taxes come from high incomes. The refundable income tax credits also need to be limited to certain dollar amounts, as LB947 does. The Legislature needs to recognize that property-paying Nebras-- Nebraskans have seen large tax increases in the last ten or so years, particularly owners of farm and ranch land in rural Nebraska. How public education and other needed government services are delivered and provided for are being determined by the constitution and state statutes. It's true that the Governor and the Legislatures do not directly level property taxes, but it's also true that the roles, responsibilities, standards, limits, and regulations imposed on those local governing boards and governments come from the state constitution statutes and regulations. Substantial property tax relief can only happen by changing our laws, either by the Legislature or citizen petition. We need to-- a shift in taxation needs to be accomplished. And we believe-- I believe that property relief-- property tax relief is something that is urgent. Thank you for your time and your service, for caring about us to at least open the discussion up for different possibilities of doing what we need to do.

**SMITH:** [01:59:29] Thank you, Mr. Grimes, for your testimony. I see no questions for you. Thank you for being here today. Next proponent of LB947. Welcome.

**BOB HALLSTROM:** [01:59:45] Chairman Smith, members of the Revenue Committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the National Federation of Independent Business to testify in support of LB947. I'm also circulating a letter on behalf of the Nebraska Bankers Association in support of the bill as well. NFIB surveys its members on an annual basis to see what their feelings are on various issues that may become before the legis-- the Nebraska Legislature. And in this case, we clearly have a referendum, if you will, on tax relief. The members are interested in both property tax relief and individual and corporate income tax relief with a preference for property tax relief first, individual income tax relief second since the vast majority of businesses operate on a pass-through basis. Having said that, as some previous witnesses have alluded to, the mixture of property tax relief and income tax relief provided under LB947 is obviously going to hit some of our members in a different fashion, dependent upon their mix of value of their property and the income levels that they derive. So in order to give a little bit better feeling for some of the small business owners that are the engine that drives the economy in the state, we would like to see the-- the committee give some continued consideration to perhaps looking at the commercial property real estate tax credit that's being lost here under-- as well as perhaps the \$10,000 exclusion on personal property tax. And in that regard, we appreciate the fact that we've visited with both Governor Ricketts' administration and Chairman Smith, that this is a work in progress. And we appreciate the opportunity to continue to work with the committee to bring about a beneficial bill for all Nebraskans. Be happy to address any questions of the committee.

**SMITH:** [02:01:40] Thank you, Mr. Hallstrom. Senator Schumacher.

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**SCHUMACHER:** [02:01:42] Thank you, Chairman Smith. And thank you, Mr. Hallstrom, for your testimony today. You point out in your-- your statement here that majority of small businesses are pass-through entities. The dynamic on taxes changed, I would think, fairly significantly with the passage of the-- of the Federal Tax Act. Not only was the tax on an individual basis lowered, but there was a unusual provision that apparently affects not only the LLCs and the sub S's but also individual farmers and individual businesses who operate as partnerships and just sole proprietorships that you can forget about 20 percent of your net income, which is a humongous income tax cut. How does that affect the whole dynamic of a fair balance between the taxes?

**BOB HALLSTROM:** [02:02:34] Well, I think, Senator-- and--and some of those we're still trying to sort through, or at least I am, in terms of exactly what that impact is with regard to the tax rate on pack-- pass-through businesses and the exclusion that's provided at the federal level. And there are some industries that don't get as-- as big of a benefit under that: lawyers, other service industries, and so forth--

**SCHUMACHER:** [02:02:57] Who likes lawyers anyway?

**BOB HALLSTROM:** [02:02:57] Yeah, perhaps nobody will feel sorry for that particular aspect. But I think, all in all, the federal tax reform was certainly a benefit and appreciated by small business owners. And there are issues at the state level as well. We still need from a-- from a-- a larger perspective to take a look at what our tax rates are doing in Nebraska with regard to our ability to compete with other states. And again, the property tax relief issue is major to small business owners. Obviously, I've mentioned the commercial issue that's here for some segments of our membership. But we obviously have agricultural members who are benefiting from the 10 percent reduction proposed under LB947. So it's a little bit of a mixed bag but, all in all, we're supportive of the concepts and want to continue moving tax reform forward in the state of Nebraska for the benefit of growing our state.

**SCHUMACHER:** [02:03:52] What's the difference between tax reform and tax cuts?

**BOB HALLSTROM:** [02:03:57] Well, I suppose you can throw tax reform, tax cuts, and tax relief in. One aspect of that that we've already testified this year is-- is tax relief does not constitute tax shifts, and that's a concern of the business community in general. But I think tax reform can include modernization aspects. Tax relief probably is more geared towards addressing, and with respect to personal-- to the property tax issue, addressing the high level of property taxes that we have and in some respects putting the hard-earned dollars back in the-- in the pockets of the taxpayers. We'll have another opportunity later this session that we'll probably be back on in terms of what is the impact of federal tax reform on the Nebraska tax receipts and there will be bills here that we'll talk about that will probably be suggesting that some of those monies ought to go back, if not all of those monies, ought to stay in the pockets of the taxpayers.

**SCHUMACHER:** [02:04:56] Thank you.

**BOB HALLSTROM:** [02:04:57] Thank you, Senator.

**SMITH:** [02:04:58] Senator Groene.



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**GROENE:** [02:05:01] Thank you, Chairman. Sir, if you look at the immigration trends in Nebraska, we're gaining a little population but we're losing middle-income retirees and the upper-income people and they're being replaced by international immigrants and their children that they have here. What in this bill incentivizes a retiree to stay here? I-- I mean, you're going to lose your property tax credit on your second home. So I know folks who are moving south but keep their home in Nebraska. They will lose that if-- if they declare income, which many of them do because they don't have to pay income taxes on their retirement to where they go. But they still come back home. I'm trying to see and incentivize those people that we're losing to stay here. Young professionals, what incentivizes them in this bill to come here? I don't see it. Do you?

**BOB HALLSTROM:** [02:06:01] Well, Senator, I think some of the things with regard to the work force development funding, although it's-- it's \$10 million, it's significant. And I think there are things that-- that businesses will be able to do to utilize those to-- to help with the work force in Nebraska. Obviously, you know, I don't have the answers as to how we get those young folks that leave to come back. I think the fact that we've got good school districts and, you know, good education makes those people maybe at a little later age say now that I've got children I'm going to bring them back to Nebraska because that's where I grew up and we did have a good work ethic and a good school district and--

**GROENE:** [02:06:39] We're even-- we're losing an awful lot of retirees, higher-income retirees because they can afford to move, and they're moving. What in this bill incentivizes them to stay here?

**BOB HALLSTROM:** [02:06:50] Well, Senator, I-- I'd say two things. One that's in the bill is that if property taxes on fixed income is a problem that at least the property tax relief element on the resident-- residential homes will be beneficial in that regard, perhaps not enough, perhaps not quickly enough. But that's all wrapped up in budget issues and how much we can afford how quickly. There's other bills before the Legislature, some of which we've supported. I think Senator Lindstrom has a Social Security exclusion to try and-- and provide incentives for those retirees to have the same type of tax benefits that-- that are in many, many other states, and that that would be another situation to consider. But that's not on the table in this particular bill.

**GROENE:** [02:07:36] Thank you.

**BOB HALLSTROM:** [02:07:37] Thank you.

**SMITH:** [02:07:38] Senator Friesen.

**FRIESEN:** [02:07:40] Thank you, Chairman Smith. Mr. Hallstrom, I-- while you were doing your testimony, you talked about tax shift. Could you expound a little bit more on what you believe there?

**BOB HALLSTROM:** [02:07:49] Well, I think, Senator-- I think Senator Harr earlier might have suggested a comment that the Governor had made in-- in one of his materials in terms of don't raise taxes to lower taxes. I think if you're looking at true tax relief, it is in fact a reduction in taxes that's paid by the taxpayer, whether it's reducing the income tax rates at the corporate or the individual

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basis, or if it's in-- in the property tax relief that you get through the income tax credit that's provided here. If by-- if by chance the-- the resolution is to provide X dollars' worth of tax relief on one side and just pick another pocket by raising sales tax or putting a tax on irrigation-- water for irrigation purposes or repealing sales tax exemptions whatever the mechanism is to rob Peter to pay Paul is simply reshuffling the deck chairs as opposed to providing true tax relief.

**FRIESEN:** [02:08:53] So I'm-- I mean, I'm-- I struggle a little bit with that because agriculture has just seen a \$1.2 billion tax shift onto it. And it didn't seem to bother anybody while it was going that direction. And now when we want to go the other way there's a problem.

**BOB HALLSTROM:** [02:09:11] Well, Senator, I mean if you're talking about the property tax increases, I-- I don't know that we just wanted to stand idly by and see agriculture in particular see increased property taxes. They may have felt the pain more significantly, but I think there's been increased property taxes on residential and commercial as well. The Property Tax Credit Cash Fund was-- was of benefit to some extent. It didn't stop the bleeding. And that's, I assume, why we're all here today and all hopefully pulling in the same direction to try and resolve those-- those issues through this legislation.

**FRIESEN:** [02:09:48] So if-- if for instance I'm in agriculture, land typically is a 5 percent increase in value. Let's say for argument purposes, and I don't want to say we're going to go back to the '80s, but interest rates go up and we see land drop another 20, 30 percent. We see housing values jumping 10, 15, 20 percent. The shift is coming back the other way. It's going to be a little bit harder for residential to put up with that shift because they're on more of a fixed wage, or I might say fixed income, versus what we went through. But the shift is headed back. And if the problem isn't addressed, I-- I see that I'm not in a rush anymore to get it fixed. I was in a rush at one time. But it's true, though, back in the day when that shift was happening our way there was nobody saying much. It was pretty quiet. And I have a feeling that down the road there's going to be a little bit more talk. Thank you.

**BOB HALLSTROM:** [02:10:56] Thank you, Senator.

**SMITH:** [02:10:59] Other questions from the committee? I see none.

**BOB HALLSTROM:** [02:11:01] Thank you.

**SMITH:** [02:11:01] Thank you, Mr. Hallstrom, for your testimony. Next proponent of LB947. Mr. Loos, it's good to see you.

**TRENT LOOS:** [02:11:11] Thank you, Senator. Appreciate the time.

**SMITH:** [02:11:15] Welcome.

**TRENT LOOS:** [02:11:16] It's good to be here. My name is Trent Loos, T-r-e-n-t L-o-o-s. For the record, I wanted to wait and bring my testimony late in the day because I wanted to hear what everybody else had to say and make sure that I understood the issues from all sides. I'm not here late simply to avoid any questions about gambling from Senator Larson. [LAUGHTER]

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**SMITH:** [02:11:42] Which would be OK.

