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Revenue Committee
February 21, 2018

[LB798 LB914 LB954 LB1022 LB1045]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 21, 2018, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB798, LB914, LB954, LB1022, and LB1045. Senators present: Jim Smith, Chairperson; Lydia Brasch; Mike Groene; Burke Harr; Brett Lindstrom; and Paul Schumacher. Senators absent: Curt Friesen, Vice Chairperson; Tyson Larson.

SENATOR SMITH: Good afternoon, everyone, and welcome to the Revenue Committee public hearing. My name is Jim Smith and I represent the 14th Legislative District in Sarpy County and I serve as Chair of the committee. The committee will take up the bills in the order posted on the outside of the room. Our hearing today is your public part of the legislative process. We appreciate you being here. This is your opportunity to express your position on the proposed legislation that's in front of us today. To better facilitate today's proceedings, I ask that you follow these rules and procedures. If you would, please, first turn off your cell phones or put them into the silent mode so as not to interrupt or interfere with the person that's at the table testifying before us. As you...if you are planning to testify on the bill that's before us, if you could move towards the front of the room, that would allow us to move you in and out of the testifier's seat as quickly as possible. The order of testimony today, for those of you that may not have been before the committee before; we will have the introducer of the bill begin. They will be followed by proponents of the bill, then opponents of the bill, then those wishing to testify in a neutral capacity. And then we will invite the introducer back up to close on their bill. If you have written materials that you would like to share with us and distribute to the committee, we will need 11 copies of that material. If you need assistance in making copies, just, you know, raise your hand and get the attention of the page. We can help you get those copies made so that they're ready for us whenever you come up to testify. When you do come up to testify, we will need you to both state and spell your name. And that's so that we can make certain we get your name correctly into the record. So that's for accuracy. I know we're going to have a number of people wishing to testify on a number of bills today, so we are going to limit the time of testimony. We're going to use the light system, we're going to limit it to three minutes. That means the green light will be on for two minutes, it will turn to an amber color for the third minute, and then it will turn to red. If you're still testifying when it turns to red, if you would just try to find a good point to wrap up and close out your remarks and that gives us time around the committee table to ask you questions and have an exchange with you. If your remarks were reflected in previous testimony, or if you would like your position to be known but do not wish to come up to the table and testify, we do offer that you can sign the form that's in the back of the room. It's the white colored form. And that form will be introduced into the official record showing your position on the bill. The committee staff with us today; to my immediate right is our legal counsel, Mary Jane Egr Edson. And to my immediate left is research analyst Kay Bergquist. And then to my left, at the far end of the table, is committee clerk Krissa Delka. Now,

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Krissa will be the one that will be taking your green forms, so you'll need to have one of those green forms completed when you come up to testify. And then she'll take that green form from you. The committee members that are with us today are going to be coming and going, they have obligations in other hearings, so please bear with us. It's not that your testimony is not important to us, they just have other responsibilities. So please understand that we will be coming and going today. I'm going to allow the committee members to introduce themselves. Senator Burke Harr will be joining us a bit later.

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

SENATOR BRASCH: Lydia Brasch, District 16; that is Burt County, Cuming County, and Washington County.

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

SENATOR GROENE: Mike Groene, District 42.

SENATOR SMITH: All right. And then Senator Friesen and Senator Larson may be joining us a bit later in the hearings. We do have a page with us today, and the page will be assisting you and be assisting us. That is Alyssa Lund. Alyssa is from Woodbury, Minnesota, she is studying...she is a psychology major, studying psychology at the University of Nebraska-Lincoln. And our regular page is serving in another committee today, so we appreciate Alyssa being here with us. Also, we're all politicians up here, so we love applause. However, for the committee proceedings, we ask that you kind of keep any applause or concern with any of the testimony to yourselves. So we want to just try to keep it real calm and smooth in the hearing today. So with that, I'm going to invite Senator McDonnell to open on LB798. Welcome, Senator McDonnell.

SENATOR McDONNELL: (Exhibits 1, 2) Thank you, Chairman Smith and members of the Revenue Committee. Good afternoon. Today...Mike McDonnell, representing LD5, spelled M-i-k-e M-c-D-o-n-n-e-l-l. Today, I am introducing LB798, which would exempt feminine hygiene products from sales and use tax in Nebraska. I believe feminine hygiene products deserve a sales tax exemption because they address a biological need. Currently, feminine hygiene products are taxed at the same rate as video games, even though feminine hygiene products are a necessity for women. I know this bill has a fiscal note of \$1.7 million, but I think it's...I'm sorry, also I wanted to hand out my testimony. Thank you. I know this bill has a fiscal note of \$1.7 million, but I think it provides a good opportunity to have a conversation about Nebraska's current sales tax exemptions. In 2016, there were 117 different categories of sales tax and use tax exemptions, and each category can contain multiple products and services. There is an exemption for escort

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services, but not for pest control services. I would say that the latter is more of a necessity than the former. It is good public policy to tax a working family that has a termite outbreak in their house, but not tax a businessman paying for a date night out on the town? According to the Nebraska Department of Revenue 2016 Tax Expenditure Report, escort services, which are grouped together with other services such as shoe shining, bail bonding, and wedding planning, would have brought in roughly \$1 million in 2016 in tax receipts. Further, in the scenario above, if the wealthy businessman's spouse becomes suspicious and hires a private detective to monitor her husband's behavior, she would be charged sales tax, as detectives are considered retailers, and the gross receipts for detective services would be subject to sales tax. Is that responsible public policy? To use the same example...or excuse me, to use the same exemption, if a grieving mother hires a detective to find her son's killer, the detective's services will be subject to sales tax. Meanwhile, Nebraska exempts roughly \$1.3 million in estimated sales tax receipts for tattoo and body modification services and another \$1.3 million for tanning services, a practice that is known to have the ability to cause cancer. Again, I have to ask the question: are we practicing good public policy? I know you may have all kinds of questions, such as if we are going to exempt feminine hygiene products from sales tax, shouldn't we also exempt diapers? To that, I would say that this bill is about feminine hygiene products. We could talk all day about which exemptions have merit and which ones don't. But I can say with confidence that if escort services and tattoo services are tax exempt, while other services, such as pest control, are not, then exempting feminine hygiene products has merit. I'll try to answer any of your questions. [LB798]

SENATOR SMITH: Thank you, Senator McDonnell, for your opening on LB798. Questions from the committee? I see none. [LB798]

SENATOR McDONNELL: Also, I have another bill in another committee, so I will waive closing. [LB798]

SENATOR SMITH: (Exhibit 3) All right, thank you very much. Thank you for your introduction of your bill. We will now move to proponents of LB798, those wishing to testify in support of LB798. Seeing no proponents, we do have a letter for the record that was submitted in support of LB798, from Scout Richters, representing ACLU of Nebraska. We now move to opponents, those wishing to testify in opposition to LB798. Seeing none, anyone wishing to testify in a neutral capacity? Welcome. [LB798]

LILLIE COX: (Exhibit 4) I have some written testimony. Chairman Smith and members of the Revenue Committee, my name is Lillie Cox, L-i-l-l-i-e C-o-x, and I am a research fellow at OpenSky Policy Institute. I am here today to testify in a neutral capacity on LB798. Nebraska is not the first state to consider a sales tax exemption for feminine hygiene products. At least eight states have passed laws that exempt these products from being subject to sales tax. Proponents of

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these policies argue that the so-called "tampon tax" is discriminatory because it is only levied on people who menstruate. Furthermore, proponents argue that feminine hygiene products, such as tampons and pads, are necessary medical products, and states do not typically levy sales tax on other items that fit this label, such as prescription drugs, which Nebraska currently exempts from sales tax. On the other side of the debate, opponents argue that the so-called "tampon tax" is valid because, in an ideal tax system, all final consumer goods would be taxed, with items we consider necessities taxed alongside luxury goods. It is hard to imagine this ideal coming to fruition, however, as it would require states to do away with all of the other popular sales tax exemptions we currently have. Nebraska's sales tax is out of date in multiple ways, and this contributes to the state's sales tax collections not keeping pace with our economy, contributing to our high reliance on property taxes to fund K-12 education. One way the sales tax is outdated is that it doesn't apply to many services, despite the fact that our economy has moved from being primarily goods-based to primarily service-based. The Legislature's decisions about which goods and services are taxed and not taxed are as important to the amount of revenue collected as the sales tax rate, because the more that is exempt from sales tax the higher the rate must be to raise the same amount of revenue. OpenSky is generally not supportive of imposing sales tax on necessities, because doing so has a regressive effect on our state's tax system. It is nonsensical that we have sales tax exemptions for candy and soda, but not for tampons. However, creating an exemption for feminine hygiene products probably makes more sense as part of a long overdue comprehensive overhaul of sales tax exemptions than it does as one component of a piecemeal approach. I would be happy to take any of your questions. [LB798]

SENATOR SMITH: Thank you, Ms. Cox. Questions from the committee? I see none. Very nice summary, appreciate it. Others wishing to testify in a neutral capacity on LB798? Welcome. [LB798]

MEGAN MIKOLAJCZYK: (Exhibit 5) Hello. Good afternoon, Chairperson Smith, members of the committee. My name is Meg Mikolajczyk, I'm the associate general counsel and senior public affairs manager for Planned Parenthood of the Heartland. Planned Parenthood of the Heartland is a... [LB798]

SENATOR SMITH: And may I have you spell your name for me, please. [LB798]

MEGAN MIKOLAJCZYK: That's right. I'm so sorry. Especially mine. M-e-g-a-n M-i-k-o-l-a-j-c-z-y-k. [LB798]

SENATOR SMITH: Thank you. [LB798]

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MEGAN MIKOLAJCZYK: You're welcome. Sorry about that. Planned Parenthood of the Heartland is a multi-state sexual and reproductive healthcare provider with health centers in Nebraska and Iowa. Our Nebraska health centers are located in Omaha and Lincoln, although we treat patients from across the state. We offer a variety of health services, including education, counseling, and healthcare regarding family planning. We are the largest Title X provider in the state of Nebraska, serving over 25 percent of the entire Title X base. Most of those patients, and the general population we serve, also menstruate monthly as a part of their normal reproductive health. Planned Parenthood of the Heartland supports LB798 because Nebraskans should not be penalized under our tax law simply because they menstruate. Also, Chairperson Smith, I'm sorry. I have addressed this to Chairperson Lindstrom, and I want to know that I know you're the chairperson. I'm very sorry. [LB798]

SENATOR SMITH: That's fine. [LB798]

MEGAN MIKOLAJCZYK: Okay. Anyway, so sorry about that, everybody. Planned Parenthood of the Heartland recognizes some of the criticism that has surrounded efforts across the country to exclude feminine hygiene products from state sales tax--is the quarter saved each month on tampons really a victory for gender equity. The answer is not simply yes, it's a yes, and. Yes, sales tax is regressive by nature in removing any burdens imposed on anyone on the basis of their gender as a significant step towards equaling the playing field for women. No one should be financially burdened or penalized simply because of their reproductive functions. Yes, period products are not luxury items, they are a necessity for people of child-bearing age. Menstruation is not something people can avoid, and necessities should not be taxed. Yes, exempting period products from sales tax certainly does not destroy all the systems of oppression perpetuating gender inequity. But passing this legislation would demonstrate that the Legislature recognizes the existence of those systems and is willing to work to dismantle them. And it's important to note that while this policy seeks to stop punishing women for their very existence, support and passage of this bill is meaningless if this Legislature then votes to strip Nebraska women of access to affordable family planning care by destroying the Title X program. So we thank Senator McDonnell for bringing this and for supporting Nebraska women. Thanks for my sort of chaotic, harried testimony. I'm so sorry. And I appreciate the time, your time. [LB798]

SENATOR SMITH: That's just fine. Thank you for your testimony. [LB798]

MEGAN MIKOLAJCZYK: Thank you. [LB798]

SENATOR SMITH: Questions from the committee? Especially from Senator Lindstrom, since it was addressed to you. (Laughter) [LB798]

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MEGAN MIKOLAJCZYK: Sorry, you were in my chair last time. I'm never in front of Revenue. [LB798]

SENATOR LINDSTROM: You got the right committee, it's all right. [LB798]

SENATOR SMITH: I see no questions. Thank you for your testimony today. [LB798]

MEGAN MIKOLAJCZYK: Thank you, Senator. [LB798]

SENATOR SMITH: Others wishing to testify in a neutral capacity on LB798? Seeing none, we do know that Senator McDonnell has waived closing. And that concludes our hearing on LB798. We now move to LB914. I do see Senator Riepe is in the room and Senator Riepe will open on LB914. Welcome, Senator Riepe. [LB798]

