

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 31, 2020

**LINEHAN:** It is Friday and we're tired. Welcome to the Revenue Committee. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska and represent the 39th Legislative District. I serve as Chair of this committee. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend a public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. Move to the chairs at the front of the room when you're ready to testify. The order of the testimony is introducer, proponents, opponents, and neutral and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. I will introduce the pages in a moment. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes and if-- we will use the light system. So you have four minutes on green, a minute to wrap up on yellow, and when it's red I will ask you to be done. If there are a lot of people wishing to testify-- we don't have that today, no. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room. It will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. At the far end of the table on my left is committee clerk, Grant Latimer. I would like the committee members to introduce them starting at my far right.

**KOLTERMAN:** Senator Mark Kolterman, District 24, Seward, York and Polk County.

**GROENE:** Senator Mike Groene, Lincoln County, 42.

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

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

**CRAWFORD:** Good afternoon. Senator Sue Crawford, District 45, which is eastern Sarpy County.

**LINEHAN:** Senator Brieese will not be with us today, and I think Senator McCollister is coming, he's just late. Our pages-- if you would stand up. Our pages are Noa from Central City, Nebraska. She is at Doane majoring in history and political science, and Erin from Lincoln, Nebraska. She is also at Doane majoring in political science, law, politics and society. Please remember that senators may come and go during our hearing as they have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. Also for our audience, the microphones in the room are not for amplification, but for recording purposes only. Excuse me. Lastly-- lastly, we are an electronics-equipped committee and information is provided electronically as well as paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony is important to us and critical to our state government. With that, we will open-- thank you. With that, we will welcome open with LB1033, Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. Good afternoon, members of the committee. I'm Curt Friesen, C-u-r-t F-r-i-e-s-e-n. I represent District 34 in the Nebraska Legislature. I appear today to ask for your support for LB1033. And since we're on hurry-up Friday, I'll just move right through this. Nebraska airports serve a vital purpose when it comes to transportation infrastructure in our state. Airports are a major economic generator for Nebraska. They provide important interstate travel for business and commerce persons-- purposes and they also provide our agricultural economy with services that improve farmers' crop production. In times of tragedy, as we unfortunately saw firsthand during the floods last spring, airports can be a critical means of keeping communities connected and assured that they're able to receive emergency goods and services. Because our airports is such an important asset to the state, I'm offering LB1033 in an effort to ensure that Nebraska establishes a sustainable financial support mechanism for the maintenance upkeep of our air transportation network. Under LB1033 the sales tax paid on the sale and lease of aircraft would be directed to Transportation Aeronautics Capital Improvement Fund. This fund would be administered by the Department of

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Transportation's Aeronautics Division to be used solely for the maintenance and repair of Nebraska's airports. LB1033 is not a new concept. This bill is specifically modeled after LB814, which was passed by the Legislature in 2014. LB814 directed the sales taxes paid on ATVs, UTVs, motorboats and personal watercraft to the Game and Parks Commission to be used for capital maintenance, repair and improvement of the Game and Parks facilities. LB1033 seeks to provide a similar approach to aircraft sales and leases to provide consistent funding to airport facilities. LB1033 is also very much like the approach we currently take for highway-- funding of the Highway Trust Fund by applying amounts received for the sale and lease of motor vehicles to provide financial support for the roads infrastructure. There will be testifiers who follow me that can shed light on the history of the state's funding of our airports and how capital improvements and maintenance needs of airports are currently paid for, and the needs of the system now and in the future. LB1033 is a small step in the right direction toward providing our airports with a means of sustainable funding for the type of projects that are necessary to secure the airport network's future. This is a precedent for providing infrastructure funding through a mechanism like this and it makes sense. And before I open up for questions, I want to note that we do have a-- an amendment, a technical amendment that we'll pass out. AM2187 makes minor changes that clarifies the intent of the bill to allow revenue to be directly-- directed to be used at all public airports in the state. With that, I'd ask the committee to advance LB1033 to General File with AM2187, and I'd be happy to answer any questions.