**TRENT LOOS:** [02:11:44] I avoid no questions. In fact, I look forward to all the questions you've asked earlier to come again because I've got an answer for them, may not wait for your question. My wife is Kelly. Kelly is a fifth-generation farm, ranch woman in Sherman County, Nebraska. We have three daughters. I would also like to let you know that we are members of the Nebraska Farm Bureau, the Nebraska Cattlemen Association, and the Nebraska Pork Producers. I am not here speaking on behalf of them but simply as a member of those organizations. We ranch with all livestock: cattle, pigs, and horses. In addition to our ranching enterprise, I do radio. I also speak. In fact, since January the 1-- January 1 this year, I've spoken to agriculture audiences in eight states from Texas to the state of Washington to Florida. I've commonly received two questions since January 1 as I'm in other states, and that is, number one, how excited are you about Scott Frost? It's always number one. And number two, is it true that you're paying more for property taxes because you've got to pay his salary? It's ironic, and I kid you not, no matter what state I'm in, I get questions about the taxes-- or the tax burden in my home state of Nebraska. A lot of that is because of what you've already been talking about: the 11th highest property tax state in the nation. I think a lot of what I'm hearing and what I feel, as I'm very fortunate to speak on about 17 college campuses and universities each year, and kids are either excited about coming back to the farm or they're not. And you know what the number one driver in a kid deciding whether he's coming back to the farm or not is? And somebody is going to probably say seven-dollar corn. Well, maybe indirectly seven-dollar corn, seven-dollar corn depending on what the mind-set of Mom and Dad is every night at the kitchen table. And when I see a state that is willing to say we are going to find a way for-- you've already admitted that for four years you've been trying to find relief for property tax. We all know it's an issue. There is maybe nothing more important than the mental signal that we send to farm and ranch families in this state that we care and that we want to find a way to provide where there is obviously a burden so that we change the frame of mind on how parents communicate at the dinner table for the next generation of farmers and ranchers in this-- in this state. By the way, I know that part of the testimony I heard today is Illinois. My family still farms the same land in Illinois that the first Loos came to from Germany in 1832. I left Illinois in 1988 because the culture wasn't right, because the overall thought process was that we the government, state government in that case, know a little more about how you take care of your land. And that's why I gladly moved to Nebraska with my wife, who obviously was from Nebraska, and have celebrated every day of that and will continue to do that and will continue to fight for those individual freedoms. I see that red light right there. One factor that's not been included and I want to briefly touch on, the question has come up, how do we pay for this? What's it going to cost to state government? It may be unknown. I heard the Governor say we don't know exactly, that'll come through as we continue to discuss this. I do know how much I've paid in additional property tax since 2011: 165 percent. I know what that costs me. And I know how tough that makes it. And I know what my financial statement says as a result of increased land values. But that 26 percent of my total operating costs going to the state strictly for property tax and insurance is a hindrance. It makes it tougher to continue. And the one thing that we do know about farmers: they don't leave money in their pocket. Give the farmer a 10 percent benefit and a rebate or a tax credit, he's not going to put it in the local bank. He's going to spend it. And there's a seven-times multiplier effect on the farm economy and each of our rural counties. And each time we buy something, who reaps the reward from that? There's no doubt, there's no silver bullet for this particular issue, like all issues. I applaud the efforts to try to find a way incrementally to get to where it is more comfortable

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so that we improve the mind-set of the farm and ranch families of this country, of this state. Thank you, Senator.

**SMITH:** [02:16:34] Thank you, Mr. Loos, for your testimony. Senator Groene.

**GROENE:** [02:16:38] I understand why you don't support gambling, or maybe you don't, because if you left Illinois and came the Nebraska you moved from one to two.

**TRENT LOOS:** [02:16:43] I didn't say it didn't support gambling. I just simply said I wasn't avoiding his questions. [LAUGHTER]

**GROENE:** [02:16:49] You do know Nebraska's--

**TRENT LOOS:** [02:16:50] And I have ranched for six generations. I believe I live in the gambling world.

**GROENE:** [02:16:56] I'm in agriculture too. You do know Nebraska is number two in the nation behind Illinois, on local and state taxes as a percentage of state in-- of family income. We are number two. So we are in a high-tax state.

**TRENT LOOS:** [02:17:09] We are.

**GROENE:** [02:17:11] Are you going to sign the petition that's out there, if it shows up at your door?

**TRENT LOOS:** [02:17:15] Which petition? I know of--

**GROENE:** [02:17:16] The petition that--

**TRENT LOOS:** [02:17:16] -- about 1.4 million.

**GROENE:** [02:17:18] The one that might come out, and looks like it will come out, that'll give you a 50 percent tax credit on your-- on your school-- school funding, General Fund.

**TRENT LOOS:** [02:17:30] I don't know enough. I'm familiar with that, but I don't know enough about it. I don't know that I will sign it. I don't have enough information to answer that question right now.

**GROENE:** [02:17:38] There is a difference between signing it and voting for it, you know.

**TRENT LOOS:** [02:17:40] Yeah.

**GROENE:** [02:17:40] It's one thing to put it on a ballot--

**TRENT LOOS:** [02:17:42] I'm not going to sign it unless I would vote for it.

**GROENE:** [02:17:46] All right.

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**TRENT LOOS:** [02:17:46] But I want the most sustainable tax relief possible because I've also conducted interviews of people in the state because I just wanted to understand this. I've talked to schools in the state. I've talked to the principal of Ravenna Public Schools, [02:18:00] **Kent-- Dr. Kent Schroeder,** [1.2] for 45 minutes this morning and I understand the challenge from the school standpoint. In 2009 he had \$5.7 million budget and \$1.1 million of that point-- \$5.7 million budget came from state aid, 20 percent.

**GROENE:** [02:18:19] I understand that.

**TRENT LOOS:** [02:18:19] In 2016-2017, he had an annual operating budget of \$6.8 million dollars and \$37,000 dollars came from state aid. So--

**GROENE:** [02:18:30] And this--

**TRENT LOOS:** [02:18:30] -- I'm wanting to understand all sides of the issue because I have three daughters. Excuse me, we have three daughters, in case she's listening at home. [LAUGHTER] And I do not-- I want to continue to invest in our children's future, but I want to make sure that we do that wisely and most efficiently.

**GROENE:** [02:18:51] So what you're saying is you're going to investigate all the avenues out there; you'll look at the petition, you'll look at this and see which-- which ave-- which one fits best for-- for you--

**TRENT LOOS:** [02:19:02] That's correct.

**GROENE:** [02:19:02] -- and your family. Which school district are you in? You're in Sherman County?

**TRENT LOOS:** [02:19:07] We're in Sherman County. We're in the Loup City school district.

**GROENE:** [02:19:09] I see you're-- you're not equalized and your levy is a little lower. Did you understand this-- this proposal, you might not get as much tax credit as you do now because your-- your tax credit now is on your valuation. This one will be on how many tax dollars you pay. And there's some rural districts, especially in ranch country, because you've consolidated, you have a lot of value, that you will actually get less tax credits until you start hitting the 14 to 16 to 18 percent.

**TRENT LOOS:** [02:19:40] That's correct. And one other area where I've been negligent, like so many people that call Nebraska home and all across this country, is that I've not been to enough, I've been to some, but I've not been to enough Loup City School Board meetings. And as I'm here today to start the-- the relief in the property tax burden that we have, I'll also be at the Loup City School Board meetings, particularly the budget meeting, to make sure that we're running that school as efficiently as possible without sacrificing the investment in education.

**GROENE:** [02:20:11] Good. About 18 years ago, when I moved back to the state of Nebraska that's where I started and I ended up here, so watch out. [LAUGHTER]

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**TRENT LOOS:** [02:20:20] I have no desire to sit in your chair.

**GROENE:** [02:20:23] Sometimes it calls. Thank you.

**SMITH:** [02:20:27] Other questions from the committee? I see none. Thank you for being here today and--

**TRENT LOOS:** [02:20:31] Thank you for your time.

**SMITH:** [02:20:48] -- thank you for your testimony.

**FRIESEN:** [02:20:48] Welcome.

**NICOLE FOX:** [02:20:48] Good afternoon, Vice Chair Friesen and members of the Revenue Committee. My name is Nicole Fox, N-i-c-o-l-e F-o-x, and I'm director of government relations for the Platte Institute. I'm here today to testify in support of LB947. Not even-- now that even the federal government has passed major tax relief, voter impatience for state and local tax reform is reaching a breaking point. If there's no significant action in this legislative session, Nebraskans could force a property tax ballot initiative. If it passes, the state would likely be forced to significantly cut spending on services and increase state tax rates at the same time. LB947 offers a reasonable path to steer the state away from this kind of uncertainty. It would have the state taking a greater role in property tax relief for Nebraskans in the years ahead, while safeguarding the state budget from unreal-- unrealistic promises. The Property Tax Credit Relief Fund is due for a redesign and LB947 provides a solid model. A few years back we published a study by Doctors John Anderson and Eric Thompson at UNL that referenced making the state's property tax relief programs more targeted. Right now, the property tax fund-- property tax fund credits for all properties and increases the share of the credit a taxpayer receives on their property tax bill based on assessed valuations. LB947 converts those existing funds into residential and agricultural refundable income tax credits and, importantly, places more limitations on who can claim those credits and how much can be claimed. This would help alleviate the criticism that the Property Tax Credit Relief Fund was too small for average taxpayers to notice. By ending some credits and adding caps, most taxpayers will receive a larger tax credit than they are receiving today, all with existing funds. Out-of-state landowners will be less likely to receive credits. Commercial properties will no longer be eligible either and exemptions for personal property tax will be ended. In exchange, however, these business taxpayers will receive some modest income tax relief. As the country has already seen with federal tax reform, which significantly reduced corporate income tax rates, enacting income tax relief when possible does remove barriers to better economic opportunities for working Americans. The income tax reductions in LB947 are modest but they are fully funded under this plan and would still significantly improve the state's tax climate. Iowa's General Assembly is currently discussing how to leverage federal tax reform to reduce personal income tax rates. We may not have the flexibility to do as much as they're contemplating this year on income tax, but LB947 does allow some room to slightly reduce personal income tax rates which are also burning Nebraska's taxpayers. On the corporate side right now, every state west of the Missouri River until California has a lower corporate income tax than Nebraska. We are usually among the 15 highest. Under LB947, Nebraska would have a much better competitive position being ranked lower or within 1 percent of the corporate tax rates of 35 other states and the District of Columbia. Of course, no one would be better-- would be under the impression that LB947 will

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end all the criticisms of our tax system. LB947 reflects that the Governor and Senator Smith are listening to Nebraska taxpayers and the bill would grow the property tax relief commitment provided by the state for our taxpayers in the greatest need and improve a major weakness in our income tax policy within the confines of the state's limited budget. And with that, I'm happy to answer any questions.