SENATOR RIEPE: Thank you, Chairman Smith and members of the Revenue Committee. I am Senator Riepe, and it's spelled...Merv is spelled M-e-r-v, Riepe is spelled R-i-e-p-e. I'm from District 12, which is Omaha, Millard, and Ralston. Today I present to you LB914. The "Baby Boomers" are aging, and we cannot afford to ignore the realities of long-term care expenses looming on the horizon, not only for us individually but also for the state of Nebraska. We must educate Nebraskans on long-term care and incentivize them to prepare for long-term care costs. Further, we must reduce the state's Medicaid liability going forward. Many Nebraskans put off planning for long-term care, hoping they will never need it. We must use every tool in order to encourage fellow Nebraskans to plan for long-term care needs. We need to encourage them to personally be responsible and halt the spending on Nebraska taxpayer's money for long-term care via Medicaid. Long-term care insurance reduces Medicaid expenditures. There are approximately 7.4 million long-term care insurance policyholders in the United States. Studies have shown a savings over \$6,000 per policyholder, which translates to Medicaid savings of almost \$50 billion over the lifetime of the 7.4 million policies. Once a long-term care insurance plan is initiated, the probability the policyholder will continue coverage is extremely high. In 2015, I introduced LB396, which is largely similar to the bill before this committee today. LB396 was IPPd in 2016. LB914 reflects the goal of LB396 and that bill's corresponding amendment, which was AM529. LB914 is a tax incentive to encourage Nebraskans to prepare for long-term care costs. It allows Nebraskans the ability to take a tax credit for an amount equal to 25 percent of the premiums paid during the taxable year for the long-term care insurance policy. The credit may be claimed for up to 3 years and would be capped at \$250 for individual policies and at \$500 for joint policies. Under LB914, any taxpayer who paid long-term care insurance policy premiums prior to the first taxable year for which they are seeking the credit will be unable to take said tax credit. Taxpayers are also precluded from taking the credit if it is claimed by another taxpayer for the same policy premium. I want to point out that the reason this

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is here is not to reward those who currently have long-term care insurance, but to provide "b" as an incentive to encourage new tax...new individuals to sign up for long-term care. I know this is a bill that has been around for a number of sessions, but it is of importance enough to me and for the protection of Medicaid to try to bring it back. Thank you, colleagues. I will take questions. [LB914]

SENATOR SMITH: Thank you, Senator Riepe, for your opening on LB914. Questions from the committee? I see none. Senator Riepe, the unused credits, do they carry forward? They do not carry forward, right? [LB914]

SENATOR RIEPE: I'm not knowledgeable enough about that, Chairman. [LB914]

SENATOR SMITH: Okay. [LB914]

SENATOR RIEPE: I apologize. [LB914]

SENATOR SMITH: All right. Very good. I see no questions. Senator Riepe, will you remain for closing? [LB914]

SENATOR RIEPE: I have HHS Committee, I'm going to...I would like to, I will try to. [LB914]

SENATOR SMITH: I understand. Thank you. [LB914]

SENATOR RIEPE: Thank you, sir. [LB914]

SENATOR SMITH: Proponents of LB914, those wishing to testify in support of LB914. Welcome. [LB914]

GALEN ULLSTROM: Thank you, Chairman Smith, members of the Revenue Committee. My name is Galen Ullstrom, that's G-a-l-e-n U-l-l-s-t-r-o-m. And I'm senior vice president and a registered lobbyist from Mutual of Omaha Insurance Company, appearing today in support of LB914. Unlike bills we've seen in the past that have provided a credit for all enforced policies, as Senator Riepe mentioned, this bill would only provide coverage for new policyholders. And that is an incentive to purchase long-term care. And you might ask, why do you need an incentive to purchase long-term care? Well, unlike other insurance policies which you're familiar with--like auto, homeowner's, major medical--you know you're probably going to need it and you know you're going to need it sometime during your lifetime. So, it's not a problem of selling it. Long-

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term care, unfortunately, does not work that way. Most people, or a number of people, one, don't believe that they need a long-term care insurance, and two, they believe if they are ever going to need the services they're going to be paid for by a government program, Medicare or Medicaid. With regard to the need, the U.S. Department of Health and Human Services estimates that 70 percent of the people turning 65 will need long-term care services in their lifetime. So there's clearly a need that's there. And as far as the government programs, yes, Medicare does have a limited benefit for skilled nursing facilities but it doesn't cover custodial care or otherwise. And so, that leaves Medicaid as the primary government program to pick up the majority of long-term care costs for the state. And that gets to the benefits for Nebraska and Senator Riepe mentioned that, which is savings to the Medicaid program. And there's a...in your handouts, I think, today there's a letter from AHIP, which is America's Health Insurance Plans, which is a trade association representing health insurance carriers. But, on page 2 of that, it has a section dealing with the value of long-term care insurance to Medicaid. And the thing that I find notable in it is that it talks in terms of the people in nursing home care now who don't have...aren't on Medicaid. That 21 to 31 percent of those people will spend down to Medicaid while they're in the facility. People who have long-term care insurance, that number is reduced to 5 percent. So whether you use 21 or 31 percent, you have either a 15 or 25 percent savings to the Medicaid population over a period of time. And that brings us to the fiscal note on the bill. Again, this fiscal note is significantly less than prior years' fiscal notes, but you will notice that it does not take into account any Medicaid savings because as the fiscal note processes there it is not soon enough. It's out too far, the notable savings, but I did want to point out the expenditure side of it. Mutual of Omaha, in the last three years, has issued between 240 and 250 policies a year on long-term care. We don't have market share numbers for the state of Nebraska, but market share numbers nationwide, we are at 17 percent. If you take that across and multiply that out that means there would only be 1,440 policies, or so, issued in the state of Nebraska per year. If you take that times the maximum credit, which is \$250 a year, that gets you to \$360,000 in the first year, not \$1.7 million. So, I don't know the assumptions that were made, but I would say that's the numbers that we have. We may have a bigger market share in Nebraska than that, which would even reduce the number of policies available. So, with that, I would conclude my testimony. There are 28 states that already have some type of long-term care tax credits. But, I'd be glad to answer any questions that I could. [LB914]

SENATOR SMITH: Very good. Questions from the committee? I see none. [LB914]

GALEN ULLSTROM: Thank you. [LB914]

SENATOR SMITH: Thank you for your testimony. Next proponent of LB914. Welcome. [LB914]

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JEREMY HOHLEN: (Exhibit 1) Thank you, Chairman Smith, members of the Revenue Committee. Good afternoon. My name is Jeremy Hohlen, I'm the president and CEO of LeadingAge Nebraska. That's spelled...my name is spelled J-e-r-e-m-y H-o-h-l-e-n. LeadingAge Nebraska represents nonprofit providers of senior housing and services in Nebraska. Together, our members serve about 6,000 seniors in a variety of settings; including nursing homes, assisted-living communities, PACE centers, independent living, affordable housing, and adult day. I am here in support of LB914 and certainly appreciate Senator Riepe bringing the bill forward that would encourage and incentivize individuals to invest in securing long-term care insurance. I'd just like to share some data with you as to the current state of long-term care in Nebraska, as it certainly relates to our members. As of January 30 last year, there were over 12,000 older Nebraskans calling nursing communities their home. Of that number, more than 50 percent of those individuals relied on Medicaid to pay for the care they needed to survive. I've included in your handouts a fact sheet, or a couple of pages, from Douglas County Health Center in Omaha, one of the state's largest nursing homes, as reference to really an example of what's happening throughout our state. In Douglas County, there are 254-bed facility, dually licensed. They average an occupancy of about 93 percent, so remain relatively full, with Medicaid accounting for almost 77 percent of their care days. For them, Medicaid reimbursement rate for the fiscal year 2016-2017 was \$207 per day while their cost incurred to provide that care was \$341 per day. That equates to a daily shortage of \$134 per day, weekly shortage \$938, \$4,065 for a month, and \$48,776 for the year. I called a 116-bed nursing facility this morning. Not one of their current residents has long-term care insurance. They, too, had 80 percent Medicaid rates. This is a common occurrence throughout the state of Nebraska. In the last three years, over 25 nursing and assisted-living facilities in Nebraska have closed due to inadequate funding for the cost of care. Let's flip this equation quickly; one individual utilizing Medicaid as their payer source for long-term care instead of...instead having a long-term care insurance policy paying for a share of that daily cost. And these are some estimates from my some of my communities. The average Medicaid cost of \$200 per day, the average cost per Medicaid resident per year, then, is \$73,000 per year; \$73,000 per year saved from the Medicaid budget for every person utilizing long-term care insurance. It adds up in a hurry. Put 100 in front of that number, and we get \$7.3 million that can be saved from Nebraska's Medicaid budget. By the year 2030, the number of Nebraskans aged 65 to 74 will nearly double what it was 8 years ago. By 2050, Nebraskans needing elder care will outnumber Nebraskans needing daycare. Anything that can be done to help educate and encourage Nebraskans to invest in long-term care insurance is a most worthwhile and important endeavor. Thank you for the opportunity to share this testimony. I'd be happy to answer any questions. [LB914]

SENATOR SMITH: Thank you, Mr. Hohlen, for you testimony. Questions from the committee? I see none. [LB914]

JEREMY HOHLEN: Thank you, sir. [LB914]

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SENATOR SMITH: Thank you. Next proponent of LB914. Mr. Mines. [LB914]

MICK MINES: Mr. Chairman, members of the committee, my name is Mick Mines, M-i-c-k M-i-n-e-s. I'm a registered lobbyist, today representing the National Association of Insurance and Financial Advisors of Nebraska, better known as NAIFA. We have about 800 members that are producers...licensed producers, and financial advisers. And the message that we have brought many times to this bill over the years is our membership is in place and we understand at the grassroots level how important this long-term care insurance really is. And "incentivizing" purchase or enrollment in long-term care is absolutely vital. And we, I'm going to "me too" everyone else, I would urge you to advance the bill. And thank you, very much. [LB914]

SENATOR SMITH: Thank you, Mr. Mines. I see no questions from the committee... [LB914]

MICK MINES: Thank you. [LB914]

SENATOR SMITH: ...thank you for your testimony. Welcome. [LB914]

JINA RAGLAND: Chairman Smith and members of the Revenue Committee, my name is Jina Ragland, that's J-i-n-a R-a-g-l-a-n-d. I'm here today testifying in support of LB914 on behalf of AARP Nebraska. AARP is a nonprofit, nonpartisan organization that works across Nebraska to strengthen communities and advocates for the issues that matter most to families and individuals across the state, especially for those 50-plus. Nebraska should have an ever-increasing interest in long-term care financing and related state legislation. According to the Medicaid Reform Report, published by the Nebraska Department of Health and Human Services on December 1, 2017, the Nebraska Medicaid program spent \$323,027,757--or 40 percent--on payments to providers in long-term care services in 2017. According to the U.S. Census Bureau, the adult...older adult population is rapidly increasing. In Nebraska there will be 375,811 individuals aged 65 and older by the year 2030. This will be a 54 percent increase from the estimated 243,313 individuals aged 65 and older in 2010. The majority of Nebraskans aged 50-plus want to stay in their homes for as long as they can. The reality of that happening, however, is not always guaranteed. According to the 2017 AARP long-term services and support score card, about 52 percent of people turning 65 today will, at some point, develop a severe disability that will require long-term services and supports. Despite the rising demands for long-term care, relatively few adults have private long-term care insurance. According to the U.S. Department of Health and Human Services 2015 report, by 2050 the number of individuals using paid long-term care services will likely double from the 13 million using services in 2000 to 27 million people. About half of Americans turning 65 will have a disability serious enough to require long-term care services, most of them for 2 years or longer. But one out of seven will have a disability requiring extra care for more than five years. Once individuals stay in a nursing home for 100 days or longer, they are likely to become

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more permanently institutionalized. We all know Medicaid eligibility is triggered after a long-term care user spends down assets. The longer it takes to spend down assets, the less likely it is that a nursing home resident or someone receiving in-home care will use Medicaid to cover long-term care expenses. To the degree that long-term care insurance can delay assets spend down, it will constrain Medicaid costs. We will see significant growth in the age group that is most likely to use long-term care beginning in 2020 and beyond. We feel LB914 addresses the important issue of encouraging Nebraskans to mobilize resources for future long-term care needs and assisting with taking the steps to personal responsibility and lessening the burden on the Medicaid system. With that, we encourage the committee to support the initiative. We thank Senator Riepe for introducing the bill and would ask you to strongly consider supporting. With that, I'll be happy to answer any questions. [LB914]

SENATOR SMITH: Thank you, Ms. Ragland, for your testimony. I see no questions from the committee. Welcome. [LB914]