**LINEHAN:** Thank you, Senator Friesen. Are there questions from the committee? Senator Groene.

**GROENE:** Senator Friesen, when you prepared this for Game and Parks, I don't believe Game and Parks gets millions of dollars of federal aid like the airports do.

**FRIESEN:** I-- I'm just saying that the precedent was set when we did the ATVs and UTVs that we sent to our capital fund because they're recreational vehicles I guess is what the idea was. And so that's just comparing it to that principle that we used back then.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Senator McCollister.

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**McCOLLISTER:** Yeah, thank you, Chairwoman. Is your-- for leases and taxes imposed on the sale or lease of aircraft, is there such a obligation to pay those fees now?

**FRIESEN:** Yes, so we're just diverting that money there. This is not a new tax. We're just diverting the sales tax to this capital construction fund.

**McCOLLISTER:** And now it goes to the General Fund?

**FRIESEN:** That's what I'm assuming.

**McCOLLISTER:** Thank you. Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much.

**FRIESEN:** If that's not the case, somebody behind me could probably answer that.

**McCOLLISTER:** OK.

**LINEHAN:** Can we have proponents for LB1033, please. Are there any proponents?

**NATHAN MASTEN:** Good afternoon.

**LINEHAN:** Good afternoon.

**NATHAN MASTEN:** Chairman, Senators, I appreciate the opportunity to testify before you on the proposed legislation, LB1033. My name is Nathan Masten, N-a-t-h-a-n M-a-s-t-e-n. I live in Elwood, Nebraska. I am the president of the Nebraska Association of Airport Officials. We represent all 80 public-use airports in the state of Nebraska. I am also the airport manager at the Lexington, Nebraska airport where I run a small business maintaining aircraft, operating aircraft and providing high resolution digital and thermal imaging for crop scouting to our agricultural industry. I'm here today to testify in support of LB1033, a proposal to re-- to redirect taxes collected on the sales and leasing of aircraft from the General Fund to Aeronautics Capital Improvement Fund, sales taxes that myself and my industry are currently paying. We are making this, well, excuse me. Why are we making this request? Since the early 2000s until very recently, state aid to the airports has averaged less than \$200,000. These grant funds are used to assist airport sponsors such as our airport in Lexington or an airport in Harvard or an airport in Kimball in putting together 10 percent local match required to leverage 90 percent matching funds

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from federal grant systems to the airports. However, with the very low levels of state funds available to assist the local airport sponsors, we have been seeing potential federally-funded projects go by the wayside in grant money lost. This statement is supported by similar statements made by the state in the Department of Aeronautics annual reports in 2015 and '16 again-- and again in the division's capital improvement program update from the spring. One of the consequences of not being able to come up with a 10 percent local match is that we're having to forego those federal funds. Things-- the things that are-- we are losing in airports is mostly deteriorating-- deterioration of the current system, including the runways and taxi lanes and ramps, parking areas for the aircraft. My airport in Lexington is currently engineering and will be bidding a project to rebuild-- rebuild-- rehabilitate and repair our concrete runway and our main taxiways. For us to pay the 10 percent to receive the 90 percent in FA grant, we will have to borrow this money. While at Lexington has this ability, many smaller communities do not, but their airports are just as important, if not more so than ours. So again, this statement is supported by similar statements made by the department and/or division in their annual reports. So what would this additional funds do and/or be used for? The specific use of the funds and prio-- prioritization of the projects that might benefit from these additional funds would still be up to consideration by the Nebraska Aeronautics Commission. However, reviewing the list of projects presented to the commission last fall, we expect that the vast majority of the projects requesting funds would be to main-- to continue maintenance projects, projects to repair and maintain runways, taxiways, aprons, projects to replace worn out doors on aircraft hangars and projects to replace airport beacons and/or runway lights. Not typically projects to improve and/or enhance airports, but simply maintain them in a continued safe operation. With additional funds we expect the Aeronautics Commission will be able to fund more projects and/or fund projects at a higher level instead of funding five to seven projects, perhaps be closer to 10 or 15, and perhaps instead of funding only 2 percent of the funds needed to match a federal grant, perhaps provide 5 percent or even a 10 percent match. Understanding the challenges of requesting additional funding we have tried to be sensitive to what you guys have to do as well. Last year, an increased aviation sales fuels tax was presented as a way to provide additional funds. This year's request does not ask for any new additional taxes. This request is that we be able to use the sales tax generated by our industry to support our industry using a tried and true funding model already used by Game and-- excuse me, by Nebraska DOT and Game and Parks. At this time I'll conclude my testimony and would be open to any sec-- questions that I might be able to answer.