**SMITH:** [02:24:20] Thank you, Ms. Fox, for your testimony. Have questions? Senator Groene.

**GROENE:** [02:24:25] Thank you, Chairman. Was that the corporate income tax or are you talking the individual income tax where we are 15th now?

**NICOLE FOX:** [02:24:33] Fifteenth-- or-- I'm sorry, the corporate.

**GROENE:** [02:24:35] Because the 0.015 percent lowering of the-- the personal income tax really doesn't affect our rating much, does it, on the personal? The personal only drops 0.015 percent.

**NICOLE FOX:** [02:24:51] I'll welcome that. I think any taxpayer would welcome some sort of tax relief.

**GROENE:** [02:24:56] All right. So if you're a rental-- had properties and you lose all your tax credit on your rental properties and you made another \$5,000 on your-- because you didn't get the \$5,000 tax credit on your income. You take that 0.015. I don't think the trade-off is really there, is it, for-- for commercial and residential rental--

**NICOLE FOX:** [02:25:21] Well, as I understood--

**GROENE:** [02:25:22] -- businesses?

**NICOLE FOX:** [02:25:23] As I understand a testifier from earlier, I guess the way I-- I see it is if we are growing the state's economy, we have people either moving into our state or we are retaining residents, whether it's people graduating let's say from high school and college or we are able to keep more of our military folks from leaving the state after they, you know, either retire or they go from military service to civilian life. My thoughts would be is if some of these residential, you know, these people that have resid-- residential-- or rental properties, I'm sorry, you know if they've got vacancies that-- that-- that's less income. So if we are growing our state, growing our population, we've got more people renting. To me, that would increase their income overall.

**GROENE:** [02:26:12] So you think somebody retiring from the military in Bellevue, with him and their wife-- their spouse and them make maybe a \$100,000, \$42,000 of that, that's after deductions, they will gain 0.015 percent, which is maybe 50 bucks are going to stay in the state of Nebraska and rent an apartment?

**NICOLE FOX:** [02:26:38] Potentially.

**GROENE:** [02:26:41] You're a positive thinker.

**NICOLE FOX:** [02:26:42] I am.

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**GROENE:** [02:26:42] Thank you.

**SMITH:** [02:26:46] I see no further questions. Thank you for your testimony. Continue with proponents of LB947. Welcome.

**SCOTT WAGNER:** [02:26:58] Good afternoon. My name is Scott Wagner, S-c-o-t-t, Wagner, Wa-g-n-e-r. I'm from Hoover, Neb-- Hooper, Nebraska. And this happens to be our 145th year of starting to farm, a fifth-generation farmer. And as I look at any tax relief plan, something is better than nothing. We have sat alongside arguing over what we should be doing and not doing anything. At this point in time I hear a lot of, well, maybe we should do this, maybe we should do that. I don't have the answers for you, but I recommend that we get together and that we make amendments maybe to this process that makes this better for everyone. Instead of bickering about what we should and shouldn't be doing, let's figure out the answers. So with that, I guess I encourage you guys to please represent your constituents and your-- and your state and I hope the best for you guys. And if there's anything that I can do for you, please let me know.

**SMITH:** [02:27:55] Thank you, Mr. Wagner, for your testimony.

**SCOTT WAGNER:** [02:27:57] Any questions anybody would have?

**SMITH:** [02:27:58] I see no questions. Thank you. Welcome.

**MARK McHARGUE:** [02:28:10] Thank you, Chairman and committee. My name is Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I'm from Central City. I'm a fourth-generation corn, popcorn, and hog farmer. I also own and operate a construction and property development company. I'm here supporting-- supporting this bill, and specifically the amendment that Governor Ricketts proposed. And some so my comments are going to be based on-- on that. I just wanted to explain a little bit as a farmer how I see this playing out, really probably a couple of the other packages playing out on my farm and what it really does or doesn't do for me. So, property taxes are a problem. I farm 875 acres. In 2007, my property taxes were \$22,000; 2017, they were \$59,000. So that's the growth, almost 280 percent or 28 percent per year. Now what this plan does for me, if you work it out according to what the Governor handed out, I start at \$59,000, what I owe today, and in 14 years, because it ends in '31, I will pay about \$59,000 in tax. So my taxes on my farm will be flat. That's at a 2 percent growth per year. Now I think it's going to be more than that. I think it's probably closer to 5 percent. Historically, it's been about 8 percent in the last 20, 21 years. So if you go to 5 percent, I'm going to owe \$59,000 now, that's with my tax credit already. At 5 percent, in 2031, my tax liability is going to be about \$88,000. So, it will grow about 3.5 percent per year if it grows at 5 percent. So what it does for me, this package, and as some of the other packages, it doesn't make me profitable next year or the year after because of the tax package. But what it does is it evens out my tax liability. So now if I look at it on a 20-year-- 24-year schedule, I had a growth of 28 percent per year. If I cost average that out, I'm down to about 12 percent per year over a 24-year period. Now, I think at that rate I probably am getting more competitive with some of my neighbors. So I just wanted to be clear that I don't think probably any of the packages are going to save my family farm. And matter of fact, in 2031, I will be paying the same tax as if the ballot passes in 2031, because it's approximately 30 percent. So that's kind of what I wanted to bring to-- bring to the table is how it would affect me. I think it's a good package. I applaud the Governor and Senator for working on the



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package. We absolutely have to get something done this year. I know several people have asked why this year. I think the dynamics are unique this year that if we're going to do something, now is the time. So I think we need to work together. I think it's impressive that the Chambers have come together, the ag community has come together, and the business community has come together to work on property tax relief. Be happy to take any questions.

**SMITH:** [02:31:47] Questions? I see none. And I want to again acknowledge, as I did with Steve Nelson, thank you for being at the table. Thank you for having these conversations and for your commitment to find a path forward.

**MARK McHARGUE:** [02:32:01] Absolutely.

**SMITH:** [02:32:01] Thank you for your testimony. Continuing with proponents of LB947. Welcome.

**STEVE DAVIES:** [02:32:17] Thank you, Senator Smith and to the rest of the senators. I appreciate this opportunity. I am supporting this bill and from three aspects. Oh, I forgot. My name is Steve Davies, S-t-e-v-e D-a-v-i-e-s. My wife, Marilyn, and I are retired, live in rural Polk County. And the income from the farm is a significant part of our retirement income. And in these, you know, in this decade, ours has gone over 200 percent increase. We share-- lease the land and our property tax is somewhere between 25 and 33 percent of our gross share. And if this bill passes, we can see that that will shrink. And it's significant to our retirement income. Another reason I support the bill is because it's-- it's doable. It looks like it can fit within the budget constraints that you're working with. And given the burden that property taxes are on the agriculture industry, you can see by other proposals that are coming forward that something needs done. And the third reason I support this is because it makes us more competitive. If we can lower taxes, it makes us more competitive. We don't compete very well with three or four other surrounding states. And if we can start and make some improvement we can increase our economic activity and perhaps be able to come lower. Thank you, Senator.

**SMITH:** [02:34:20] Thank you--

**STEVE DAVIES:** [02:34:21] And I will answer any questions.

**SMITH:** [02:34:21] Thank you, Mr. Davies, for being here today and for testifying. Senator Harr.

**HARR:** [02:34:25] Thank you. Your testimony is a little different than many of the other people we've heard who are active farmers. You rent your land out. Let's say there are two brothers. Let's say you and I are brothers. Dad left us, divided the estate down the middle. You got the farmland. I got stuck with the apartments. I have to, on my property, pay 93 percent of the value and I wouldn't get any of the property tax relief money. You would be paying 75 percent and you would get property tax relief dollars. Both properties are worth the same amount of money. Why is it that you are-- have-- why-- why should you-- again, we're both living on retirement off the income of the property Dad left us. Why should you pay less taxes than I do?

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**STEVE DAVIES:** [02:35:22] Thanks, Senator Harr. When you do make a change in any system, it's not going to be equal all across. But, as Senator Friesen just said, agriculture has had a 1.2 billion tax shift. And we can't sustain that.

**HARR:** [02:35:42] So commercial should pick that up?

**STEVE DAVIES:** [02:35:44] I-- I-- I think it shouldn't all fall on commercial, but we need to make something-- our-- the tax shift has been inordinate on agriculture.

**HARR:** [02:35:56] And-- and I'm not disagreeing with that, by the way. I just--

**STEVE DAVIES:** [02:35:58] And [INAUDIBLE].

**HARR:** [02:35:58] -- what I want to be careful of is that we don't make another mistake, that two wrongs don't equal right, as my momma-- as Mom always said. Right? And so I'm trying to figure out where-- how we can correct this, because I'm not disagreeing with you that there's a problem. I'm just trying to figure out a fair and equitable way forward.

**STEVE DAVIES:** [02:36:15] And I-- I-- I would be agreeable to some changes to make it more even.

**HARR:** [02:36:23] OK.

**STEVE DAVIES:** [02:36:23] But from the varied interests that spoke in favor of it today, there is a lot of people in the state can see a benefit to it. And some people are going to be hurt and maybe we can alleviate some of that. But I think it's time to-- to really get started doing something.

**HARR:** [02:36:41] OK. I appreciate you coming down. Thank you very much.

**SMITH:** [02:36:45] I see no other questions. Again thank you, Mr. Davies, for [INAUDIBLE]. Next proponent remaining. [INAUDIBLE] Welcome.