JUSTIN BRADY: Chairman Smith and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist for the Nebraska Association of Health Underwriters in support of LB914. I...there's nothing, really, I can add that I feel to this incentive program that would be out there for Nebraska citizens. So, with that, I'll try to answer any questions. [LB914]

SENATOR SMITH: I see no questions. Thank you, Mr. Brady... [LB914]

JUSTIN BRADY: Thank you. [LB914]

SENATOR SMITH: ...for coming before us and expressing your support for LB914. Next proponent. [LB914]

JANIS McKENZIE: Thank you, Senator Smith... [LB914]

SENATOR SMITH: Welcome. [LB914]

JANIS McKENZIE: ...members of the Revenue Committee. For the record, my name is Jan McKenzie, J-a-n M-c-K-e-n-z-i-e. I'm executive director and registered lobbyist for the Nebraska Insurance Federation which the Banking Committee knows very well are the Nebraska domestic insurance companies. Those nice big buildings who employ a lot of Nebraska people and provide good jobs. We also are here in support of LB914 and have been in support of absolutely every long-term credit bill that's ever been introduced in the Legislature, and there have been

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many. I want to add one thing to what's been proposed before in other testimony, and that's that the incentive provided in LB914 is, I believe, an encouragement to buy younger. Which is, I think, critical in order for people to afford long-term care policies. The longer you wait, the more expensive it is. So the more that we can incent younger people to buy, I think, the smarter we are. And at some point, we have to spend some money to save some money on issues like this. So, with that, I'd answer any questions that you might have. [LB914]

SENATOR SMITH: Thank you, Ms. McKenzie. Just a general question; so, in other states where we've seen this type of Legislation, does it really move the dial on getting people more engaged at an earlier age? [LB914]

JANIS McKENZIE: The best example of that, Senator, would be Minnesota. They were one of the first states to implement some sort of a tax credit or incentive, and it has made--I'll have to double-check, I didn't look at the numbers for this year--but they have the longest-running track record and I can get that information and provide it to you. [LB914]

SENATOR SMITH: Okay, very good. I see no other questions. Thank you, Ms. McKenzie, for your testimony. [LB914]

JANIS McKENZIE: Thank you. [LB914]

SENATOR SMITH: Welcome, Mr. Sedlacek. [LB914]

RON SEDLACEK: Thank you. Chairman Smith and members of the Revenue Committee, for the record my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k. I'm here on behalf of the Nebraska Chamber of Commerce and Industry in support of LB914. We've been before this committee on all the previous iterations of this type of Legislation. LB914 being somewhat modest as compared to previous proposals in this regard. But nonetheless, we base our support as very similar to what Ms. McKenzie said, and that is to invest now for savings later. And for that reason we believe that this would certainly have a...be in the state's best interest to control costs of what we can see would be a growing Medicaid cost, Senator. So, with that, I conclude my testimony. I'd be happy to answer any questions. [LB914]

SENATOR SMITH: Very good, thank you, Mr. Sedlacek. I see no questions. [LB914]

SENATOR SMITH: (Exhibits 2-3) Other proponents of LB914. We do have a letter that was submitted for the record in support of LB914...or a couple of letters; Amanda Matthiesen representing America's Health Insurance Plans, and Heath Boddy representing Nebraska Health

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Care Association. Those wishing to testify in opposition to LB914. Seeing none, anyone wishing to testify in a neutral capacity on LB914, neutral. Welcome. [LB914]

DONNA ROLLER: Hello. Members of the committee, my name is Donna Roller, D-o-n-n-a R-o-l-l-e-r. I did not come prepared today to speak on this bill, but I want to speak on it because there's something that I noticed on other testimonies that wasn't covered. And that, I think the first thing you need to consider is; can we afford this? Now, my husband and I are not poor people, we're not super rich either. But, we looked into long-term care. There's no money for that. We're now retired. So, you want young families to invest in this early, they're paying for...they're saving for their kids's college. You think they've got extra expendable income to put away? With incoming quality and the direction of our economy right now, I just don't see this happening. So, you can give all the tax breaks you want; if people can't afford to put it in a savings account, it's moot. So, I think that's the issue that you need to address first. That's all I have to say about this. [LB914]

SENATOR SMITH: Okay, thank you, Ms. Roller. I see no questions. Others wishing to testify in a neutral capacity. Seeing none, I do see Senator Riepe returned to his committee so he has waived closing on LB914 and that concludes our hearing on LB914. We now move to Senator Hansen to introduce for us LB954. Welcome, Senator Hansen. [LB914]

SENATOR HANSEN: (Exhibit 1) Welcome, thank you. All right, good afternoon, Chairman Smith and members of the Revenue Committee. For the record, my name is State Senator Matt Hansen, M-a-t-t H-a-n-s-e-n, and I represent District 26 in northeast Lincoln. I'm here today to introduce LB954, which will provide a refundable tax income tax credit to those who rent their primary residence. The intent of this bill is to provide for renters a similar sized credit as homeowners already receive through our property tax credit fund. It is my view that we are overlooking many Nebraskans in our tax reform debate, especially when we discuss property taxes. Renters are undoubtedly impacted by the rising property tax rates, as it is one of many costs their landlords expect them to cover in the rent. However, when we try to address rising property tax costs via credits to property owners, there's not necessarily a mechanism to share similar relief to renters. That is what this bill aims to fix. According to the U.S. Census numbers, 34 percent of all Nebraskan households--about 20...about a quarter of a million--rent their homes. I'll have the pages pass out...I'm going to have the pages pass out a map prepared by the Legislative Research Office showing data by legislative district on what portion of people rent their residence. Note that while Omaha and Lincoln, unsurprisingly, have some of the highest rental rates, there are many other districts and communities outside these metro areas that have rental rates above 25 percent. Not only are high proportions of Nebraskans renters, but these renters typically spend a much higher proportion of their income on housing. Forty-four percent of renters suffer what HUD calls a "housing cost burden," meaning that they spend over 30 percent of their income on housing. This is compared to just 22 percent of homeowners. The

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bottom line is that when renters pay a higher proportion of their income to housing, the property tax included in their rent claims a greater share of their income than it does for homeowners. Renters are also more likely to be younger and of working age, meaning that a tax credit to them would be a boost to local economies and attractive to young workers. With all the recent talk of making our state attractive to young people, here is a chance to reach that key population. Similar to the property tax credit, the homestead exemption, and the mortgage interest deduction; all programs that only apply to homeowners. Other states including Maryland, Missouri, and Minnesota offer a renter's tax credit or allow renters to be eligible for property tax credit. Modeled after these states, LB954 would provide a refundable credit for individuals who rent their primary residence an amount equal to 2 percent of the rent paid by the individual during the taxable year not to exceed \$500. So, if a household pays the average rent in Nebraska, which is \$750 per month, they'd be eligible to claim rent of \$9,000 for a year, 2 percent of that which would equal \$180 in tax credits. Renters pay property tax through the rent, yet see little tax relief through existing programs. This bill would just be a way to present a small way to let them keep a little bit more of their own money while helping local economies. I think it's time to make sure we have renters included in our tax relief discussions. With that, I'd like to thank all the renters groups and neighborhood groups who worked with me on this bill. I'd be happy to answer any questions. [LB954]

SENATOR SMITH: Thank you, Senator Hansen, for your opening on LB954. Senator Groene. [LB954]

SENATOR GROENE: Senator Hansen, you know the owner of that rental property gets a property tax credit, so he's probably passing it on to his renters. [LB954]

SENATOR HANSEN: It's certainly possible, I would say...when I was preparing this bill I talked to at least one landlord and I asked; if we lowered your property taxes, would you lower your rent rate? And they said no. So, probably depends case by case. [LB954]

SENATOR GROENE: So, Senator Hansen, if I own a house and I rent my house to my wife, I get double? If she lets me live there. [LB954]

SENATOR HANSEN: I had not considered...I had not considered...can you rent to a house that somebody owns, like that? That's certainly something if we're worried about we could find a way to cover. But... [LB954]

SENATOR GROENE: If there's a way around it, somebody would find it. [LB954]

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SENATOR HANSEN: (Laughing) Sure, sure. That's what we pay accountants and tax attorneys for. [LB954]

SENATOR SMITH: I see no other questions. Thank you, Senator... [LB954]

SENATOR HANSEN: Thank you, Senator Smith. Thank you, members. [LB954]

SENATOR SMITH: We now move to proponents of LB954. Those wishing to testify in support of LB954. Welcome. [LB954]

MINA DAVIS: Howdy. My name is Mina Davis, and that's spelled M-i-n-a and then Davis, D-a-v-i-s. And I'm here to testify in support of LB954 for a few key reasons. I am a candidate for Legislature for District 8. And as a candidate for Legislature, my district has a high percentage of renters, which I am one of them. And many of the tenants have different reasons for choosing to rent. As a candidate for Legislature, I have also stated that property tax reform is a key part of what I am running on as part of my platform. For renters, property tax reform is a different conversation to be had. When it comes to how we are affected and what can be done to ensure we, too, are receiving the necessary relief. When I first saw that this bill was going to be introduced, I rose to the occasion and organized my neighbors and colleagues across the state that I knew were renters. From Alliance, Nebraska, to Omaha, I knew quite a few who would be affected positively by what this bill proposes to do. There's so many constituency groups that would be affected, whether they be members of the disability community, young professionals, seniors, new Americans and more; we need to ensure that they, too, are provided the necessary relief and that they, too, are a part of the conversation. I speak on behalf of the renters who could not be here today, many of whom I had the pleasure of meeting when going door to door. When I explained how this bill would positively affect them with a refundable tax credit, their response was overwhelming positive. This bill is important for Nebraskans across the state, ensuring that they, too, are part of the conversation on equitable property tax reform. Thank you. [LB954]

SENATOR SMITH: Thank you, Ms. Davis, for your testimony. Questions from the committee? Going back to Senator Groene's question, do you have any particular thoughts on that? If we provide a tax credit to the property owner, does that satisfy the reduction in pressure on the higher rent? [LB954]

MINA DAVIS: Unfortunately, I would say no because...I live in an area in my district, Dundee, which is fairly popular. And I can say with certainty that as more people are finding it attractive, the rents have risen. Property tax credits may have increased for the landlords, but we don't see that on our end. [LB954]

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SENATOR SMITH: Okay, so no further question. Thank you, Ms. Davis, for your testimony. Others wishing to testify in support of LB954. Welcome. [LB954]

GRANT DAILY: (Exhibit 2) Thank you, committee. My name is Grant Daily, G-r-a-n-t D-a-i-l-y. I work as a community specialist for NeighborWorks Lincoln, which is a nonprofit organization focused on neighborhood revitalization, affordable real estate development, and financial assistance for first-time homebuyers of low to moderate income. I'm here today to testify in support of LB954, which would give a 2 percent refundable income tax credit to individuals renting their primary residence up to \$500. NeighborWorks Lincoln understands that revitalizing communities depends on having long-term residents that are both financially and socially invested in their neighborhoods, schools, and local civic organizations. In community building, we work with both renters and owners to grow relationships between neighbors, help address local issues, build upon existing area strengths, and connect residents with local officials in their community. Helping interested residents towards homeownership can accomplish these goals, but we understand that homeownership is not for everyone. Our communities face persistently tight housing market lacking affordable units for purchase while many residents cannot qualify for a mortgage, lack the income to support the purchase of a house, or simply prefer to rent. Renters in Nebraska are also far more burdened by their housing costs. According to the most recent Comprehensive Housing Affordability Strategy Data from the department of Housing and Urban Development, of the 245,000 renters in the state, around 38.3 percent are cost-burdened, paying more than 30 percent of their income on housing costs. 19 percent of renters, or 46,655 people, are severely cost-burdened by their housing, paying more than half of their income on housing. These numbers are substantially higher than for homeowners, as 18 percent of homeowners are cost-burdened and 6.5 percent of owners are severely cost-burdened. The household median income of renters--\$32,466--is also less than half the median income of homeowners--\$69,541--in the state. With one-third to one-half of \$32,000 going to rent, there may be little left to pay for the many other expenses of life, including getting an education, having a family, paying medical and insurance bills, and paying for food and clothing. In light of these of economic inequalities, I also ask you to consider the equity issues underlying the current legislation. Owners currently benefit from Nebraska's Property Tax Credit Fund, while renters receive no similar benefit, have lower incomes, and also face far greater burdens in housing costs. This income tax credit could play a small but important part in helping to reduce the extreme financial burden facing many renters in Nebraska. I ask you to please offer your support for LB954. Thank you. [LB954]

SENATOR SMITH: Thank you, Mr. Daily, for your testimony. I see no questions from the committee. Thank you. Next proponent of LB954. [LB954]

KURT ELDER: Hello, committee. [LB954]