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**LINEHAN:** Thank you very much for being here. Are there questions from the committee? Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Madam Chair. Just curious about a typical airport like yours.

**NATHAN MASTEN:** Yes.

**McCOLLISTER:** You receive any money from Lexington in support of the airport?

**NATHAN MASTEN:** We do-- we have a tax call that is a part of our budget. Our budget is typically just what it takes to operate and keep the airport open. You know, mowing the grass, plowing the snow and providing day-to-day operations.

**McCOLLISTER:** So you get a tax levy?

**NATHAN MASTEN:** We do. Yep, we have-- from the city of Lexington. That's correct.

**McCOLLISTER:** So you receive property taxes, is that correct?

**NATHAN MASTEN:** Yes.

**McCOLLISTER:** OK. How about use fees? Do you get use fees too?

**NATHAN MASTEN:** We do not charge any use fees in Lexington. Larger airports tend to do that, but typically that is a-- typically found at airports that are invested in privately where a company has built its own infrastructure. And so they are charging you to use their facilities where we are a tax-based airport and a public use airport, we do not charge the taxpayer again to use that facility.

**McCOLLISTER:** So there's no landing fees?

**NATHAN MASTEN:** No.

**McCOLLISTER:** If I were to house my aircraft at your airport, do you charge me for that?

**NATHAN MASTEN:** If you house it inside in a hangar, yes, then we would charge you that. But just to park it overnight, no.

**McCOLLISTER:** OK. Do you receive any fuel tax income?

**NATHAN MASTEN:** As far as fuel taxes?

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**McCOLLISTER:** OK. You sell-- you sell some. You put--

**NATHAN MASTEN:** Yes. So to clarify that question, yes, we sell fuel. And so we do see some income from selling that fuel. But as far as an actual revenue generator, we're not-- we don't sell enough fuel in Lexington to provide any substantial amount of income to-- to our budget. It is more as a-- if it's a-- as an as-needed basis for the aircraft being used at the airport.

**McCOLLISTER:** OK. And I recall seeing news accounts where rural airports get a direct appropriation from the federal government. Is that correct? Do I recall seeing that?

**NATHAN MASTEN:** Yes. So, public use airports, under the NPIAS system with the FAA, are given \$150,000 grant per year, but we have to match it with 10 percent. And that's the 10 percent I mentioned in-- in my statement. So local funds have to match 10 percent of each \$150,000 given. And so where we're at, such, my airport, we have to borrow that money to be able to come up with that match because we don't have enough room in our budget to pay for it. And then we pay for it over the next few years before we're able to do another one. Smaller airports are not able to come up with that money either in a bank because they don't have enough-- enough equity to-- to borrow against, or do not have enough room to even pay that money back, and so their money is going-- is either out paid to other airports that can pay that money, or it disappears completely and goes back into the federal grant program.