**STEVE WELLMAN:** [02:37:05] Yeah. Good afternoon, Chairman Smith and members of the committee. I'm Steve Wellman, S-t-e-v-e W-e-l-l-m-a-n, director of the Nebraska Department of Agriculture, and I also operate our family farm near Syracuse. I support the Property Tax Cuts and Opportunity Act. This proposed legislation will provide major property tax relief to Nebraska's ag producers and families while improving our state's work force and reducing the tax burden on Nebraska's main street. Property tax relief is the number one priority of LB947. And we've heard often today of the need for property tax relief on agriculture and the impact it's had on the ag economy. The increased cost of property taxes is taking a toll on Nebraska ag. For example-- and there's-- I know there's been other examples today but-- but on our-- my example from our farm, if I look-- go back to 2000, the year 2000, look at the same parcel of ground, my taxes between 2000 and 2013 doubled, from 2013 to now they've tripled since the year 2000, so three times the cost of property taxes in the last 17 years. So I appreciate the work that Governor Ricketts and you all have done over the years. And-- and like Governor Ricketts has said many times, this problem did not occur overnight. It took many years to get to this point and we won't find-- and I believe we won't find a single answer to-- to make those changes in one legislative bill. But we need to get started. I

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believe this is a good place for-- for-- for Nebraska to get started on and to make the steps that will be beneficial for Nebraska agriculture in the future. So you've all been very thoughtful in your approach to this issue over all those years. And we need to-- we need to take action now. Now is-- is the time, I believe, to start the relief and this-- I believe this proposal helps solve the problem in a manageable way with major property tax relief that's stepped up over time. LB947 is the best opportunity to bring senators together to do tax relief. It delivers true tax relief rather than simply shifting taxes around. And thank you. I will answer any questions.

**SMITH:** [02:39:24] Thank you, Director Wellman. Questions from the committee? Senator Groene, then Senator Friesen.

**GROENE:** [02:39:29] You mentioned main street, small town main street?

**STEVE WELLMAN:** [02:39:32] Sure.

**GROENE:** [02:39:33] This doesn't help them at all. Every business on main streets will lose their property tax credit fund, property tax credit. Every rental property in that small town will lose their property tax credit. I don't know of many small business people in-- in Syracuse who are making six-figure incomes. So they're not going to get any income tax cut. I'm trying to figure out how the income tax cuts and the loss of the property tax credit helps small town Nebraska. Do you know how it does?

**STEVE WELLMAN:** [02:40:07] In-- in general I believe, and Mr. Loos mentioned earlier, the economic impact of-- of spending in your local economy. And farmers do have a-- you know, we buy a lot of supplies. We-- we do work to support our rural communities in the towns that we live in. And I believe that having the income that would be achieved over the time we're-- through the reduction of the property taxes will help build our main streets and-- and-- and help those businesses continue on because of the increased work and the increased spending.

**GROENE:** [02:40:43] So you do understand, and everybody does, that in '18 nothing changes. You're going to get your property tax. It's in '19, you file your '18 taxes and then you're going to get an income tax credit, may or may not be more than '18, depending on what your tax situation is and how you fund your schools. The following year, if it goes to 14 percent, you might get a little bit and then it's stagnant for a year. Now I'm trying to figure out-- and then also, there's no stops here on funding increases or spending increases by local government. There's nothing here that is going to assure you or any other farmer that their property taxes aren't going to escalate faster, as they have, than what your credit will be. So there's no spending controls. You're waiting three years before you see any kind of small, significant difference in what-- in your credit. So I'm trying to figure out how fast you think this economic boom is going to happen.

**STEVE WELLMAN:** [02:41:46] So, I-- I-- excuse me. I understand your point. I believe that I value certainty--

**GROENE:** [02:41:52] Yeah.

**STEVE WELLMAN:** [02:41:53] -- in being able to-- to work through a business plan and to know where we stand as far as profitability and how to plan for expenses. And obviously this-- I believe

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that LB4-- LB947 provides certainty in the amount of credit that we can count on so we know how to plan for our business as we move ahead. And-- and like has been mentioned many times before, you know, there's no-- nobody is-- we've-- this has been a topic of discussion for years. And we appreciate the cuts-- the credits, I should say, prior to this, but they've been small steps in those credits we've received--

**GROENE:** [02:42:32] I agree with you.

**STEVE WELLMAN:** [02:42:32] -- and I believe that--

**GROENE:** [02:42:33] I agree with you.

**STEVE WELLMAN:** [02:42:33] -- this will get us back at least. At the beginning I believe we'll be equal to where we are now. And this lays out steps forward so we understand that-- we know with certainty, you know. So that's one reason I support the bill of the--

**GROENE:** [02:42:47] Thank you.

**STEVE WELLMAN:** [02:42:48] Thank you.

**GROENE:** [02:42:49] I want the same end you want. I just want it faster and quicker.

**SMITH:** [02:42:53] Remaining questions from the committee? Senator Friesen.

**FRIESEN:** [02:42:58] Thank you, Chairman Smith. I guess from the beginning I've-- I've always asked for substantial property tax credit relief up-front, because we needed something now and immediate because of the predicament, I guess, that ag is in. When I look at numbers here and I analyze-- I have a kind of an analysis in front of me here that makes the assumption, as USDA says, that Nebraska, the average farmer pays \$22,000 in property taxes, USDA data. In Hamilton County it's probably at least double that, ag land values. And when I look at the-- the data here, then if I use the 12 percent where we start at, I'm going to be paying about \$500 more in property taxes, more in taxes than I did before we passed this. So I'm-- I'm missing out on the substantial and up-front. I do realize this is a path to get us somewhere. I get that. I just need the substantial and up-front. And I think we can get there. Do you sense any urgency in providing property tax relief up-front? Is it--

**STEVE WELLMAN:** [02:44:17] I sense an urgency in-- in action by the Legislature and the Governor to provide a-- a-- a path towards substantial property tax relief for agriculture.

**FRIESEN:** [02:44:31] So there's no urgency on the agriculture side?

**STEVE WELLMAN:** [02:44:34] I won't say there is not any, but-- but we haven't-- like I said, we-- it's been a topic of discussion for years. There hasn't been anything urgent that has happened up to this point, at least in my opinion. The-- the credits that we have in place now are really not enough. They are appreciated, like I mentioned, but they really are-- are not enough. And so I believe that-- so there's other things still to look at also, but I believe that-- that this lays out a plan to move forward and does provide substantial relief as we go along.

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**FRIESEN:** [02:45:14] I-- I agree. I-- I'm not arguing that. I-- all questions yet.

**SMITH:** [02:45:23] Senator-- Senator Schumacher, then Senator Harr.

**SCHUMACHER:** [02:45:26] Thank you, Chairman Smith. And thank you for your testimony today.

**STEVE WELLMAN:** [02:45:30] Sure.

**SCHUMACHER:** [02:45:30] Has your department ever done any studies that would indicate that, for example, when grain prices go up, do the cost of operations tend to follow it? In other words, fertilizer, fuel, equipment, whatever kind of follow the increase in-- in-- in gross income. And if there is an extra dollar to be had, sooner or later the vendors adjust to get it. Have you done any-- is that a true or false statement, per any studies that you might have done?

**STEVE WELLMAN:** [02:46:05] Sure. So, from the Department of Ag, is what they've done for studies on that, quite truthfully I don't know. I haven't been there long enough to know what-- what studies may have been done in the past. But from experience of operating a farm for 35 years, you know, it does seem when we did have the increase in-- in grain prices and increase in income, input costs did go up along the same-- not at the same pace. And I think that's part of the problem still, now. But the property taxes are part of that issue. They went up as we moved along and the input costs did go up and now we're at a situation here where we are losing equity in large amounts over the past four years.

**SCHUMACHER:** [02:46:46] So the input costs went up but it didn't follow the grain prices back down basically. Is that what you're saying?

**STEVE WELLMAN:** [02:46:55] I think there's been some relief in certain aspects of the input cost, but really I think the-- from the farmer's perspective and their-- what they've done to manage the situation financially is to stop any optional type of spending. Machinery, investments, expansion in capital-- long-term capital investments have been reduced because of the shortage of the profitability.

**SCHUMACHER:** [02:47:21] So let's just pretend we can wave a magic wand and get rid of the property taxes entirely: boom, it's gone. How long would it be before the-- the vendors of the fertilizer, the genetics, the equipment adjusted their charges to-- to absorb that excess?

**STEVE WELLMAN:** [02:47:46] Hypothetical question-- I don't know. I don't want to really try to guess what-- what somebody might do on their inputs. It is still competitive across state lines. So I don't know that I can give you an accurate answer to that question.

**SCHUMACHER:** [02:48:01] I-- I guess the hypotheses that's rolling around in my head is that basically if there is an extra nickel in the farmer's pocket, the vendors are going to get it.

**STEVE WELLMAN:** [02:48:14] That's certainly a possibility but, I mean, I won't sit here and testify that that's actually going to take place. There has been increases in inputs as we've went along, but-- but there's also-- let me-- let me-- I'll go back on that a little bit. Some of the inputs we

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buy now, there's a reason there's additional value in some of those seeds and technologies that-- that agriculture has been purchasing over the past decade, basically, and probably more so this last-- well, just all-- in the past decade because of the technology in the seed and-- and the improved capabilities for production from the seed genetics that we have. So some of that increase in the cost is justified clearly because of the ability to produce more on-- on less, limited resources.

**SCHUMACHER:** [02:48:59] I would think that the question I asked is a factual question that is data-driven and it would aid us because if we're going through this whole commotion in order to basically deliver more profits to the ag vendors and very little long-term property-- long-term relief-- I want to call it property taxes, in the hypothetical there would be no property taxes. I would think that's data driven. I think that some correlation analysis could be done to at least say what the probability is of-- of-- of the-- any tax benefit being absorbed over a period of time by the vendors. And if you've got the capacity in-house-- you may not-- I'd-- I'd be kind of curious to see what-- what the thought is.

**STEVE WELLMAN:** [02:49:40] So-- yeah, so that's a good point. But I will-- just-- I have a-- a good friend that lives in Syracuse and farms in-- in southeast Nebraska and in Missouri. And when we're looking at the cost of doing business, his property taxes on his Missouri farmland which is irrigated, which has an irrigation levy included in his property taxes, it's about \$7 an acre for him, compared to the over \$50 an acre that I pay here or-- and he pays also on his land that he owns here in Nebraska. And his input costs are not going to be different in Missouri as they are-- any different than they are in Nebraska. So I don't-- I don't know that there's-- thinking through this, I don't believe there's a real strict correlation between the cost of inputs for the seed and the fertilizer and those types of things that we buy. I don't believe there's a direct correlation between those going up or down compared to the property tax that we pay.

**SCHUMACHER:** [02:50:37] Have you gone down to the local co-op or the seed dealer and said, look man, we're in a pinch? The state is-- or the school districts are honking us, the state is honking us, your guys' prices are up, roll back the price.