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SENATOR SMITH: Welcome. [LB954]

KURT ELDER: My name is Kurt Elder, my name is spelled K-u-r-t E-l-d-e-r. I'd first like to thank Senator Hansen for bringing this forward. And I'm going to try to read my chicken scratches the best that I can. I've lived in Lincoln for awhile, and so I'm going to speak to that standard...I won't try to address Nebraska as a whole, so excuse me for my bit of focus. Property owners have an opportunity for property relief, and as a renter I'd like an equal opportunity for that same relief. I've broken my base comments down into four little areas. First of all, it's a fairness issue; 40 percent of my rent, roughly, goes to property tax. That's an industry standard that we've used within different departments that I've worked with. I have a small radio show on KZUM locally, and my co-host is a landlord and he's used that figure as well. So, we have about 40 percent there. So, it's a matter of fairness there. Second, is there a need for relief? Other speakers have already spoken about how renters can struggle with their rent payments. Within Lincoln alone, 46 percent of all renters pay more than 30 percent of their income towards rent; 1 in 4 pays 50 percent. Now, there's been some question here that, if we take away...I'll get to that in my last point, excuse me. Now, will this demand continue? And the answer is going to be yes. Using that same comprehensive housing and affordability information when it's processed through the National Low Income Housing Coalition, we see that within a five-year period...and it's on a two-year delay. So, in 2012 in Lincoln alone for those persons that made 50 percent of the household medium income, that's going to be about \$35,000/37,000 a year. We were behind 4,000 units of affordable and available housing. In 2014, we were behind 5,600 units. And when we get to our '16 level, we'll be behind further yet. So, the demand is still there. So, even if our property owners who own our buildings, own our properties, did get that relief, the demand is still going to be there in order for them to charge that rate. So, there's that. While the supply will continue, tools that support stability are what I'm really concerned about. However, I would say that this bill doesn't go far enough. There's other proposals and petition drives out there stating that one-half of a property taxes...a property owner's school support will come as refund. If I would work that out on my rent versus what I pay, I would be losing out by \$345. And that's assuming that a home is \$150,000, and I can explain that math in some question, if you have that. So, I'd like it to go further. But in order to answer some of Senator Groene's questions that he had earlier; would your rent be less considering that the property owner is getting a reduction? Again, the demand is going to be there, it's going to continue. There's certain portions of Lincoln within our low-income communities where rent has increased by 20 percent in the last 5 years. There's that. Additionally, I had a conversation with Trent Fellers who is leading a campaign on a petition drive. I interviewed him this weekend...I'm know I'm out of time, but I'll finish my thought up here. And I asked him about that; why should I, as a renter, support that kind of idea? Why would...why should I support this idea? And they had said; well, it might lower your rent. Just as you had alluded to. And which I fiercely, on air, said I don't believe you. At best, what could happen is that a reduction in property taxes for the owner would slow the rate of rent increase. At second best, would be they would then keep the rent at the level that it is and

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reinvest in buildings that they have. So, while I support this idea, I think it also could go further. Thank you. [LB954]

SENATOR SMITH: Thank you, Mr. Elder. Senator Groene. [LB954]

SENATOR GROENE: Thank you, Chairman. Just some quick numbers; you mentioned a \$150,000 house; that was a rental house? In North Platte, Nebraska, the owner of that house would be paying about \$3,500 property taxes. Do you realize the owner of that rental house, takes them about three months of rent before he breaks even paying his property taxes on it? [LB954]

KURT ELDER: I'm going to use my numbers from Lincoln, if that's okay. [LB954]

SENATOR GROENE: Yeah. [LB954]

KURT ELDER: Sure, \$150,000 rough, 2 percent property taxes. That comes out to \$3,000...65 percent is just about \$2,000...that's about \$1,000 worth of...about \$1,000 worth of refund... [LB954]

SENATOR GROENE: Well, I'm talking about the owner. He has to... [LB954]

KURT ELDER: Right, that's the refund that he's getting. [LB954]

SENATOR GROENE: ...if he doesn't rent that house out, he's got \$3,000 of taxes. He collects two...probably two to three months of rent just to pay his property taxes before he starts making his first nickel of profit. So, I'm trying to present both sides of the problem. [LB954]

KURT ELDER: Sure, and that was the number that I threw out as well; 40 percent is what it roughly takes to pay your property taxes. [LB954]

SENATOR GROENE: Of your rent. [LB954]

KURT ELDER: Right, so your numbers work out just to that, so. [LB954]

SENATOR GROENE: But you've...just to set the record straight, none of you ever accused the renter of overcharging, he has a problem too with property taxes...A "rentee" ... [LB954]

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KURT ELDER: A renter abides by the market, and so if the market demand says that's going to be greater, that's what it is. But the contention, the question you had, and please correct me if I'm wrong, was that since he's getting that reduction or perhaps a bigger one in the future, would he not lower your rent? And to which I would say that the market forces would not seem reasonable to that solution of lowering your rent, and at best the rent would stay the same and the...that money could be reinvested into the building or other properties that he or she might own. [LB954]

SENATOR GROENE: But also, wouldn't it drive you--looking at the fact that you could get 50 percent or 30 percent of your property taxes back as a refund--to go into the housing market and own your own home? [LB954]

KURT ELDER: I have no interest to own a home. [LB954]

SENATOR GROENE: That's a choice. [LB954]

KURT ELDER: Yes, it is. [LB954]

SENATOR SMITH: I see no other questions. [LB954]

KURT ELDER: Thank you. [LB954]

SENATOR SMITH: Thank you. I appreciate your testimony, Mr. Elder. [LB954]

SENATOR GROENE: Thank you. [LB954]

KURT ELDER: Thank you. [LB954]

SENATOR SMITH: Next proponent of LB954. Welcome. [LB954]

CARINA McCORMICK: Hi, I'm Carina McCormick, C-a-r-i-n-a M-c-C-o-r-m-i-c-k. I'm testifying as a proponent of this bill and representing the neighborhood group We Are Vital, which is just a group of people in the neighborhood that are working to support the rights and vitality of residents in the neighborhood, many of which are renters. One reason I wanted to testify today is that many of my friends' rents have raised and the landlords have told them it's because property taxes are increasing, and so they're having trouble affording that rent. And I think it's important to support renters because renters contribute to the vitality of the

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neighborhood in essential ways. A lot of times people think of renters as temporary or lesser state of residence, but we are a huge and important part of the neighborhood in a variety of circumstances. My entire block, which is really close to here, is actually 100 percent rental. I've lived at my current apartment for two and a half years and would like to continue doing so and continue contributing to the neighborhood as a renter. To an increasing degree, rent prices take up a large percentage of individuals' and families' incomes, especially related to the more recent initiatives to build growth in the state and especially in downtown Lincoln and south downtown area. If you look at Zillow, you'll see that these properties are being sold at higher prices. And they're specifically being sold to investors saying; look, look how cheap this house is compared to how much rent you'll get, you'll make so much money on this house because people will pay so much rent. And these lower-income families are paying this rent beyond the prices that people are paying and then property taxes go up. But these renters are indirectly paying the property taxes. And they should be able to close the loophole and be able to deduct that as well because they're already paying for it year after year through their rent prices. This has important racial implications as well. A recent in-depth analysis by ProPublica showed persistent racial bias in approvals for mortgage, with minority families disproportionately disapproved, beyond their income. And this bill could be a positive and a fair action for Nebraskans of a variety of backgrounds; young professionals like the state has been wanting to attract, single mothers, people of color, and any group that contributes to the economy through renting instead of buying their homes. [LB954]

SENATOR SMITH: Very good, thank you, Ms. McCormick. Questions... [LB954]

CARINA McCORMICK: It's...oh, could you...it's...I don't know if the record shows that it's a Ph.D. Dr. McCormick, please. [LB954]

SENATOR SMITH: Please, go ahead, say it. [LB954]

CARINA McCORMICK: If it's in the record, please correct it to Dr. McCormick. [LB954]

SENATOR SMITH: Oh, Dr. McCormick. Okay, very good. [LB954]

CARINA McCORMICK: Thank you. [LB954]

SENATOR SMITH: (Exhibits 3 and 4) Thank you. Thank you, for your testimony before us today. Next proponent of LB954. Seeing none, we do have letters for the record that were submitted in support of LB954; Shawn Ryba, South of Downtown Community Development Organization and Julia Tse from Voices for Children in Nebraska. We now move to opponents,

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those wishing to testify in opposition. Opposition to LB954. Seeing none, anyone wishing to testify in a neutral capacity on LB954, neutral. Seeing none, we invite Senator Hansen back to close on LB954. [LB954]

SENATOR HANSEN: Thank you, Chairman Smith and members of the committee. I'm really appreciative of, kind of, the testimony and discussion we had today. I introduced this bill...as I said, we kind of picked the 2 percent number because it kind of could give renters a tax credit similar to the same size of tax credit. It worked out, believe, the average renter and the average homeowner, we were within \$10 of each other. And that was kind of my goal, was just to kind of create a proposal that would treat a homeowner and renter of a similar property similarly. Kind of, just, my overall goal with this discussion is, you know, when we're having these discussions we're talking about property taxes. There's just a large part of my constituents, all of our constituents but my district is one of the higher ones that don't pay property taxes directly, so they also don't get property tax relief directly. And there might be a way to be kind of innovative and jump and give them some tax relief very directly. With that, I'd be happy to take any questions. [LB954]

SENATOR SMITH: Very good, Senator Hansen. Remaining questions from the committee? I see none. [LB954]

SENATOR HANSEN: Thank you, Senator Smith. [LB954]

SENATOR SMITH: Very good, appreciate the discussion on this bill. And that concludes our hearing on LB954. And we're going to stand at ease for a few minutes until we have Senator Schumacher return to committee. And the next two bills on the agenda will be introduced by Senator Schumacher, so we'll just stand at ease for a few moments here. [LB954]

EASE [LB954]

SENATOR SMITH: (Recorder malfunction)...we're going to resume. And we have Senators Harr and Lindstrom are opening on bills in other committees right now. And so, we...I know Senator Schumacher has just returned from another bill in another committee. So, we're kind of sparse here but we will be getting other senators joining us here shortly. I do understand that some of you are having a little hard time hearing and I would encourage you to maybe move on up this way as these mics are not really good at projecting voices. They're really there to capture the testimony so we can get it into the record. So, my apologies if you are not able to hear too well, but I would encourage you to move forward; got lots of seats up here. And Senator Schumacher doesn't bite (laughter). And so, with that, we're going to open on LB1022, 1-0-2-2, to be introduced by Senator Paul Schumacher. Welcome, Senator Schumacher. []

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SENATOR SCHUMACHER: (Exhibit 1) Thank you, Chairman Smith and members of the committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r. I represent District 22 in the Legislature. And I'm here today to introduce the infamous irrigation tax. This might be a nightmare bill because it lays out a lot of thinking on how we tax in this state and how we perceive our tax system. How many times have we lamented that, gee, if we just were Wyoming and had coal, if we just were Texas or Oklahoma or North Dakota and had oil. If we just had something that we pumped out of the ground, scooped out of the ground, processed, loaded it on a train car and then sent it off to be used as energy. Gosh, unlucky Nebraska. And yet, every day we pump something out of the ground, we put it through a process, we load it on a truck or train car and we send it off as energy for animals, for people, for cars and trucks. But we, unlike the other states, do not assess a fee on it. You can call it a fee, an excise tax, a charge, whatever; we do not get any money directly as a state. And I started mulling over that, and said wait a minute, wait a minute, we do get money out of it, tax money. And the way we, now, get our tax money is there's a difference in what the local governments get between dryland and irrigated land. A pretty big difference. You pay a lot more taxes to the local governments on irrigated land than you do on dryland. Now, why is that? Well, irrigated land sells for more. Okay, but when you buy a piece of land, you don't buy the water. You're buying dryland. And so, why are we taxing irrigated land more than we're taxing dryland when the water belongs to the people, to the state? It's not being purchased. So what is being taxed by our local government property tax is the state's...the value of the state's forbearance in not charging for the water. It's not a tax on the real estate, on the dirt, on the ground, on the geographical ordinance. It's a tax on the state's declining to charge for the water. So what if we looked at the situation and what we're doing right now, just look at it differently. And right now we hear how we're just terrible in school aid; we're 48th or 49th or 50th in school aid. We take away the county and city aid. We don't help some of the school districts out. We're just such terrible creatures at the state level. But, wait a minute; by not taxing, not assessing the water we are making a tremendous subsidy to local government. A tremendous subsidy to rural education, the unequalized school districts. And so, let's flush this out. Give it to the committee, a little picture. We'll look at the picture, and one minute you see a chalice of some kind, and another minute you see two faces looking at each other. Which is it? Or is it both? It's how you look at the situation. Now, this bill was specifically designed to examine this situation. One thing I did not know is how much revenue could be raised this way. Well, as we all know the way you figure that out is you put a number in a bill and let the Fiscal Office come back with something and hope that they're pretty well close. We find out that at a rate of one cent per 10 gallons, you'll produce \$2.1 billion. Okay, now we know something. We know if we want to produce, say, \$600 million to fund some type of property tax mechanism, we would charge a quarter of that, or about 28 percent of that. Okay, we know that. We also know that we're probably going to hear from the...some of the local government saying; gee, we will suffer a revenue loss because we will not be able to have as much base, some of our base will be gone because we're going to tax everything as dryland. What they're really saying is; state, you are subsidizing us this amount of money and we can't do without the subsidy. What we have learned