**McCOLLISTER:** Now, the tax money you receive, the property tax money, you can't use that for your match?

**NATHAN MASTEN:** We can, and we do budget that over the course of time. Yeah, but we are-- we don't have enough room in our budget to pay that match directly. Typically, projects that we do are, you know, several hundred thousand dollars. The project that I referenced in my-- in my statement, we're currently bidding and we're just short of a million dollars and we're trying to figure out how to roll that project back to where we can actually budget enough to cover our match on that 10 percent, so that's--

**McCOLLISTER:** Have you considered raising user fees?

**NATHAN MASTEN:** Once again, we've already-- we have a system in place as far as an airport that the taxpayers already paid for, and we-- we have not-- we don't feel that that is very fair to-- to charge them again to use something that they've already paid for once.

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**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Other questions? Senator Groene.

**GROENE:** You got a couple pretty good-sized, one manufacturer, one packing plant.

**NATHAN MASTEN:** That's correct.

**GROENE:** I'm assuming they use that airport.

**NATHAN MASTEN:** They do.

**GROENE:** Have you ever approached them for a private donation?

**NATHAN MASTEN:** The Tyson Foods, which was formerly Iowa Beef Packing, they-- they were very instrumental in increasing our runway size back in the early '90s when they-- when they bought the new hall and factory. So to say that they have helped build that, I would say, yes, they did. As far as currently, no, we have not approached them any time recently, no.

**GROENE:** Wouldn't that be a good idea? You also have Orthman, I believe, that could help.

**NATHAN MASTEN:** Yeah. So we have-- we have those-- those industries within our community, but once again, they, you know, they're paying taxes like everybody else.

**GROENE:** Are you a county or a city?

**NATHAN MASTEN:** We are city.

**GROENE:** And what is your levy-- airport authority levy?

**NATHAN MASTEN:** We asked for \$150,000 last year.

**GROENE:** So they don't-- you don't have an actual levy, you have a--

**NATHAN MASTEN:** Our levy comes from the city. So we request our-- our tax base from the city who puts it into their budget, that's correct. But our airport--

**GROENE:** It's in their budget, there isn't a levy for an airport authority. You don't actually have an airport authority.

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**NATHAN MASTEN:** No, no. We have an airport authority, but we are based underneath the city.

**GROENE:** Well, so is North Platte's, but there's an actual levy--

**NATHAN MASTEN:** Right.

**GROENE:** --that goes to the airport authority.

**NATHAN MASTEN:** Yep.

**GROENE:** So how much-- you have a business?

**NATHAN MASTEN:** That's correct.

**GROENE:** How much sales tax are you going to pick up?

**NATHAN MASTEN:** As far as--

**GROENE:** I mean, you're the only business at the airport.

**NATHAN MASTEN:** So-- so this-- this bill-- this bill only moves sales tax that is generated on the purchase of an aircraft within the state.

**GROENE:** And then it's split up-- pro-rated across the state?

**NATHAN MASTEN:** The tax itself?

**GROENE:** The, the proceeds from the sales tax.

**NATHAN MASTEN:** That tax currently that is charged just goes into the General Fund.

**GROENE:** I understand.

**NATHAN MASTEN:** Yeah. So you-- what are you asking then?

**GROENE:** I go buy an airplane.

**NATHAN MASTEN:** Yes.

**GROENE:** Is it like a car? If I buy it in Lincoln, is it like a car, I license it in North Platte?

**NATHAN MASTEN:** It is-- it is purely a state tax only-- our state tax revenue.

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**GROENE:** Well, I'm asking then, how does it end up in Lexington, the sales taxes? How do you get any of the sales taxes?

**NATHAN MASTEN:** We don't, currently.

**GROENE:** Well, you want the sales taxes. If this passes, how will you get it?

**NATHAN MASTEN:** Well, then the taxes we will-- well, we've brought into Department of Aeronautics and the Nebraska Aeronautics Commission already has a current board system that allocates that money, and we are just trying to allow them to have more money to--

**GROENE:** And they will decide who gets it.

**NATHAN MASTEN:** That's correct.

**GROENE:** All right. Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here.

**NATHAN MASTEN:** Thank you.

**LINEHAN:** Appreciate it. Are there other proponents? Other proponents? if you're going to testify, it's really helpful if you move up closer, just goes a little quicker. So anybody else testifying on the bill, if you'd move up, that would be helpful. Thank you very much. Good afternoon.