**STEVE WELLMAN:** [02:50:54] Well-- so-- in a way we have with-- with the co-ops. The farmer directors on the boards of the co-ops are doing the best they can to control the costs that they charge the farmer for the products but then also be able to provide the services and provide the facilities for grain storage, grain transportation and those other things. And so there are farmers involved in making those decisions when they-- when they price those inputs, in-- in co-ops or-- and then I talk very closely with a private operator that-- that sells inputs also. Then we have those discussions and some of that, quite frankly, is-- is beyond their control also because the marketplace drives-- sometimes a simple supply and demand that drives economics and the costs of what they can buy those products at before they are retailed.

**SCHUMACHER:** [02:51:53] Are you aware of any land or much land in the state is going-- sitting idle for want of an operator?

**STEVE WELLMAN:** [02:52:03] Not that I'm aware of.

**SCHUMACHER:** [02:52:04] Thank you.

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**SMITH:** [02:52:06] Senator Harr.

**HARR:** [02:52:07] Thank you. Thank you, Director Wellman. So last week we had Senator Erdman's bill, and what we heard a lot was this property tax problem goes back to the '60s and we haven't fixed it since then. If we pass this bill, does that-- and you say that currently the property tax credit is not enough. Is this bill enough? Does this solve that problem?

**STEVE WELLMAN:** [02:52:35] I don't know that it solves the problem completely because we-- we've been at it for, like you said, decades to get to this point. So I don't know that we should look for a solution that's going to fix everything all at once. I don't believe it's pers-- personally, I don't believe it's out there. I believe, again, that this is a good path forward, a good place to start. And it does have the incremental increases as we move along, so really lays out a good roadway to-- to the future.

**HARR:** [02:53:00] So if this doesn't address all the issues out there, where is it deficient? How can we make it better, since this is a work in progress?

**STEVE WELLMAN:** [02:53:11] Well, I-- I-- I think through the discussions I've heard is-- is increase the amount of relief sooner. But we also do have to keep in mind-- my-- my wife teaches at Syracuse High School, an educator. So we do have to keep those in mind of the recipients of these taxes that we do pay and their ability to continue on and-- and-- and provide the services that-- that we need for education and-- and county fairs and-- and fire departments and those types of things and the counties for the roads and the infrastructure. So there are definitely a balance there.

**HARR:** [02:53:49] Well, and we wouldn't touch county fairs because that's paid for through property taxes. A lot of what you talked about are through property.

**STEVE WELLMAN:** [02:53:56] Right.

**HARR:** [02:53:57] So-- and-- and this wouldn't cut property taxes, right? It would increase credits from state sales and income tax. But besides that, is that your biggest concern is that it's not fast enough or are there things you think we can do better in this bill?

**STEVE WELLMAN:** [02:54:14] I would say that I'm comfortable with the proposal as it is. I think we-- I just think it's a-- it's a good place to start. It lays out a path forward. Again, it's-- it's predictable. We know where we're at. And in my opinion, if-- if we know what the situation is we can do the best we can to adapt to the situation.

**HARR:** [02:54:40] Because my concerns are, in all honesty, is I don't want to pass this bill and a year later people come back and say, hey, we got a real property tax issue; we haven't addressed this in 40 years. So I need some-- and you, being the director of Ag, I think carry a lot of weight. And I want to make sure that this is a solution that we don't just come back the next year with the same problem again. And, you know, Ag is very fortunate in that, as director, much of your budget has "pay-fors" in it. There are other areas that don't have "pay-fors" in their budget. They're funded more directly from General Funds.

**STEVE WELLMAN:** [02:55:20] Right.

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**HARR:** [02:55:20] And I think it's pretty obvious that we will have a decrease in General Funds because of this bill. And I just want to make sure I know how we're going to-- there was a question Senator Brasch was asking last week on Senator Erdman's bill, the "pay-fors." How are you going to pay for these, you know, billion dollars in cuts? And-- and I don't have the answer to today. I'm not asking you for the answer. But I just think we need to be very careful going forward to think about what we're doing and what ramifications it may or may not have on future Legislatures, because I'm in my last year. This is the greatest thing in the world because I get all the credits for the tax cuts and future Legislatures have to figure out how to pay for it. So, you know, I can take all the credit in the world. But I think you see where I'm going. I just want to want to be sure we're-- we're doing something and that what we're doing-- because it's going to be very expensive. And if farmers aren't happy then we shouldn't be doing this. And you're saying farmers will be happy?

**STEVE WELLMAN:** [02:56:23] So, I-- even though I am director of Ag for Nebraska, I'm not sure that I can speak for each farmer that's out there and I'm not going to even attempt to say that every farmer will be happy with this. We-- you-- you've heard testimony on other bills and other proposals that some of them will like more than this proposal. Now-- you know, legislation-- and I don't-- it's an evolution as it moves forward, in my mind. And-- and-- you know, last year, if I remember right, there-- there wasn't an action taken for-- to-- to help with property tax relief on agriculture. So, my main focus here is to help what-- in any way I can to get some legislation passed that will provide for property tax relief for agriculture and does lay out a pathway forward to actually increase that relief as we go ahead.

**HARR:** [02:57:14] Great answer. I appreciate it. Thank you very much.

**STEVE WELLMAN:** [02:57:17] Thank you.

**SMITH:** [02:57:18] Senator Brasch, and then Senator Groene.

**BRASCH:** [02:57:21] Thank you, Chairman Wellman and-- you had very good explanation and-- Director Wellman.

**STEVE WELLMAN:** [02:57:30] Farmer Wellman is fine too. [LAUGHTER] I'm more comfortable with that right now than director.

**BRASCH:** [02:57:35] The conversation reminds me of when I was first elected eight years ago, and someone gave him a little plaque that says, basically, do not be afraid of moving slowly, be afraid of standing still. And I think this is a path, as you're explaining, that it looks at the different areas from business to property taxes to job training that is a path for some growth. And I think in agriculture we participate in all of those areas as well, in agribusiness. Our farms we diversify. We look for different opportunities depending on the world market, depending on what the Chicago Board of Trade says. But-- are your-- are you optimistic at this point or-- or hesitant? I don't know, I--

**STEVE WELLMAN:** [02:58:44] By nature I'm an optimistic type of person. And-- and I always try to-- try to find the best way forward at-- at the moment. And I think we all have to be-- at least in my mind, I try to be adaptive to the conditions and-- and still take a positive outlook as we move ahead and work with the situation we have. And the situation with-- with property tax burden on



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agriculture is-- is getting unbearable to some individuals and to agriculture in general. And I believe now is the time to do something. And I'm-- like I said, this bill gets started in a good direction. There's been a lot of thought, a lot of work put into this by-- by numerous people and-- and that's one reason I do support it because of all the input and the work that's been gathered up to this point in time.

**BRASCH:** [02:59:38] Thank you for your work, your comments, and Godspeed moving forward. Thank you.

**STEVE WELLMAN:** [02:59:45] Thank you.

**SMITH:** [02:59:46] Senator Groene.

**GROENE:** [02:59:47] A couple of points and then a question. You've been out in rural Nebraska a lot. We have an economic crisis out there, don't we? We're depopulating, main streets are closing up, these greedy businesses who can't charge a farmer are laying off people, children are leaving our school districts while Omaha and Lincoln is expanding. Senator Curt Friesen said a billion two; that wasn't over ten years. That's a billion two every year that property tax are paid every year. They've gone up a billion two over the last ten years, but every year we've got to come up that billion two, agriculture does. I just took an estimate. If you took generous estimate that 750,000 of that 1.9 million people live in Nebraska-- live in rural Nebraska, that's \$1,600 per man, woman, and child of additional tax burden that's been dumped on rural Nebraska that's taken out of main street, taken out of less families in our communities. And they just don't get it. The east does just not get it. The Chambers don't understand it. So property tax relief is major to rural Nebraska. They're not looking for 0.015 percent cut on their income taxes, are they? Has a farmer come up to you and told you he needs an income tax cut?

**STEVE WELLMAN:** [03:01:16] No, and I don't--- I'm not sure I've said that. I've talked more about the property tax proposal here and the benefits from that. Certainly--

**GROENE:** [03:01:21] Well, has a farmer--

**STEVE WELLMAN:** [03:01:21] -- I don't think anybody--

**GROENE:** [03:01:21] -- came up to you--

**STEVE WELLMAN:** [03:01:21] -- is going to turn away--

**GROENE:** [03:01:21] -- looking for an income--

**STEVE WELLMAN:** [03:01:21] -- any income tax--

**GROENE:** [03:01:21] -- tax cut?

**STEVE WELLMAN:** [03:01:21] -- reduction they can get either.

**GROENE:** [03:01:26] Well, thank you.

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**STEVE WELLMAN:** [03:01:31] Senator Schumacher.

**SCHUMACHER:** [03:01:33] Thank you, Chairman Smith. I seem to think that earlier this year I went to a meeting, I think might have been put on by the bankers, and they had some expert in and the-- from, I think, an ag publication, if I remember right, in Massachusetts or someplace. And the analysis that he presented was that a third of the farmers in Nebraska are doing extremely well. A third, if they have a good banker, the banker can make very good interest off of them. And a third were hopelessly lost, and their land would then be acquired, as it has been historically as farms went from like three, four people to a section to maybe like-- not people, families to a section, to maybe one family per three or four sections, and that the big take over the operations of the small. And the pattern is-- is pretty well established through time and it-- it's not correlated with any particular tax. It's the nature of the beast. Would you disagree with that?

**STEVE WELLMAN:** [03:02:46] I certainly believe that modernization of agri-- our machinery and technology has driven growth amongst operations, farming operations. I do believe also, though, that there's been an increase in Nebraska of-- of small farms-- of farmers in-- in-- in general for the last, it was over a five-year period. It's a bit dated but-- because it hasn't been updated recently. But the number of farmers, it has increased Nebraska so Nebraska is bucking the national trend a little bit. But in fairness to your question, I believe some of that farm-size growth is driven by mechanization and technology. But the-- the other part of that is if I look back and, you know, what-- what my grandfather did on the farm and what my dad did when-- you know, he graduated from the eighth grade at that time and went back to work and worked with-- with my grandfather. And the amount of labor that they had to take to do-- to do the job is significantly more than the actual labor and the time that it takes to farm those same acres now, for-- for numerous reasons. And-- and though it wasn't driven by property taxes in general, but the-- the property tax issue in Nebraska has a profound impact on agriculture and our profitability. When I talk to farmers or I talk to bankers, the two things that they bring up are the property taxes that they have and then medical costs. And obviously that-- that's a different subject for some other day. But-- but those are consistent and those are concerns of agriculture, whether they're rural or whether in the eastern part of Nebraska, where I happen to be. So I think from-- from my point as-- as director of Ag, I need to be here and represent agriculture in general saying that now is the time for some property tax relief and now is the time for action.