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here is that right now we are not getting, we as a state, are not getting credit at the local level for the tremendous subsidy that we are now paying to local government, to rural education. And we are getting criticized because we do not supposedly give enough aid to education. So we've learned something. And we've learned another thing. We've learned that there is a revenue source out there. None of us would prefer to use it. But, in a situation where the state is forced to by political circumstances or economic circumstances, more likely political circumstances, to come up with half a billion, a billion dollars and has no place to get it from in income taxes, because we all know we're on the high edge of normal in income taxes. Maybe on the low edge of high in sales taxes because we all know we're pushing 7 percent after giving away our tax basis to the cities. We're charging a 5.5 (percent), and the cities charge more. And we all know the difficulty in repealing any exemptions because every time you look at repealing an exemption the room fills up with people who say why their exemption is absolutely necessary. It's true with sales tax or income tax. We heard that the other day on the \$84 million subchapter S election. Looked like an easy 84 million dollars, I'm sure it did to Senator Briese, I know it did to myself and some others. But, we find that that is built upon an ecosystem, and businesses built upon that ecosystem of that tax break and it would have very adverse consequences if you start taking it away. So we know we are up against a wall on sales tax, up against a wall on income tax, and property taxes are a good portion high and, also, we have a hidden water tax already in our irrigation increment. That difference in value between dryland and irrigated land that is not due to quality of real estate, but to the forbearance of the state in giving away its oil or its coal without any charge. So, if we are put in a position where we have to come up with money, there's a source. And that source, that cure, may be worse than the disease. So, that's the Irrigation Tax Act. If I wanted to have not drawn any attention or criticism, I'd have called it the "bunny rabbit petting act" or something, but "irrigation tax" has gotten its attention. So, I'll be happy to answer any questions. I look for a long list of proponents, incidentally. [LB1022]

SENATOR SMITH: Thank you, Senator Schumacher. Questions? Senator Groene. [LB1022]

SENATOR GROENE: How come you didn't put all the manufacturing plants that use our water, all the homeowners that use our water, the big guy with the mega estate that waters his lawn, why not all those folks? What about the guy who makes money off his water park? [LB1022]

SENATOR SCHUMACHER: There may be...there may be some of that and maybe that's an angle that can be played with, but by and large, what I was going for is the big picture of the great water use, and the manufacturing plants in comparison to irrigation was very small. And most of the city stuff is already run through a water meter at the city because we've given the city the right to charge for that water and those services. So... [LB1022]

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SENATOR GROENE: But the state doesn't collect any tax on that water, just the city does. [LB1022]

SENATOR SCHUMACHER: No, the state doesn't. And in proportion though, the irrigation is a huge amount. If you want to expand the irrigation tax to the...or the water tax out to catch the water park operator or manufacturing plant, ethanol plant, I certainly have no objection to that. But also... [LB1022]

SENATOR GROENE: Now, before anybody tars and feathers me; I'm playing devil's advocate here. So basically you could, by doing this, you could...the guy who's more efficient and actually has a water meter, he could avoid tax by being very efficient with his water. And the guy that isn't efficient would pay more, right? [LB1022]

SENATOR SCHUMACHER: Well, yes. I mean... [LB1022]

SENATOR GROENE: If you decided to raise wheat instead of corn one year, you would pay less tax. Isn't that true? [LB1022]

SENATOR SCHUMACHER: Right. [LB1022]

SENATOR GROENE: So there would be some advantage to it. Also... [LB1022]

SENATOR SCHUMACHER: There is...the market would adjust. [LB1022]

SENATOR GROENE: How would we adjust the budget when it rains? And like it did last couple years out west and pivots were shut down quite a bit and consumption went way down. So we would have a budget shortfall when it rained. So, the government bureaucrats would be praying for no rain. [LB1022]

SENATOR SCHUMACHER: You do that like you always...level off for good and bad years. You look at what the overall projection is and you make reserves. [LB1022]

SENATOR GROENE: Thanks. [LB1022]

SENATOR SMITH: Senator Brasch and then Senator Harr. [LB1022]

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SENATOR BRASCH: Thank you, Senator Smith. And Senator Schumacher, you and I have discussed this a little. And as I'm listening to, I'm thinking of what you could have called it the "rain tax," as Senator Groene had alluded to, because...humanity and agriculture are dependent on water. Humanity is dependent on food. And the food we grow, our produce and everything, is reliant on water. So, what about taxing air? You need to breathe too. I just think a basic human need such as water should not be a tax burden. But I'm also wondering, are there any other states that tax water as you're proposing, specifically in agriculture? [LB1022]

SENATOR SCHUMACHER: No other states, but no other states are as highly irrigated as we are, either. And this situation, one could say; why tax coal, why tax oil? It's all necessary for our modern form of life in order to exist. And because, we're basically...if we're put in a position where we can't fund, where we have a huge revenue cut and we don't have the income tax revenue and we don't have the sales tax revenue, we're put in a position where we've got to find something to tax. I don't want to go here, and I don't think you want to go here, either. But, we may...not you or I or Senator Smith or Senator Harr, we will have escaped the axe. But this may be an option that has to be looked at if we have to come up with half a billion or a billion dollars arbitrarily. [LB1022]

SENATOR BRASCH: The reality here, I believe, would be devastating to agriculture. And when you talk about other states, it's geography as well. In Iowa, where rain is plentiful, you will not see the amount of pivots. And so, I think it's just penalizing to impose a tax on the income...it's another income tax, I guess, from the labor of agriculture. [LB1022]

SENATOR SCHUMACHER: But aren't we also doing that anyway, because we charge more property tax on a piece of land that uses water than one that does not use water? [LB1022]

SENATOR BRASCH: And I'm not saying that's right either. [LB1022]

SENATOR SCHUMACHER: (Laughing) But it's... [LB1022]

SENATOR BRASCH: I have no other questions, thank you. [LB1022]

SENATOR SCHUMACHER: Okay. [LB1022]

SENATOR SMITH: Senator Harr. [LB1022]

SENATOR HARR: Thank you. I want to follow up on Senator Groene's line of questioning. He said; what do we do if it rains? Wouldn't we use a rainy-day fund? (Laughter) [LB1022]

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SENATOR SCHUMACHER: Yeah. [LB1022]

SENATOR HARR: See, we already have it. [LB1022]

SENATOR SCHUMACHER: We already have it. Well then, we'll call it...we'll have to name it different or we'll confuse ourselves between the existing rainy-day... [LB1022]

SENATOR HARR: We could have a separate pot for the rainy-day fund. But seriously, the question I have is, you know, I know other states, Wyoming, gosh darn it, those guys don't have an income tax. And they just...it's a burr in my side. But, they tax coal. An excise tax as you pull it out of the ground. And they actually have so much left over they have a different kind of rainy-day fund; a trust fund for future generations. Is this just another form of excise...I don't want to call it excise, but taking from...what's the term I'm using for; a tax where you take something from the ground. Is this just another form of that? [LB1022]

SENATOR SCHUMACHER: When I opened today, you weren't in here. But I started off with a... [LB1022]

SENATOR HARR: Yeah. [LB1022]

SENATOR SCHUMACHER: ...discussion of Texas with oil... [LB1022]

SENATOR HARR: Okay. [LB1022]

SENATOR SCHUMACHER: ...Oklahoma with oil, Wyoming... [LB1022]

SENATOR HARR: But the good news is this is "replenishable." Water's "replenishable," you can always get more of it. [LB1022]

SENATOR SCHUMACHER: Well, you listen to oilmen we're never going to run out of oil or...anyway... [LB1022]

SENATOR HARR: Yeah. [LB1022]

SENATOR SCHUMACHER: At any rate, this is very similar to that. And we cry a lot about, gee, how lucky Wyoming is, how lucky Texas is... [LB1022]

SENATOR HARR: Okay. [LB1022]

SENATOR SCHUMACHER: And we really have the same thing. We're plucking something out of the ground and we're turning it into a form of energy and shipping it off in commerce. Very similar, but our way of taxing it looks like a real estate tax when maybe it isn't. Maybe the tax on the increment difference between dryland, which is what all land is in this state, and the value of irrigated land. Maybe that tax that the counties and the NRDs and everyone gets right now, maybe that's not a real estate tax. Maybe it is our way of doing an excise tax or a fee on extraction tax, and that's why the little poster that I handed out; it depends how you look at it. The numbers are the same, or could be the same. [LB1022]

SENATOR HARR: So I'm going to follow up on Senator Brasch's question, because I think you've seen trucks that have "4X4" written on the side; and you know why it's that way in Iowa? Because that's all they have to farm: four weeks of spring, four weeks of fall. They don't have to do the center pivoting, right? And that's a lot of work. So, aren't we punishing these people, one, by having to irrigate, and then punish them a second time by taxing that? [LB1022]

SENATOR SCHUMACHER: Right now we aren't punishing anybody. If you want to have water on your land, you run the irrigation pump. And what was a lot of work was carrying those gated pipe, that was a lot of work. The pivot isn't quite as much. But, we're not, the state, isn't doing any punishing. And you could carry it one step farther, in response to Senator Brasch's question, aren't we punishing them by making them pay a higher property tax just because their land has got water? That we're giving them, not "we're" giving them, that the state is giving them. Our constitution says the water belongs to the people. And so, the people in Omaha and Lincoln are using their share of the water and giving it away free of charge, and that is a massive subsidy if you look at it as two faces instead of a vase. [LB1022]

SENATOR HARR: Okay, one last question; you're a lawyer, right? [LB1022]

SENATOR SCHUMACHER: Sometimes I think so. (Laughter) [LB1022]

SENATOR HARR: Okay, do you know of any other state where they say the water, in the constitution, the water belongs to the people? [LB1022]

SENATOR SCHUMACHER: I'm lucky to have read the Nebraska Constitution. [LB1022]

SENATOR HARR: Okay. And I don't think there is one, from my limited one water law class. [LB1022]

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SENATOR SCHUMACHER: Okay. [LB1022]

SENATOR HARR: But, thank you. [LB1022]

SENATOR SMITH: Senator Brasch. [LB1022]

SENATOR BRASCH: Thank you, Chairman Smith. And, once again, we return. Maybe I'm unusual, but I don't say; gosh, I wished I lived in Wyoming. I am thankful that we are in Nebraska because a lot of states, they're manufacturing or another occupation because they do not have the soil conditions, the climate, the water, to be able to be ag producers. So we do have a wonderful opportunity here in Nebraska. And when you compare water to oil, we can't live without water. But we are inconvenienced when we don't have oil. We can't use oil in an IV or to run a marathon. And there are multiple forms of energy that are produced, and whether it's solar, wind, coal, nuclear, I just don't see that there is a comparison on the essential use of water for humanity as being something to be a consumptive tax. And then, furthermore, is when you're saying that farmers can just turn on the pivots, not only is it taxed at a higher rate but the energy required to run a pivot, whether it's electric or diesel, that adds to the input costs. And in today's economy where the commodity prices and the input costs are very non-productive...or -conductive to being an ag producer, I think...and the reason that you did cause an alarm is it would be a tremendous hardship. But this is just a discussion, correct, on the worst case scenario, because it would be the worst case scenario. I'm done. [LB1022]

SENATOR SCHUMACHER: (Laughing) And you are unusual. I can give you that. You started out... [LB1022]

SENATOR BRASCH: Okay. [LB1022]

SENATOR SCHUMACHER: But we are charging right now. We are charging the irrigated farmer more because he uses water. [LB1022]

SENATOR BRASCH: Yes. [LB1022]

SENATOR SCHUMACHER: Just discussion. [LB1022]

SENATOR BRASCH: And that is correct, so... I have no other questions. Thank you. [LB1022]

SENATOR SMITH: Senator Groene. [LB1022]