**GARY COMBS:** Good afternoon. Thank you for allowing me and the other people to appear before the committee today. My name is Gary Combs. The last name is spelled C-o-m-b-s. I'm a resident of the city of Blair and I'm also an elected member of the Blair Airport Authority, and I'm here today to testify in support of LB1033. My comments are brief because I know of what my other part of the team is going to be presenting, so in the interest and respect of people's times, I'll make this pretty brief. As you know, LB1033 would earmark taxes on the sale and the rental of aircraft for a new capital improvement fund within the NDOT. And these funds will help the airports continue to grow and be a important part of the state economy. State funds are critically important to assist local airport sponsors with a 10 percent local match required to receive 90 percent of the federal funds. From 2010 to 2018, it appears that Nebraska let expire about \$18 million worth of federal funds because the airports that needed those funds didn't have the 10 percent matching funds to be eligible

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for the grants. State funds will aid in building permanent improvements to accommodate modern aircraft and maintain air safety, and a strong and successful airport will support the local as well as the state economy. Currently, the Blair Municipal Airport is unable to apply for federal grant funding because the 10 percent sponsor participation is not available and there are many other airports in Nebraska in a similar position. This is not a, a long-term need, this-- this is an immediate need of funding for the state airports. So I respectfully ask your support for LB1033 to continue the growth of Nebraska airports and our aviation industry. Thank you.

**LINEHAN:** Thank you very much for being here. Are there questions from the committee? Senator McCollister.

**McCOLLISTER:** Thank you, Madam Chair. We've now learned about the finances in Lexington. Let's talk about Blair.

**GARY COMBS:** OK.

**McCOLLISTER:** You have use fees for those people that use the airport?

**GARY COMBS:** No, we don't.

**McCOLLISTER:** How about the city of Omaha on the rental of helicopters and all that? Isn't that in your airport?

**GARY COMBS:** The-- the city-- the helicopter unit in Omaha is leasing a hangar that is owned by the city of Blair. And then they built out the interior of that hangar to their specification at their cost. So everything that's out there for the helicopter unit was paid for by the Omaha Police Department. And then the city is leasing a hangar to them to house their helicopters and their staff.

**McCOLLISTER:** And you have no other people using the airport?

**GARY COMBS:** Blair has 54 hangars, they're full.

**McCOLLISTER:** How many?

**GARY COMBS:** 54, they're all full. Blair has an FBO and they're-- they're business models basically maintaining business aircraft. There's a total-- there's probably a total about 65 airplanes at the airport right now. There's about 10 jets and 4 turbo-- turbine aircraft. And then the rest of them are Piston, single engine aircraft.

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**McCOLLISTER:** Wouldn't it be proper to have those people share in the cost at the airports such that you could reach your 10 percent match?

**GARY COMBS:** They all-- they all pay hangar fees, I should say. They all pay rental fees. But we have no-- we have no landing fees. They're-- they're-- their contribution is to pay the-- the hangar fees which go to-- right now, the hangar fees are used for the airport operation, and we also have some hangar debt that those hangar rental fees are paying off the loans on hangars that are on the airport. The newer-- the newer hangars.

**McCOLLISTER:** Yeah, how about fuel taxes?

**GARY COMBS:** The airport has a fixed-based operator and the city owns the fuel farm.

**McCOLLISTER:** OK.

**GARY COMBS:** The FBO operates the fuel farm and sells the fuels-- it has the fuel sales, and the city recovers a gallon-- an amount per gallon of every gallon of fuel that's sold that goes to maintain the fuel farm as well as other equipment, the [INAUDIBLE] on the airport.