**SCHUMACHER:** [03:04:48] One quick follow-up question then: Have you done any projects-- let's suppose we do nothing, OK? We just say that this is-- this will work itself out. And as to how many acres one year, two year, five years out will sit idle for want an operator if we do not do any property tax response?

**STEVE WELLMAN:** [03:05:12] I don't have that data but I do believe that if there is opport-- if-- if operators believe that the tax bill is too high for property taxes they will make decisions and that will further drive that process of larger operations and fewer operators.

**SCHUMACHER:** [03:05:31] And isn't that inevitable anyway?

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**STEVE WELLMAN:** [03:05:33] Well, it may or may not be. But I'm not sure that-- that the Nebraska Unicameral in the state of Nebraska should be a driver in-- in promote-- in-- in moving that along quicker because of tax issues.

**SCHUMACHER:** [03:05:46] But the property tax thing has fumed in the last few years, since land went-- tripled in-- in value and wealth. But we've seen the devouring of agriculture by bigger agriculture in this state, the-- the-- the natural process for much, much longer than that. And the state wasn't doing it. It wasn't property taxes. We didn't pass any laws that said you had to sell your chickens and your cows and you had to plow over your-- your homesteads and your shelter belts in-- in-- in the agricultural area. We didn't do that. Ag did that. The economy did that. And what's to think that a tinkering with the property taxes is going to reverse those forces that have been operating now in the depopulation of small communities since the 1920s, since that first John Deere rolled out into the field?

**STEVE WELLMAN:** [03:06:45] Well, there-- there's a lot of factors that play into that growth amongst the size of farms. And-- and-- and I'm not going to sit here and say that property taxes-- a reduction in property taxes is going to change that necessarily, but I do believe there's risk that the tax burden is so great that people will start making the decision they can't own this land. And they will make the change to step aside or step out and make the sale. And-- and you've talked about the increase in valuations. That increase in valuation really only does anybody any good if they're going to sell the property. I mean it does help if-- if you want to include that in your balance sheet and use that. But there are risks for that if you're borrowing money against that increased value because it can drop back down if-- if the situation changes. But, you know, it looks-- it looks good on paper. And I own farmland and there's been probably very few times in my lifetime where I have purchased farmland thinking that it was the right price, because of-- they're just not marketable and there's opportunities come up and you try to take advantage of those with a long-range plan of being multigenerational.

**SCHUMACHER:** [03:07:58] We could-- sometime we'll have to pursue this discussion but I realize it's getting late. Thank you very much.

**STEVE WELLMAN:** [03:08:02] Thank you.

**SMITH:** [03:08:03] Senator Friesen.

**FRIESEN:** [03:08:04] Thank you, Chairman Smith. We have all evening, don't we?

**STEVE WELLMAN:** [03:08:09] I get paid the same, just like at home. [LAUGHTER]

**FRIESEN:** [03:08:11] A couple of things-- a couple of things that you mentioned I-- I thought needed to be clarified a little bit. One of them is you made the comment that the number of farms in Nebraska has been growing recently. Could you give me the definition of a farmer?

**STEVE WELLMAN:** [03:08:27] Oh, for this particular-- I'd have to look back on the study, I guess, Senator, and then get back to you. Usually it's-- I think on the census it's \$2,500.

**FRIESEN:** [03:08:36] I think USDA says anybody that sells over a \$1,000 of products.

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**STEVE WELLMAN:** [03:08:40] OK.

**FRIESEN:** [03:08:40] And I-- you know, I just want to clarify, I don't think we're seeing an increase in the number of what I would call totally dependent on your-- on economy-- on your income farmers.

**STEVE WELLMAN:** [03:08:53] Probably not full-time farmers.

**FRIESEN:** [03:08:56] OK.

**STEVE WELLMAN:** [03:08:56] I would agree.

**FRIESEN:** [03:08:56] Because there's a lot of-- there's a lot of small acreages starting out and they're-- they're selling a little produce and a little-- there's some niche markets to be had.

**STEVE WELLMAN:** [03:09:03] Sure.

**FRIESEN:** [03:09:03] So there is some good things happening. I'm not, by any means, criticizing it. I-- I think it's good. The other thing that I think that you brought up that it's-- it's interesting to expound on a little bit. And-- and when I've talked about an average-sized farm in Nebraska, if you take health insurance, that you brought up, and property taxes and add them together and if you take an average-sized corn farm in Nebraska, that's 22 percent of your gross in today's prices. It's unsustainable.

**STEVE WELLMAN:** [03:09:32] I would say that's accurate.

**FRIESEN:** [03:09:33] Thank you.

**SMITH:** [03:09:36] Senator Schumacher.

**SCHUMACHER:** [03:09:38] One-- thank you, Chairman. One little follow-up: you mentioned that medic-- medical costs were a big cost. For-- if we could trick the federal government into picking up some of this tab, by making them pick up a big chunk,-- assuming that farms don't make any income or much for income because of all these costs and they're just not working out income-wise, it-- trick the federal government into picking up a big portion of the Medicare costs by Medicaid expansion, wouldn't that work too?

**STEVE WELLMAN:** [03:10:10] I think-- believe that's still all taxpayer money.

**SCHUMACHER:** [03:10:13] But it would be at least somebody-- it would be the great federal void.

**STEVE WELLMAN:** [03:10:18] It's still going to be taxpayer money. It's going to be the citizens of Nebraska paying for that.

**SCHUMACHER:** [03:10:28] Thank you.

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**SMITH:** [03:10:28] Senator Harr.

**HARR:** [03:10:28] Aren't we paying for it already? There's expanded Medicaid in other states and we don't get any benefit of it. Now we're getting the benefit.

**STEVE WELLMAN:** [03:10:38] You know, I-- I-- I'm talking about from-- from the individual producer and the-- the premiums and-- and the high deductibles. I'm not well versed in-- in this whole topic that you're bringing up now.

**HARR:** [03:10:53] All right, thanks. Did you, by the way, are you going to take the tax cuts that were passed by the last tax bill?

**STEVE WELLMAN:** [03:11:02] I'll take whichever tax cuts were-- are applicable.

**HARR:** [03:11:05] Who's paying for those?

**STEVE WELLMAN:** [03:11:07] Who's paying for those? Those-- those are funds that come back to the taxpayer.

**HARR:** [03:11:11] It's a \$1.5 trillion deficit.

**STEVE WELLMAN:** [03:11:20] Is that--

**HARR:** [03:11:20] All right, thank you.

**STEVE WELLMAN:** [03:11:21] -- is that a question?

**HARR:** [03:11:22] Well, I just don't know who's paying. It's \$1.5 trillion. I don't know who's paying that and isn't taking that.

**SMITH:** [03:11:29] Thank you, Director Wellman. Appreciate your testimony. Next proponent. Seeing no remaining proponents, let's go back to opponents. Were there any opponents that came into the room afterwards that wanted to provide testimony? Seeing none, do we have anyone in a neutral capacity that would like to provide a testimony? Welcome.

**JARED WALCZAK:** [03:12:00] Thank you. Mr. Chairman, members of the committee, I appreciate the opportunity to speak with you today. My name is Jared Walczak, that's J-a-r-e-d Wa-l-c-z-a-k, and I'm with the Tax Foundation. We're a tax policy organization based out of Washington, D.C. I'm testifying here in a neutral capacity because, as a (c)(3) organization, we do not endorse or oppose legislation. What I would like to do is talk about some of the implications of this bill and talk about it, perhaps, in a broader context, because you've heard a lot about the bill. I want to take a step back and put some things into context. There are times when tax reform is in the air. There are times when certain policies are at the forefront. Tax reform is nothing new, certainly, in this state. This committee, this Legislature has considered many previous efforts to reduce property tax burdens, to reduce the income tax rates and make those more competitive. What I think is new right now is the urgency of reform, because there's a competitive moment in which this

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legislation is being considered. LB947 is about Nebraska, but the importance of state tax reform cannot be divorced from what happened in Congress in December, which Senator Harr and others were just discussing. The federal tax code was overhauled for the first time in over three decades. The impact on states is considerable in both obvious and perhaps a few not-so-obvious ways. The most straightforward effects to the changes are the change-- the changes in the state's tax base, the changes on conformity which are addressed in other legislation being considered in this body. But another important change is, of course, the \$10,000 cap on the state and local tax deduction, something you may not think really matters here. But this does have an impact. It reduces the degree to which the federal tax code smooths out the differences between state tax systems. To the extent that the new tax law incentivizes new investment moreover or brings overseas investments back to the United States, it also kicks off a competition to land those new jobs, to bring that economic activity into a given state. And by reducing federal tax burdens, especially on the corporate side, the new tax law makes states' rates and structures comparatively more salient than they were before. Earlier this month, the D.C. branch of the Federal Reserve released a study finding that for each 1 percentage point increase in corporate tax rates, employment start-up firms declined by 3.7 percent. Studies consistently show the reductions in marginal, individual, and corporate income tax rates yields significant economic growth. And now more than ever those differences will be felt. The 6.84 percent top marginal individual income tax rate, that 7.81 percent top corporate rate, which is, again, regionally high, will be felt. The SALT deduction used to take the bite off that rate, when states overshot a fair portion was subsidized. Now Nebraskans will be shouldering more of the burdens of those rates and the differences between Nebraska and its peers will be felt more than before. Nebraska's tax collections are middle of the pack, but rates are high. Again 7.8 point-- 7.81 percent top marginal corporate rate is bitter medicine for companies that are ineligible for tax credits or for which single sales factor does few favors. Many companies are paying next to nothing. Some are bearing a significant burden. Most Nebraskans have much of their income taxed at the state 6.84 percent top marginal income tax rate. And of course it's no secret that property taxes are high. The committee has seen tax reform legislation before, but tax reform is having a moment. Look at your neighbors. The governors of Iowa and Missouri have outlined plans to reduce income taxes. Colorado imposes a low flat rate. South Dakota and Wyoming have no income taxes at all. And expand the map a bit: Minnesota cut taxes last year to the tune of \$650 million. Indiana is preparing for additional tax cuts in the wake of federal tax reform. Even Wisconsin might be getting in on the act. Standing still is losing ground. These are phased-in reductions. I was going to talk about triggers but now as the Governor spoke earlier about how there might be a different approach, I'm happy to field questions but won't discuss that so I can wrap up here. But striking the right balance between income and property tax relief is a difficult business. There are legislators on both sides, if "sides" is the right word, because really it's a matter of degree. Property taxes are high, income taxes are high. There are differences of opinion on this committee, this Chamber, and this state about the relative importance of tackling each. But the point I'd like to close with and impress upon you is the importance of debating how and not if these rates are to be addressed. Your neighbors are making their tax code more competitive. The federal government has changed the rules of the game. Nebraska's 1967 tax code is out of date. Its rates are out of line with peer states. There's an opportunity to make the tax code more competitive. LB947 offers one path, one way forward. Tax reform isn't easy but neither is continuing to operate under a tax system that is falling behind its peer states. This committee has an opportunity for a robust debate about tax reform. I think that's a challenge worth embracing. I've been encouraged by what I've heard here today. I'd be happy to take any questions on details.