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SENATOR GROENE: Thank you, president. Philosophical debate, but, you know, we're not taxing fairly. You go on one side of the road in different school districts somebody's paying \$110 an acre for that water, if you want to consider it. On the other side of the road he's paying \$50 because he's in a different school district. But, now I don't want to get shot, but why a use tax? Maybe you did this in the eight years you've been here, why didn't you do an income tax and put a penny a bushel on production? Or two cents a bushel? Then you're actually taxing income, in a form, instead of use. [LB1022]

SENATOR SCHUMACHER: Because if I started out with the premise that the water is not part of the real estate, then the first step is to equalize the real estate by calling it all dryland and then assessing a tax on the gallonage of water. Now, the point you raise about that side of the road and that side of the road actually is a theoretical argument in favor of this kind of taxation because a gallon of water on this side of the road or that side of the road would be equal. And then it would plug into the system, into a distribution system, either to the local governments--as it kind of is now. I mean, we distribute that irrigation increment to the local governments now through our...their levy system. So...but we're not getting any credit for it. The state is hounded. How many times haven't we heard local governments here complaining that we aren't helping them? That the state doesn't help with them? I use "we" because, for thirty days, I'm still "we." But that we aren't helping them. Or that we really aren't paying our fair share of education. When, really, this money that is going to a local, rural school that comes from the irrigation increment is a state subsidy. It could go away really quick. It might go away really quick if we have to come up with a half a billion dollars or so a year because this body, next year, is going to have to...might have to figure out where to get that kind of money out of thin air. It's not going to come from sales or income tax because we have no room there. [LB1022]

SENATOR GROENE: Thank you. [LB1022]

SENATOR SMITH: I see no remaining questions. Thank you, Senator Schumacher, for challenging us once again. And be careful, there may be a stampede rushing forward in support and...(laughter) [LB1022]

SENATOR SCHUMACHER: I'm disappointed, I did not do as well as Governor Heineman and pack the room completely. (Laughter) [LB1022]

SENATOR SMITH: All right. We now move to proponents of LB1022. Those wishing to testify in support of LB1022. All right, seeing none, we move to opponents. Opposition to LB22...LB1022. Those wishing to testify in opposition please come on forward. Welcome. [LB1022]

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ROBERT JOHNSTON: Good afternoon, Mr. Chairman, committee. I am Robert Johnston, R-o-b-e-r-t J-o-h-n-s-t-o-n. I'm a farmer from Clearwater, Antelope County, with one of the highest number of irrigated acres in the state. I appear before you today to testify in opposition of LB1022 on behalf of the Agricultural Leaders Working Group. The Agricultural Leaders Working Group is made up of the elected leaders of the Nebraska Cattlemen, the Corn Growers, Farm Bureau, the Nebraska Pork Producers, the Soybean Association, and the State Dairy Association. I am also testifying on behalf of We Support Agriculture coalition. Different members of various associations represented by ag leaders have appeared before you this session to testify in support of several bills seeking property tax relief for Nebraska property owners. The group has outlined goals of seeking a \$600 million to \$1 billion in property tax relief as soon as possible. Unfortunately, LB1022 is exactly counter to the goal of property tax relief and will increase costs tremendously for agriculture producers who use irrigation water. On a well pumping 1,000 gallons per minute running 24 hours, the tax would be equal to \$1,440 a day. On my sandy soil at home, I average at least 1,250 hours a year. That would equate to about \$75,000 a year per pivot. Many operators in my area could easily be taxed over a million dollars a year. That is beyond absurd, it is ludicrous. According to the fiscal note, the impact would be an average of \$2.1 billion. The bill would also value all agricultural land as dry land. While land values varies significantly across the state, this change would likely result in an increase in levies for many school districts due to the change in valuation. Agriculture producers have seen property taxes increase dramatically for the past ten years. LB1022 would only add to the tax burden of those farmers and ranchers representing the state's number one industry: agriculture. I am not an artist like Senator Schumacher, but if I was I would draw a picture, and my picture would show a food line. We're talking the state's number one industry: agriculture. We produce food. I know this is the Lenten season, but I would ask Senator Schumacher and I would ask everybody on the committee. I doubt if you're fasting the entire Lenten. You've probably eaten this week. The food line would either be because there was no food, or because all the farmers were broke. We respectfully request the committee to indefinitely postpone LB1022. Thank you. [LB1022]

SENATOR SMITH: Thank you, Mr. Johnston. Good to see you, again. Questions from the committee? I see none. Thank you. Next opponent of LB1022. Welcome. [LB1022]

ALLAN BENTLEY: (Exhibits 2-3) Thank you, Mr. Chairman, Revenue Committee. My name is Allan Bentley, A-l-l-a-n B-e-n-t-l-e-y, from Neligh, Nebraska--also from Antelope County. I had some notes here, and I've added to them a little bit as everybody has spoken a little bit. And what I'd kind of like to start out with before I come to, maybe, another conclusion; there's a statement by Senator Schumacher, and I quote, "I'm very pleased that there's a discussion," Schumacher said, "we have tapped out of every tax resource to the max, not to the ridiculous max, but to the max." I completely agree with him. We, as farmers, as rural landowners, are taxed to the max. To the...and we are to the ridiculous max, so that statement that he made, I agree with. And earlier,

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in some testimony about a different bill, there was some talk about rent and how much rent it takes to make a payment on a house somewhere. I didn't catch that...but the comment was it takes three months' rent to pay the property tax. I'm here to tell you as a landlord that rents my land out, it takes 50 percent of my rental income just to pay my property tax now. Or the equivalent 6 months rent if you were paying a monthly rent. And there's a couple more things...about the \$2.1 billion that this is...this bill might take in; I think that's beyond exaggerating because it literally is going to make it so expensive there's not going to be any water used at all. At all. So how that \$2.1 billion came up is beyond me because there's going to be none used at the rate of...Robert Johnston, I think, said \$75,000 a quarter. It's going to drop the property values to zero, to utterly zero. So, now I'd like to...my written statement here is, kind of, next after making some of those points. As Senator Schumacher said, he introduced this bill to create conversation and to make voters mad. That's his quote. Well, I think he succeeded. I'm opposed to this bill. And if I was snarky, I'd suggest that we put a tax on Lincoln and Omaha water usage at five cents per ten gallons of water. I'm not going to do that. You know why? It's crazy to tax any water in Nebraska, either rural or urban. You might as well tax the air that we breathe. As I understand, this bill was introduced as a direct response to LB829 brought from the Senator from Bayard. This bill would cut property tax of which the whole state desperately needs and deserves. If that bill would create some shortfalls, I've got a solution. The urban centers of Nebraska have an obligation to educate their children, so do the rural parts of Nebraska. The problem, as I see it, is a large part of paying for that education for all the children of Nebraska is falling on the shoulders of the rural property owners. A hundred and fifty years ago, tracks of land were set aside to financially support county...country schools. And it worked great for 125 years. A few years ago, the state decided to close all those county...excuse me, country schools and send those kids to town. The state, however, kept all that school land and the income from it. The lease of all that land is now currently coming to Lincoln and virtually none of that money from the revenue of that land stays in the rural schools or helps out the rural schools. Lincoln and Omaha, I believe, get 80 percent of all the revenues from the board. I live in Antelope County and I believe there's 11,000 acres of school land. I do not know exactly the rental income off that land, but I do know none of it stays in Antelope County, as described by our assessor. She wrote a note, and you guys all have a copy of that. And it states the property tax paid to the county by the... excuse me, "the property tax is paid to the county by the State of Nebraska Board of Education Lands and Funds. But as far as the lease of that money..." meaning the rental income off of that..."that is all made payable to the State of Nebraska Board of Education Lands and Funds. The money paid for that land...the land leases by the farmers it does not come to the county at all, it all goes to the state..." [LB1022]

SENATOR SMITH: Um-hum, thank you.... [LB1022]

ALLAN BENTLEY: ...so, when Senator Schumacher's stops...talking about subsidizing, how the cities are subsidizing us farmers; this is a great example that we are actually subsidizing the

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school systems in Lincoln and Omaha by taking, in our county, 11,000 acres of rental income and taking all the income off of it to use for other educating the kids in the urban centers of Nebraska. [LB1022]

SENATOR SMITH: Thank you, Mr. Bentley. We're going to see if we have any questions from the committee. Senator Groene. [LB1022]

SENATOR GROENE: I find it interesting, the first two folks are from Neligh. You're in part of the Sandhills, right? [LB1022]

ALLAN BENTLEY: No, on the edge. It's to the west. [LB1022]

SENATOR GROENE: On the edge, but you've got a lot of sandy soil blowing towards Ericson in that area. [LB1022]

ALLAN BENTLEY: Yes. [LB1022]

SENATOR GROENE: I used to live up in that area, once. But...in a past life, but anyway, you guys use a lot more water. But you don't really use a lot more water. You pump a lot more water, a lot of it saturates back in. Puts it right back in the bank that the state owns. So, it's kind of an unfair situation, isn't it? As the last testifier said, you'd be paying for the water you pump, not the water you use. Just a point. [LB1022]

ALLAN BENTLEY: That'd be correct. [LB1022]

SENATOR GROENE: Thank you. [LB1022]

SENATOR SMITH: I see no other questions. Thank you, Mr. Bentley, for coming before us today and for sharing your testimony. [LB1022]

ALLAN BENTLEY: And thank you. [LB1022]

SENATOR SMITH: Next opponent of LB1022. Welcome, Mr. Hansen. [LB1022]

JOHN HANSEN: Mr. Chairman, members of the committee. For the record, my name is John Hansen, J-o-h-n H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. We're the second oldest, second largest general farm organization in the state. This bill has done a good job of

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generating a lot of discussion within the ag community. It is now number two in the total number of phone calls that I've taken from my members about the issues that they care about. And they...I have yet to find one who thinks it's a good idea. So, I suspect that that's pretty much the response of all of the ag organizations. We don't own the water under our land, but we do have a reasonable right to use it in an appropriate kind of way. And so, this would break faith with that law and that tradition. We accept the idea that, as we do in my farm which is next to Antelope County, that we need to put meters and flow meters on our wells and we need to measure. And we accept the idea that we need to regulate our groundwater resources as well as our surface water resources and be responsible stewards. But, we're in the end of year four, headed toward year five, of below-cost production commodity prices for agriculture. We have pumped an enormous amount of both cash and equity down the creek. And so, we're now struggling to get our operating loans renewed for the next year. And so, we have somewhere in the 10 to 15 percent, depending on the part of the state, of the ag operating loans after taking that kind of a beating are not in a financial position to get their loans renewed. So, this bill goes out to the folks who are in the worst financial shape as a sector in the state and says; here, why don't you give me some more money? And so, it's an incredibly inappropriate solution in that way. It's bad public policy, it's bad tax policy because in my view our state has done a fairly good job of not taxing inputs. If you're producing crops and it takes water to be able to do that, the amount of additional water that we get between the amount of rainfall we receive and the amount of water it takes to have a decent crop is the difference whether or not we've stranded all of those input costs. So we've already borrowed a bunch of money, and we have, you know, buried it in the ground and covered it up and hoped it rained. So, we are the number one irrigated state in the country. About two-thirds of that comes from groundwater, about one-third surface water. This would be an incredible shock to the agriculture community. And it would really send the message that our state does not support production agriculture and all that we do to help create the new wealth that we do. Which is different than just the service sector that reflects economic activity, we are a primary economic driver. It is in our state's interest that agriculture do well, that we be profitable, that we generate the tax revenues, and the economic activity that queues all of the tax revenues at the local, the state, and the national level. And with that, I would end my comments. [LB1022]

SENATOR SMITH: Thank you, Mr. Hansen. I see no...Senator Brasch. [LB1022]

SENATOR BRASCH: Thank you, Chairman Smith. And thank you, Mr. Hansen, for your testimony today. When you mentioned...your membership is in favor of the flow meters? [LB1022]

JOHN HANSEN: If that's what it takes to continue to be able to use the water resources under our ground, we accept the responsibility that comes with that, some more or less cheerfully than others. [LB1022]

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SENATOR BRASCH: And many of the ag producers that I have visited with believe that that's just the first step in taxing water, are the flow meters. The ones I have visited with and...they believe that they are personally very responsible users of water in the sense that, on our farm, it's bad news when we have to turn on the pivots. [LB1022]

JOHN HANSEN: Sure. [LB1022]

SENATOR BRASCH: That's an expense. We're not modernized farmers, it's very labor intensive. And so, just to add to the worries of the--and this is unsurprised if your membership is saying that we need control, we need to put this measuring tool on for something that means that we're in a period of a dry spell, lack of rain. But, I was surprised to hear that. And then the other is, when the opening dialog was on, you're closer to what I've heard is that people don't own the water. It's for shared use... [LB1022]

JOHN HANSEN: Yep. [LB1022]