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**SMITH:** [03:16:54] Thank you, Mr. Walczak. Senator Schumacher.

**SCHUMACHER:** [03:16:58] Thank you, Chairman Smith. And thank you for coming here and testifying. Your organization has been before the committee many times in the-- my service on it. You mentioned Wyoming in the states that you rattled off.

**JARED WALCZAK:** [03:17:11] Yes.

**SCHUMACHER:** [03:17:12] Wyoming is lucky enough to have coal. And they charge a tax on extracting something out of the ground. And in the time that I've been here I've heard the message many times that, look it, the Tax Foundation looks at Nebraska, and Nebraska, we look at the income tax. And the income tax is on the high end of normal. I mean, not on the-- the low end high, but high end of normal. It's-- it's pushing it. Not-- you know, not-- we're still B students hiding in the class. Now, if we were to do something, since your ratings seem to be important to-- to people that make arguments on taxes, if we were to do something that would reclassify one of our major taxes, let's say part of the property tax, as an extraction tax and fundamentally work it in a way that the numbers stay the same but it just wasn't any longer under the sales tax, income tax, property tax paradigm, would our ratings look better?

**JARED WALCZAK:** [03:18:25] Senator, thank you for that question. That's an interesting one. I've not heard quite that question before. You know, in our methodology we make updates occasionally as states change how they do taxation. No one so far as I know has tried to take a traditional real property tax and shoehorn that into an extraction tax. If states started doing that, we would probably have to update our methodology to address that. But you are correct that, right now, if you completely reclassified a tax, that our, you know, our index would not be capturing that. To a broader point, you know, Nebraska clearly can't do what Wyoming does and we wouldn't recommend that Nebraska do what Wyoming does. You can't forgo in individual income tax or a corporate tax with the revenue needs of the state. What I would note is not that the goal is to be like Wyoming, but even though Wy-- Wyoming has unique advantages, the market just doesn't care. You're still competing with Wyoming despite the fact that it has some natural resources. Now, there are a lot of things Nebraska has that Wyoming doesn't. So Nebraska does not need to match those rates, but Nebraska needs to care about the rates and the competitiveness of its peers, not just Wyoming but across the country.

**SCHUMACHER:** [03:19:35] But we're looking at a situation where we know we've got some big, big expenses ahead. We know that we got a prison system that might blow up in our face, and with a federal judge's order. We have a mental health problem. We have yet to address the Medicaid issues of people who are uninsured in the state. We've got a ton of baby boomers, like they have everywhere else, that probably haven't saved near enough for retirement and are going to be looking for something. We bled down our Cash Reserves significantly. Look like we may go down, maybe it goes up if overly optimistic projections happen, maybe it doesn't if they don't. And so, somewhere along the line the rubber has got to meet the road and we've got to raise the revenue and that is, unfortunately, those things are called taxes. So in your travels around the country looking for how other states are going to meet what must be similar things, how are they doing it?

**JARED WALCZAK:** [03:20:40] Well, you're absolutely right that there are urgent priorities that every state faces that requires revenue. I mean, it's been said that tax is the price we pay for

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civilization. I don't know if I'd go quite that far, but it's close. We have to raise adequate revenue to meet these needs. States can do that in a lot of ways. Marginal rates are very important because-- especially on the corporate side but even on the individual side. Think of all the pass-through businesses. These can reduce incentives for investment. They can make it tougher to remain in a state or to expand a business in the state. You can build a tax structure that raises an adequate amount of revenue that is more neutral in its treatment, that's more pro growth. And that's where we come from as an organization. There are very good bills out there that, you know, we said are very good bills, that are net tax cuts. We have also said that there are some really good bills out there in other states that have been net tax increases. We went and testified very favorably, again not endorsing, but very favorably for tax increases in Louisiana, in Kentucky, in Nevada, and I'm sure we'll do it in other states and there may be others that I haven't thought about at this moment. What we are focused on in an organization is tax structure and marginal rates are a part of that because that's a competitive issue. When I look at the tax structure here in Nebraska, I see a code that has only been tinkered with since 1967. Now, I think rates have changed 25 times since 1967, different taxes' rates, but the structure hasn't changed. It's not a code that is as pro growth as it could be. I do think that the marginal rates-- top marginal rates are too high. That doesn't mean that the revenue goals of the state are necessarily too high. I'm agnostic on that. I know that, you know, Chairman Smith or others may have particular opinions on that. And I just come here and testify neutral. I'm agnostic on the revenue goals, but I do think there are some problems with the state's current tax structure that make it a little more hard to compete.

**SCHUMACHER:** [03:22:39] So how did-- how do the other states fix the problem that we seem to have here, at least on the income tax issue, of we've got a 6.84 percent tax rate? And if you're a professional, you're paying pretty close to that--

**JARED WALCZAK:** [03:22:55] Yes.

**SCHUMACHER:** [03:22:55] -- because you don't get any freebies, you don't get any special deals. And that's 6.84 percent isn't on the high end of normal, not gonna lie, but yet our effective tax rate is something like four point-- actually, I forgot what it is, 4.5, 4.6 percent. And that has to be because there are-- is some income-- quite a lot of income that effectively is paying much, much less than 6.8 percent. How do other states deal with that?

**JARED WALCZAK:** [03:23:29] Senator, in varying degrees of effectiveness. The best tax codes would see a relatively small differential between the effective rates and the statutory rates. There will always be some because there are adjustments to income that are necessary from a structural standpoint to ensure that you're not engaging in double taxation or that there aren't other issues you are creating. So they'll never be one to one. But when there's a wide gulf as there is in most states, what you're usually seeing is a significant amount of tax preferences baked into the code. And incumbent players are usually much better at utilizing those tax preferences-- you know, the businesses that are already here, the larger, more established businesses, whether those are S corps on the individual income tax side or C cup-- corps on your corporate side. They are going to be better positioned to take those. Other businesses maybe are paying close to full freight and therefore feeling the entire burden. I would be glad to discuss with you further at any time taking a deeper dive into the preferences in the code. I think that what LB947 does is separate from that but, I think that in some ways these are complimentary. These are two issues that are both worth tackling when



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there is too wide of a gulf. I think you have a problem, the rate is too high. But part of that is because a significant number of payers aren't paying anywhere near that rate.

**SCHUMACHER:** [03:24:48] Thank you.

**SMITH:** [03:24:48] Senator Groene.

**GROENE:** [03:24:49] You're the Tax Foundation, because I had to leave?

**JARED WALCZAK:** [03:24:51] Yes.

**GROENE:** [03:24:52] It's cause and effect in economics, right?

**JARED WALCZAK:** [03:24:55] Um-hum.

**GROENE:** [03:24:55] We have one of the highest tax rates, second to Illinois, on income but we also are rated very high on our incentives,--

**JARED WALCZAK:** [03:25:03] Yes.

**GROENE:** [03:25:04] -- Advantage Act. Boy, we're right up there. Isn't that a cause and effect? The reason we have to have to have the Advantage Act so high is because our taxes are so high.

**JARED WALCZAK:** [03:25:10] Senator, that's exactly right. The challenge is of course actually figuring out the direction of that causal link. But it's a problem because one props up the other. If you have a high rate there is an incentive to create carve-outs for the businesses that are most effective at arguing that they can't handle it. And it also props that high rate up.

**GROENE:** [03:25:28] But hear in Nebraska, we had native-built companies like ConAgra and Cabela's who have left us--

**JARED WALCZAK:** [03:25:34] Yes.

**GROENE:** [03:25:35] -- and we use adva-- tax incentives to bring Yahoo! in. And I don't see the net gain there when you have high tax rates.

**JARED WALCZAK:** [03:25:44] Yeah.

**GROENE:** [03:25:44] So how do we get there? How-- you know, Missouri is similar. I mean, farm, we got a big river, they just got rain on both ends of the state. Kansas, South Dakota, they're all a lot less than us.

**JARED WALCZAK:** [03:25:59] Yeah.

**GROENE:** [03:25:59] Indiana has really done a good job of changing things. Isn't this thing here just another shift, I mean, really when you start talking credits? How did we get there?

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**JARED WALCZAK:** [03:26:12] Yeah. Senator, that's an excellent question. The answer is that it's not easy, but we've seen it work very well. Indiana would be a good example of this. North Carolina would be as well, states that cut their rates substantially but did it predominantly by eliminating a lot of the non-neutral provisions in their code that picked winners and losers. Now, I need to clarify here. North Carolina did a net tax cut. They went beyond what they offset. But what I think is important here is the offset because North Carolina had actually very high statutory tax rates before 2013. They didn't have high tax collections because they carved out significant portions of their code. And it looked like a code you'd expect from old North Carolina. If you were in manufacturing, especially textile manufacturing, you paid almost zero. If you were in agriculture, especially tobacco, you paid very little. But those were not the boom industries of North Carolina in 2013; they're certainly not in 2018. So they have now a low flat rate, but they did it by eliminating a lot of those incentives. I, on behalf of the Tax Foundation, wrote a short paper on some options for a Nebraska last year and was very critical of the Nebraska Advantage Act because you are picking winners and losers. And with all due respect to all of the wonderful people in this committee and in this Legislature, politicians are not best positioned to determine which companies have the growth potential for the state. The market should be deciding that and--

**GROENE:** [03:27:36] You mean, we're not venture capitalists?

**JARED WALCZAK:** [03:27:38] And I don't think you want to be. I think you should leave that to actual venture capitalists. But anything like the Nebraska Advantage Act or any other incentive like that, especially-- the more-- the narrower it is the worse it is in terms of its focus and targets. It is going to incentivize activity that may not be the actual growth sectors and it misses the real economic development opportunity. I would argue that a neutral structure with a low tax rate is the best economic development program you can have, not one that targets certain companies. And it's great to see the ribbon cuttings because we can only see the winners. There are winners. You bring in companies you wouldn't have otherwise with the targeted tax incentives. But what you don't see is all the companies that didn't come here because of how much you taxed them or their peers to land that one big project.

**GROENE:** [03:28:27] Thank you.

**SMITH:** [03:28:28] I see no further questions. Thank you very much for the testimony. Very interesting, very informative. Next a neutral testifier. Welcome.

**DICK PIERCE:** [03:28:44] Thank you. Chairman Smith, Vice Chairman Friesen, and the members of the Revenue Committee, thank you for allowing me to sit here and testify today on LB947. My name is Dick Pierce, D-i-c-k P-i-e-r-c-e, and I'm a farmer-rancher from Miller, Nebraska. We have a family farming and family ranching operation out there. I've been in business since I got out of the Air Force in 1975. I'm currently serving as chairman of the Nebraska Cattlemen taxation committee and I'm here today on behalf of the organization to testify in a neutral capacity. Nebraska Cattlemen board met in Lincoln last week, as some of you may know. And for the third year in a row the heavy lift for our legislative committee was property taxes, along with other taxation bills. But the-- the most-- I guess the issue that comes to us the most is the high property taxes. Stories of double-digit increases are constant and members wonder what's happening to help remedy the problem. We spent several hours the afternoon of tax committee, and probably almost as long as we've been here, talking about what we could do as a-- an organization to help this process along.

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During the fall, Nebraska Cattlemen leadership convened a working group of members from across the state to do a comprehensive review of taxation policy. As a grass-roots organization directed by policy, this exercise was essential and it was time well spent. When the board met last week, we took a neutral position on this bill, LB947, and we appreciate the efforts of Senator Smith and Governor Ricketts and others that have been working on property tax solutions. Nebraska Cattlemen policy is robust and because we have both-- policy both supporting and opposing portions of this bill, the board adopted the neutral position which I am representing today. Nebraska Cattlemen supports a refundable income tax credit as a means for property tax relief and opposes using the current Property Tax Credit Fund as it is a primary source of relief of all property taxpayers that they receive today. Nebraska Cattlemen policy also supports modifying methods for valuing agricultural land which is-- was-- which is not included in this bill and we encourage the committee to consider that option again this year. While LB947 starts down a path towards property tax relief that our members are seeking, Nebraska Cattlemen hopes that this committee also sees it as a beginning point and encourage you to consider the multiple options currently on the table that will lead to significant and immediate property tax relief and tax reform. We are committed to working with you towards that solution. Thank you for your time.

**SMITH:** [03:31:38] Thank you, Mr. Pierce, for your testimony. Questions from the committee? Senator Schumacher.

**SCHUMACHER:** [03:31:44] Thank you, Chairman Smith. Thank you for coming down to testify for us. In your study groups, to the extent that there is relief or funding that moves toward the folks paying the ag property taxes now, did your groups discuss what would be the optimal place to get that relief from?

**DICK PIERCE:** [03:32:03] We kicked around some ideas about a tax shift to sales tax. We talk about the three-legged stool a lot of property, income, and sales tax. Property tax is-- is way out of whack as far as funding too much of that three-legged stool, if I can use that analogy. Sales tax is really light on that. That was one solution. We talked about maybe some exempt-- exemptions. We weren't really specific in any of those, but that was all part of our conversation.

**SCHUMACHER:** [03:32:45] If you're looking at the sales taxpayer, then we'd be looking at an increase in rate. Right now, for all practical purposes, it's 7 percent because the state gave the cities a piece of its sales tax pie, and so it's 5.5 percent for the state and another, typically, a percent and a half. Were you looking at raising that sales tax rate or were you looking at closing out some current exemptions? And if so, which current exemptions?

**DICK PIERCE:** [03:33:13] All of that, and I don't have a list of those exemptions in front of me. But also maybe taxing some services with the sales tax, feeling that-- well, and this was one thought that came through. We have a lot of people go through our state on a daily basis. Why can't we take some of our revenue from those folks? And-- and the reason I use that analogy, I was on the county board for 16 years in Buffalo County. I was the chairman when we put up the new judicial center. And we tried to get a sales tax to pay for that judicial center and the jail. The city of Kearney beat us to the punch on that sales tax. But that was one thing that we were looking at. We could use monies that other people were bringing to town and-- and help boost our-- our income so that we could pay for that jail. It's the same thought process that we were talking about briefly in our-- our task force.

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**SCHUMACHER:** [03:34:09] So you're talking peeling money off folks traveling the interstate?

**DICK PIERCE:** [03:34:12] Why not?

**SCHUMACHER:** [03:34:18] I guess it-- we're running late, I guess. But, I mean, I'd be interested in knowing how you would envision such a mechanism working. We've already got a gas tax,--

**DICK PIERCE:** [03:34:28] Right, I understand.

**SCHUMACHER:**[03:34:28] -- motor fuel tax.

**DICK PIERCE:** [03:34:28] I understand that. And-- and, you know, that was just a method that we threw out there. We didn't have any specifics on it. But anyway, that was part of the conversation. But, you know, it's increasing that sales tax to equal income and-- and, you know, lowering property tax so we can get that stool a little more balanced, so to speak.

**SCHUMACHER:** [03:34:48] Thank you.

**SMITH:** [03:34:52] I see no further questions. Thank you, Mr. Pierce, for being here today and for your testimony.

**DICK PIERCE:** [03:34:55] Thank you.

**SMITH:** [03:34:55] Others wishing to testify in a neutral capacity? We have a number of letters to read into the record. Beginning with proponents, we had John C. Jacobs of Norfolk, Nebraska, sending in a letter for the record in support of LB947; also Philip Christensen representing Union Pacific Railroad sent a letter in, in support of the LB947. The following letters were sent in opposition to the LB947 for the record: Doug Kagan representing Nebraska Taxpayers for Freedom; Terry Werner representing National Association of Social Workers, Nebraska Chapter; Jenni Benson representing Nebraska State Education Association; Connie Benjamin representing AARP-Nebraska; Coby Mach representing LIBA; Ashley Frevert representing Community Action of Nebraska; Anne Hindery representing Nonprofit Association of the Midlands; Julie Tse representing Voices for Children in Nebraska; Sarah Ann Kotchian representing Holland Children's Movement; Ann-- I'm sorry, John Antonich representing NAPE and AFSCME Local 61; Ann Hunter-Pirtle representing Stand for Schools. Those letters were sent for the record in opposition, LB947. We also have a letter that was sent-- sent in for the record in a neutral capacity from Dr. Mace Hack representing The Nature Conservancy. And with that, I'm going to close on LB947. Senator Friesen and members of the Revenue Committee, thank you for your patience. Thank you for the great questions. I think it was a really good exchange. And thank you to all that came tonight and this afternoon to testify on LB947. Whether it was in support or opposition, we do appreciate the exchange of information and the-- and their engagement on this issue. And-- and, Governor, thank you for being here and thank you for your opening on LB947 and your efforts throughout the year and last year working with many stakeholders to try to find a path forward. I appreciate that. And thank you for your efforts also, Governor, to work with the Legislature to try to bring closure to some type of tax relief for the 2018 legislative year. Again, I believe the testimony was thoughtful. I appreciate all the questions. It was very-- it was a broad range of testimony, as we

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heard from a small business person employing 80-something employees in Omaha to ranchers. We had members of the Farm Bureau, we had Farm Bureau representatives here to testify. We had the Cattlemen that came in neutral, we had the Chambers of Commerce. Again, it was very broad and I can't remember the last time that I saw folks from-- representing business-- non-ag businesses, ag businesses, Chambers, and farm industry all coming in to support getting something done and moving something forward. And I do appreciate that. I think that was unique and pretty special. Again, the bill doesn't fix everything. And we started out at the opening, myself and the Governor, both talked about that this was a work in progress. We do believe that there's yet another component that will be discussed on relating to this package, and that's work force development. I'm looking forward to hearing more discussion tomorrow on the merits of work force development. I-- we-- I think we all would like to have more of an impact, more ability to do more. But we have to stay inside of our budgets and do what is practical and right for the budget in Nebraska and also to take actions that will move our state forward and to expand the economy. It's through an expansion of the economy, really, that will solve so many of our problems. But we have to take the right tax policy on in order to achieve that expansion. Again, the path is very narrow for any type of tax relief going forward and I look forward to working with this committee and working with all those folks that came here and that they represented and to try to find a common path forward to expand our state's economy, to find opportunities for our state, and to provide real tax relief for citizens and businesses. So with that, any questions you may have. I thank you very much for your time.

**FRIESEN:** [03:40:27] Thank you, Chairman Smith. Any questions from the committee? Senator Harr and then Senator Groene.

**HARR:** [03:40:32] Thanks. Do you have any idea what the proposed change to the property tax credit component, is there a ballpark of a fiscal note on this?

**SMITH:** [03:40:41] Well, I would say--

**HARR:** [03:40:44] Sorry, I was hoping the commissioner-- I missed him testifying.

**SMITH:** [03:40:46] OK. I-- I can't tell you that. We can probably ballpark it for you. I mean, I would not say-- I think mostly what it does is we-- we try to take what would have been achieved in triggers and we tried to remove the trigger aspect of it and put it into statute itself.

**HARR:** [03:41:05] Well, it moves it from 16 to 30 in 28-- or 30 percent. So is it fair to say it's double the 16 in this fiscal note, or is that--

**SMITH:** [03:41:16] It's hard for me to say. I-- I think you could probably be in that range.

**HARR:** [03:41:22] OK. OK, thank you.

**FRIESEN:** [03:41:24] Thank you, Senator Harr. Senator Groene.

**GROENE:** [03:41:27] I pride myself in being Gabriel's advocate. So I ask hard questions but I will work with you and the-- and the Governor. But even-- even the Boy Scouts when they get around and everybody is singing "Kumbalie," if somebody complains about the fire not being warm

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enough, we get a better fire. So I will continue to work with both you and the Governor. Appreciate it.

**SMITH:** [03:41:51] And I appreciate that, Senator Groene. And again, I-- I don't think there were any bad questions here. I-- I appreciate everyone asking them. And we deserve to have a robust conversation on this.

**FRIESEN:** [03:42:03] Thank you, Senator Groene. Any other questions from the committee? Thank you, Chairman Smith. And with that, we will close the hearing on LB947.