SENATOR BRASCH: ...that basically the water belongs to the state. I've talked to a couple of water attorney's and they're just saying, it belongs to the state that's shared by the people. That's correct? [LB1022]

JOHN HANSEN: And we...yes. Senator, thank you for the question. We have really kind of two different systems of law. We have surface water, which is pretty much first in right, first in time. And so, we have that whole different kind of regulatory regime relative to surface water, and then to groundwater we have more of the correlative system, which is share the shortage. And so we have a different system for managing and sharing groundwater. And so, then, it gets very complicated when we hook those two different kinds of systems together. And so, our water law is very complex. What I would say to your first question, or observation, is that you cannot manage what you cannot measure. And the flow meters, in the case of the Lower Elkhorn NRD, for example, we just, you know, they thought it were to the point--based on the groundwater monitoring program that has been in place since I helped put it in place as an NRD board member in the mid-1970s--is that based on the data, the data says that in certain areas of the district we are starting to experience some shortages and so, therefore, we need to be able to better monitor how much water we are actually using. Not computing it, but actually measure that water so that we can then be better water managers. And being better water managers is the tradeoff for the ability to be able to use it. It's not the first step toward taxation, it's the first step toward management. And so, if we want to continue to use the water, we accept that we have to manage it. And we have folks in southwest Nebraska been doing this for a very long time. And so, now in northeast Nebraska, we're finally...we're now doing what our neighbors are doing in southwest Nebraska for a long time. And the members in southwest Nebraska have told our

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members at our state convention; we are, thanks to the flow meters and the management that we now have, and all of the monitoring devices we use, we're able to produce good crops with less water. And that's good for the aquifer, it's good for the future, and it's good for your pocketbook. [LB1022]

SENATOR BRASCH: And, just one final comment or question; aside from the flow meters, there is a, and I don't know the technical name, but a probe that you can easily tell how much water is in the ground and control your water usage with the ground probe. Is that correct? [LB1022]

JOHN HANSEN: Yep, there's different kind of sensing devices... [LB1022]

SENATOR BRASCH: Sensing devices, okay. [LB1022]

JOHN HANSEN: ...you can put in your soils and some of them are more or less...there's more or less of a drag based on, kind of, how they report and how they measure. And so, those are good companion tools to the flow meters, in my view. I'm an irrigator, I have three pivots. You know, we think it's just a good management tool. [LB1022]

SENATOR BRASCH: I have no other questions, thank you for your comments. [LB1022]

SENATOR SMITH: Senator Groene. [LB1022]

SENATOR GROENE: Your comments on water meters, I agree with you. They're a management tool. This bill has done more damage to people...the trend to put water meters on than anything I've...lately, because you measure your corn seed, you measure your chemical, and you manage your inputs. And it's hard to do that without a water meter. A comparison; Senator Schumacher said the state owns the water, right? Doesn't the state own the University of Nebraska? So, maybe if a lawyer gets a J.D. degree, the state subsidized that J.D. degree, should we put a very large tax on every lawyer's degree that we gave through a state-owned entity like the University of Nebraska? [LB1022]

JOHN HANSEN: Well, I think if LB1022 goes through we'd certainly want to look at that. [LB1022]

SENATOR GROENE: What's that? [LB1022]

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JOHN HANSEN: We'd certainly want to look at that. [LB1022]

SENATOR GROENE: If we amended... [LB1022]

JOHN HANSEN: And accounting degrees... [LB1022]

SENATOR GROENE: Doctor's degrees. [LB1022]

JOHN HANSEN: ...and all degrees in general if you can tax that way, then I think our guys would pretty much come (inaudible) supporting... [LB1022]

SENATOR GROENE: I think that will work. I think we'd kill this bill if I amended that in. [LB1022]

JOHN HANSEN: Yeah, you'd think so? (Laughing) Yep. [LB1022]

SENATOR GROENE: Thank you. [LB1022]

JOHN HANSEN: Thank you, Senator. [LB1022]

SENATOR SMITH: See no other questions, thank you... [LB1022]

JOHN HANSEN: Thank you, Mr. Chairman. Good afternoon. [LB1022]

SENATOR SMITH: Next opponent of LB1022. [LB1022]

LANCE KNIGGE: Good afternoon. My name is Lance Knigge, L-a-n-c-e K-n-i-g-g-e, from Verdigre, Nebraska, in Knox County, just north of Antelope County. I wanted to...I'm opposed to this bill entirely. Just want to give you a little bit of an outlook, if I talk about two counties alone. I'm four miles from one, and I'm in the other; Holt and Knox County. Holt County is the largest irrigated acres in the state; 239,000, approximately 4 miles from where I live. Knox County is way down on the list. I don't exactly know where, it was hard to tell by looking at it. If you look at the two counties, you've got county averages for...I'll use corn as an example. Holt County dryland corn average is 67 bushels per acre, is what's produced. Irrigated, 195 bushels per acre. Knox County, the dryland outdoes the Holt County: it's 119 average, 191 irrigated. We don't have near the irrigation, but the cost to produce the irrigated for the 195 that averages in Holt County versus the 69 for the dryland and they were talking about revenue differences. This bill is

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introduced and passed, in any way, think what it takes to make the difference between the 69 and 195 bushels, dryland versus irrigated. It takes water. There's no other two ways about it. Sandy soil, soil is better in Knox County over on the east edge. So, I would say what we're going to do is have a whole lot of irrigators just not irrigate anymore. So, therefore, we're not going to sell as much corn. We're not going to sell as much commodity, or any commodity. They're not going to be able to irrigate at all, so we'll just turn it back to dryland. Property values will go down. Yeah, it'll be considered dryland value, but property values will go down. Another thing; the poorer your ground is, the more water you need to produce a crop, the more this tax will cost you. That's simple to see. So, the guy's going to get...the guy that's going to get taxed the most is the guy with poorer ground and stuff. We have a viable resource right underneath our feet, but if it's taxed to where we can't use it, what good does it do for us? The...we talked about extra money coming down to Lincoln off from this tax. Far as I've ever seen any money that's come to Lincoln has never gone back out. It's earmarked for stuff. If there's an overage of money in the budget down here, it gets put to some use. I've never seen a tax paid back to the people. I am a surface water irrigator. I do pump and I do have a flow meter on my pump...on my creek...on my ponds out on my creek...I double pump actually. So it costs me a lot to produce what I do produce also. But I do have a meter as a surface water irrigator, first one in the state. [LB1022]

SENATOR SMITH: Very good. Thank you, Mr. Knigge, for your testimony. Questions from the committee? I see none. [LB1022]

LANCE KNIGGE: Thank you. [LB1022]

SENATOR SMITH: Thank you. Next opponent of LB1022. [LB1022]

DEAN SMITH: Chairman Smith... [LB1022]

SENATOR SMITH: Welcome. [LB1022]

DEAN SMITH: (Exhibit 4) Members of the Revenue Committee, my name is Dean Smith, D-e-a-n S-m-i-t-h. I'm from Brunswick. I'm in northern Antelope County. We did not carpool down here or share notes. I guess it's just coincidental we happen to be here. Senator Schumacher in an online article in the Columbus Telegram January 22, 2018, stated "this is a little bit of a signal of what could happen if you get what you wish for." He also stated "the state has no place to get money from." Looks like when you introduced LB1022 you were attempting to find the money by placing it on the back of agricultural producers. Why is that taxing agriculture and real estate is always the answer? Agriculture representation is greatly outnumbered, therefore targeted. I have read that Senator Schumacher is supposed to be one that thinks outside the box. Well, let's think outside the box. Agricultural...agriculture is taxed on real estate, personal property tax, and

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income tax. I know the state does not collect real estate and personal property taxes, but the way state aid to schools is figured directly affects those two taxes. So let's look at an irrigated quarter I own in Antelope County in the Neligh-Oakdale School District; taxable valuation: \$671,605, real estate taxes: \$7,747.96. Now, an office building in Neligh in the same school district has a taxable value of \$163,190, real estate taxes being \$3,119.70. This business is operated by two individuals. They support their families from that business and they have one or two employees on the payroll. Now, my one irrigated quarter cannot generate enough income to support my family. So for me to generate enough income, I have to own and/or rent more irrigated ground. That irrigated ground that I own and the additional ground I rent in Antelope County pays \$94,806.98 in real estate taxes. I operate those acres by myself with one seasonal employee. The last three years have been break-even at the very best. My \$94,806 in real estate taxes compared to the \$3,119 paid by the two business owners shows you the inequity in comparison of real estate taxes being paid. Thinking outside of the box, did I find someplace to get money from? Depends on how hard you want to look. Assess professional people according to the income-producing potential. If 160 irrigated acres of farm ground is valued at \$671,000 because of its potential income production, why isn't a law degree, say as an example, valued at, say, \$600,000? Tax it as if it is real estate in the county where the business is located. Oh no, be careful what you wish for; I may have found a place to get the money from. Thank you. [LB1022]

SENATOR SMITH: Thank you, Mr. Smith, for your testimony. See no questions from the committee, thank you. Welcome. [LB1022]

JULIE NICHOLS: Thank you. My name is Julie, J-u-l-i-e, Nichols, N-i-c-h-o-l-s. And I'm here today representing two ends of the farming industry. I'm a landowner with MN Farms and I rent to another farmer who's represented here today by this testimony, Steven Heath and Ben Heath of Heath Farms in Fillmore County. A lot of things have been touched on. Our families have a long relationship. They're into their fourth, almost fifth, generation of farmers in the family. It's a father-son operation now. They farm 1,200 acres and have some cattle and so on. And 440 acres of that 1,200 belongs to my family. Currently what I see happening...and I got the numbers from the farmers because I'm not technically a farmer. But I am a landowner and I grew up on a farm, killing chickens and canning things and seeing life and death and high grain prices and low grain prices. What I understand about pivot use and so on, and I know that I'm in a county where valuation is high because I pay about \$25,000 per year in valuation tax. And I recently renegotiated a contract because we have \$3 corn, which has been mentioned, and that is an impact for both the landowner and the farmer. I went to a cash-per-acre rent. Essentially what this bill would do is extract about...I think...I figured...I've got a lot of numbers here...it would basically increase my farmer's rent to a rate of \$536 per acre. More money would go to the state than to the local valuation tax, but it's a total of basically \$73,000 per quarter in tax. I think this is punitive. I also found some irony in the fact that valuation would be lowered on irrigated land

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to a dryland rate. So, essentially you're treating irrigated land as a cheaper value, valuation would fall. It would lower the land value when I decide to sell my land because it's not profitable to rent it. The water tax goes to an education fund to be administered by the State Board of Education, and I believe there was another bill introduced yesterday to eliminate the State Board of Education. So I'm a little conflicted about how that would be managed. I understand not by elected officials to deal with local school districts, but rather by...at the sole discretion of the Governor and his advisees. The tax burden is untenable. I also think that the best way to look...I think that it's absolutely right that people would stop irrigating. I certainly would if I were a farmer. I think that the way to save water is to, and save cost to farmers, is to look for crops that don't take so much water. But even looking at the figures I got from my farmer, it's only ten inches of rain. It's only 10 inches of rain that he puts on his metered...on my well that he has meters on. So, that's pretty much all I have to say. I really don't think that this is a good idea. I do not think our water is a commodity... [LB1022]

SENATOR SMITH: Thank you, Ms. Nichols. [LB1022]

JULIE NICHOLS: ... that belongs to the state. [LB1022]

SENATOR SMITH: Any questions for Ms. Nichols? [LB1022]

JULIE NICHOLS: Nope. [LB1022]

SENATOR SMITH: I see none, thank you. [LB1022]

JULIE NICHOLS: All right, thank you. [LB1022]

SENATOR SMITH: Welcome. [LB1022]

LUMIR JEDLICKA: Good afternoon, Senators. I'm from Colfax County, and my name is Lumir Jedlicka, L-u-m-i-r J-e-d-l-i-c-k-a. The testimony you heard before, I oppose this bill vehemently. I guess I brought some other farmers from my county with me, and it's really interesting but I represent the farmers that don't even have organizations. I belong to a lot of organizations myself that are farming, but they're scared to come up here to even testify. This point that I'm going to try to make is that we are going to kill a part of our state NRDs. The rest of the testimony that we've heard, I agree on 100 percent. But the NRDs will not have much to manage if our...if our taxation is going to manage the water. They will turn into a smaller percentage of work force, I would think. If we put meters on, yes, we're going to have a higher percentage of work force. But that could be done with totalizers instead of meters. But the fact

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is, NRDs...I've served on a board, NRD board for 12 years and I understand our aquifer beneath us is our precious reserve of what we've got for the future. And the NRDs are to manage that, the Legislature set that up 45 years ago. Did a good job thinking it through. But maybe we should tax the water that the state is in control of that goes out of the state by the rivers. That's a thought that, you know, can we tax those other people in the states around us that benefit from that water we let go? That...with that testimony I just want you to know that us farmers are really opposed to it. We don't use...probably only eight inches of water out of our irrigation wells in our districts. And what the rain brings us fills that back up. It's just the aquifer beneath that runs to the river, we're not in the Ogallala Aquifer at all, what we're pumping out of. [LB1022]

SENATOR SMITH: Very good. All right, questions from the committee? Now, you pronounce your name Ja-leek-uh (phonetic)? Jed-leek-uh (phonetic)? [LB1022]

LUMIR JEDLICKA: When I'm in Lincoln, that's good. But it's Yed-lich-ka (phonetic) when I'm back home. (Laughing) [LB1022]

SENATOR SMITH: Jed-lich-ka (phonetic), okay. Very good. [LB1022]

LUMIR JEDLICKA: (Laughing) Okay. [LB1022]

SENATOR SMITH: Thank you for your testimony, good seeing you today. Next opponent of LB1022. [LB1022]

DONNA ROLLER: Good afternoon, once again. Jeez, how come I feel so much shorter here today? I vehemently oppose this bill and leading to what you said, Senator Brasch, water is sacred. Water is one of the four elements of... [LB1022]

SENATOR SMITH: And we're going to ask you... [LB1022]

DONNA ROLLER: My name? [LB1022]

SENATOR SMITH: Yes. [LB1022]

DONNA ROLLER: Donna Roller, D-o-n-n-a R-o-l-l-e-r. [LB1022]

SENATOR SMITH: Okay, thank you. [LB1022]

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DONNA ROLLER: Water is sacred. It is one of the four elements for life. I asked...I ask how does this bill justify taxing something sacred? The absurdity of this bill would be like comparing this to starting to tax Bibles. The main economy driver in this state is agriculture, and taxing our water is necessary...taxing our water necessary for crop production would put undue stress on an already economically stressed business. Farmers are at a break-even financial situation now with commodity prices at a low. I owned 160 acres, it was our family farm. And I know the difficult financial position this tax would impose. The cost of this tax for a 133-acre pivot at 10 inches of water would be \$39,000 a year. And at 15 additional inches, it would cost an increase of another \$18,500. Right now, farmers already pay a property tax for water because irrigated land is valued higher than dryland. The farmer depreciates his well in his system, so the added property taxes are paying for this water. This bill puts the irrigated dryland...as irrigated land as dryland, but it still is disproportionate for the amount of tax. That...and it's still not economical. Is it the intention of this bill to run farmers out of business, because that will be the end result. I was run out of business. Is it the intention of this bill to force farmers to sell off their family farms to big corporate egg companies can buy up Nebraska? Or is this bill a ploy to make farmers and ranchers think their property taxes are not bad and the state has this threat over us? For all of these reasons, this bill is a nasty tactic to stress out farmers even more than they already are and shame on you. Shame on you. I have solutions to this tax revenue deficit. Think outside the box. Legalize industrial hemp; hemp requires less water than corn and soy and will restore the soil. Growing hemp will stop harmful chemicals from farming leeching into the aquifer. It'll save our aquifer with a rapid depletion that is happening now. And I lost my center pivot on my farm at York County. The best land in the country, and I lost my center pivot. The water's gone, and you can't even drill a new one. It's drilled at the ditch practically, now, when I sold it. We can legalize marijuana; Colorado funds all their public schools with taxes on marijuana. If we're really desperate on tax, let's legalize marijuana. It's just another vice, next to alcohol and tobacco. And lastly, the immediate solution would be to tax 1 cent per 20 gallons of tar sands bitumen. We have Keystone run...ready...busting...ready to bust, contaminate our soil and water and TransCanada is getting a free ride here. They're not paying the revenue that they promised. Keystone pumps 23 million gallons daily, and at 1 cent per 10 gallons that would \$2,000,300 a day, or \$820...\$8 million dollars a year. Stop beating up farmers and ranchers, and taxing the company that deserves to be taxed for massive profits. Water is life, and I had some additional comments from a land...resident in Columbus. And she...and I think she disagrees since that's Schumacher's area, if I may say one more statement for my friend. I think she disagrees with that...that irrigation takes most of the water because you're singling out farmers, and she named a bunch of businesses in Columbus that are high, high users of water; Animal confinements that have high capacity wells, and manufacturing plants including ethanol plants and Becton-Dickinson pharmaceuticals plant and the packing plants in Schuyler; they are all big water users. So if you're going to tax just the center pivots, you better tax every single corporation that's using massive amount of water. And I thank you very much. [LB1022]

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SENATOR SMITH: Thank you, Ms. Roller. Questions from the committee? I see none. Thank you. [LB1022]

DONNA ROLLER: Thank you. [LB1022]

SENATOR SMITH: Next opponent of LB1022. We do have a number of letters for the record to read in, in opposition...opponent? Yep, opponent. Anyone else wishing to testify in opposition? Very good, welcome. [LB1022]

DENNIS SCHUSTER: My name is Dennis Schuster, I'm from southeast Nebraska. It's D-e-n-n-i-s S-c-h-u-s-t-e-r. I wasn't prepared to testify today, I just come up here to listen but the more I hear...I just had to say something. Senator Schumacher, you want to find a billion, or billion two or three, more dollars? Instead of taxing irrigation water, why don't we get this tax incentive situation straightened out in this state? That's where we're throwing...right now, the state is behind a billion dollars in tax incentives. We've given the farm away in LB775 Nebraska Advantage Act. If you want to create revenue, sunset this thing. Don't tax water, don't tax the farmers any more, he's been taxed to death. Stop giving the farm away and sunset these tax incentives coming in here, because this is where our major problem is. We're losing too much revenue giving it away. That's all I have to say. [LB1022]

SENATOR SMITH: (Exhibits 4-12) Thank you, Mr. Schuster. Questions from the committee? See none. Seeing no additional opponents, we have a few letters to read into the record in opposition to LB1022. From Richard Erwin representing Cedar-Knox Public Power District, Rocky Weber representing Nebraska Cooperative Council, Sarah Curry representing Platte Institute, Dick Wiechman representing Wiechman Farm Family Trust--thank you to my legal counsel telling me how to pronounce these names--Chad Waldow representing Stanton County Public Power District, Robert Beatty representing KBR Rural Public Power District, Mark Kirby representing Butler Public Power District, Katy Boggs representing Golf Course Superintendents Association of America-Nebraska Chapter, and Colyn Suda representing Southwest Public Power District. We now move to those wishing to testify in a neutral capacity on LB1022, neutral. Seeing none, we invite Senator Schumacher to close on LB1022. [LB1022]

SENATOR SCHUMACHER: Thank you, Chairman Smith, members of the committee. I want to thank the opposition today for a very intelligent and thoughtful response. We have accomplished a number of things, so far. I think it's pretty clear that the state, by not taxing water, has enabled our local governments and local schools to tax as real estate the irrigation increment, that difference in value between dryland and irrigated land. And that is a substantial state contribution to those local governments. I found it interesting, the last gentleman that testified, pointed to the incentives. We'll have that hearing on the sunset of the incentives--which is

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one of the three bills I introduced--I think this week, if I'm not mistaken. It's part of the puzzle. But we also know that any force that disrupts state finance has got to be funded some way from something. And there are a lot of things that are on the table. And unfortunately, the concept of a direct state tax on water is one of the things that are there. And as such, all those things need to be contemplated by future revenue committees in response to whatever political situation and whatever economic situation we face. We're going through a transformative time in this state, transformative time in agriculture as the efficiencies require land to be accumulated in larger and larger farming tracts in order to make a go of it, where the economies of scale are eliminating a lot of farmers, where about a third of the farmers are in a position to acquire the two-thirds that are struggling. Those are all transformative changes. Those are all changes that are affected by our tax policy and certainly would be impacted if the state has got to find a huge amount of revenue next year. I'd be happy to answer any questions. [LB1022]

SENATOR SMITH: Thank you, Senator Schumacher. Remaining questions from the committee? Senator Groene. [LB1022]

SENATOR GROENE: Isn't the reality of it, Senator Schumacher, that land is tied to the state and water is tied to the state? You can take your law degree wherever you want, you can take your stocks and bonds wherever you want; so we just keep hitting the land, not really the farmer, we hit the land. And we keep taxing it and we keep taxing it and then we find another thing that's tied to the land, the water. So we tax it. So, how do we ever get to the point where we tax the people who can move their wealth? [LB1022]

SENATOR SCHUMACHER: The land is an integral part of the state. The land is the state. What we are taxing is an estate in the land. A fee simple estate. That's what we are taxing. And we are also taxing, in some cases, the use of the water that the state is permitting at the present time. So, there's a substantial difference between a movable asset and something that is part of the state. If you study real estate law, what ends up happening...the kings of old deeded out the land and we adopted that tradition of how you deed out the land. But they deeded it out subject to something. Subject to the right to levy a tax. And all land is subject to the state's reserved right to tax. That's unlike any other asset, because that geographical boundary is the state, and that land is subject to that state obligation. And that's sometimes easy to forget when you're bidding in a land auction. [LB1022]

SENATOR GROENE: Thank you. [LB1022]

SENATOR SMITH: I see no other questions. Thank you, Senator Schumacher, for your closing on LB1022. [LB1022]

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SENATOR SCHUMACHER: Thank you, Mr. Chairman. [LB1022]

SENATOR SMITH: And you're not going to go very far because you have your next bill, LB1045. [LB1022]

SENATOR SCHUMACHER: Oh, all right. (Laughter) [LB1022]

SENATOR SMITH: So if we may pause for just a moment. I know some folks want to transition here, so we'll give them just a little time to move around so as not to distract you. All right, I think we're about ready for you to proceed, if you're ready. [LB1022]

SENATOR SCHUMACHER: All right. Thank you, Chairman Smith, members of the committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r, here representing District 22 in the Legislature, here today to introduce LB1045. LB1045 was introduced in the early days of the session, right after the passage of the new federal act on taxation. And it also was a bit of a need to act in that some other states, including California, and New York introduced similar things into the hopper. And it tries to deal with an issue that was created by the federal tax act. Federal tax act did two things; the big thing was the elimination of the deduction of state and local taxes as a federal income tax deduction, and the other thing was it limited the amount of mortgage interest that could be deducted. In Nebraska, that probably doesn't have that much of an effect because they exempted what would be most of the houses of Nebraska. But in states like New York and California, that hit them harder. So this, principally...I said okay, let's preserve a slot in our schedule a bill out there in case it looked like this is a viable alternative so that when a taxpayer pays a dollar in state income tax, they get to, right now, or before the adoption of the federal act, deduct that dollar. And if they were in the 40 percent tax bracket, they basically ended up losing 60 cents because of that dollar in state tax because they could deduct it from their federal tax. Now that isn't going to be the case. So unless they can figure out a way to classify the income...the real estate tax, for example, as a business expense, such as a tax on your business facility or your farm, unless they can figure out some other way to do it, their tax burden went up significantly. State and local taxes bite a lot harder now. If you pay more than what's going to amount to the standard deduction for...on your federal tax return. A big, mean bite. The thought in this bill is you create a charity. That charity essentially is the state. And you make contributions to it because the contribution lobby in Washington was more adept at handling the Congress than the property tax and income tax lobby was. And so, you donate to the state and you take your deduction as a charitable deduction preserving your effective state tax rate. And then you turn around and take the contribution to the state's charity off your income tax as a credit. And therefore a work-around in the situation. So far this I don't think has passed in these states, other states that it was introduced, but it's an interesting concept which, maybe, next year somebody wants to keep in mind. And it'll be interesting to see whether or not the bite is

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hard enough that the forces come to bear in Washington to reinstate some of the state and local tax deduction. I'd be happy to answer any questions. [LB1045]

SENATOR SMITH: Very good. Thank you, Senator Schumacher, for your opening on LB1045 and explaining the bill to us. Questions from the committee? I see none. [LB1045]

SENATOR SCHUMACHER: Thank you. [LB1045]

SENATOR SMITH: We open it to proponents of LB1045, those wishing to testify in support of LB1045. Seeing none, those wishing to testify in opposition to LB1045, opposition. Seeing none, those wishing to testify in a neutral capacity on LB1045, neutral. Seeing none, Senator Schumacher, would you like another shot at us (laughter) to close? [LB1045]

SENATOR SCHUMACHER: Looks like Consent Calendar. [LB1045]

SENATOR SMITH: Yeah. [LB1045]

SENATOR SCHUMACHER: (Laughing) Thank you. [LB1045]

SENATOR SMITH: Thank you, Senator Schumacher. All right, and that closes the hearing on LB1045 and that closes the hearings for the day. Thank you, all. [LB1045]