**McCOLLISTER:** So none of that money can be used for the match?

**GARY COMBS:** No. Our match-- similar to what Nathan explained, Blair has a tax, and all of that tax money goes to pay the debt service. All of our operational funds for mowing, snow removal and maintenance all comes from hangar rent, the fuel flow, and we have some farm ground exterior-- off the airport a little ways that generates some of that revenue.

**McCOLLISTER:** So what I'm hearing, I think, both you and Lexington have the same model where you really don't recover any extra money that could be used-- be used for the match. Is that correct?

**GARY COMBS:** It-- not in the terms of a-- of a-- of a use fee or a landing fee, that's correct, no. As Blair pays down its debt, some of the funds that are being generated from our rentals as an example would then be able to be used for part of the-- for some of that 10 percent match.

**McCOLLISTER:** OK. Thank you.

**GARY COMBS:** You're welcome.

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**LINEHAN:** Thank you, Senator McCollister. Are there other questions from the committee? Seeing none, thank you very much--

**GARY COMBS:** Thank you.

**LINEHAN:** --for being here today. Are there other proponents?

**DIANE HOFER:** Good afternoon, I'm Diane Hofer, D-i-a-n-e H-o-f-e-r. I'm the aviation subject-- subject matter expert at Olsson, a Nebraska-based engineering firm where I've spent over 35 years on airport construction and development, currently working with about 40 airports in Nebraska, including Seward, North Platte, Aurora, recently Omaha's Millard Airport, as well as airports in many other states. I'm also representing the Nebraska Aviation Council, where I'm an officer. I'm here to make sure that Nebraska airports receive the support commensurate with their contribution to Nebraska's economy. The aviation industry has an \$8.6 billion impact on the state's economy. I have a draft report that the Nebraska Aeronautics Division, Department of Transportation recently prepared. This was published just earlier this month. This economic boost comes from businesses at the airports, travelers using the airports, construction induced and in direct impacts. This study proves what many of us already know. Airports are vital to Nebraska's economic success. We've all used Nebraska's airports for airline passenger service and overnight shipping, but there's much more going on. Aerial application actually increases farm production, crop production by \$650 million a year. So our farmers are benefiting from these airports where the aerial operators can operate. Rural medical services, not just flight for like emergency, but in our rural areas, special-- medical specialists are flying into communities. And yet this industry is getting very little state support. State grants to airports averaged about \$200,000 per year from 2010 to 2018. There was a bump last year. That was a one-time bump to-- due to some staff vacancies and some other unique circumstances where they did give out 700,000 last year, but compare that to 20 years ago when airports got 2 million in state grants. Compare that to South Dakota that gives out 1.7 million. Iowa, 6 million. Kansas, 5 million. Colorado, \$22 million to their airports. So this bill would just get us closer to even-- not even to the South Dakota level of that \$1.7 million. So other states are really seeing the benefit of grants to airports. What other \$8 billion industry gets so little state support and they really do need the support. The aeronautics division produces an annual capital improvement plan that I've-- I just have my own copy here, and there's \$500 million in needs, printed in the state's own report. And to quote the report, the actual funds needed to maintain the aviation infrastructure are much

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greater than the 500 million. The division maintains a list of over 140 current airport projects that are not expected to be funded in the short term due to lack of available funds. And the CIP does factor in federal funds, federal grants. Airports do receive federal grants, but those federal grants are not enough to meet the needs that are in the state's own published report. LB1033 would help meet these vital needs. It would transfer the money that's currently being collected on aircraft sales and leases. It's a simple user fee system. The users of the system, the funds that they pay for aircraft purchases would go through the aeronautics division to help support the aviation system. So how would these funds be sent-- spent by statute? The State Aeronautics Commission has been given the duty to allocate state funds for construction or maintenance of airports. This five-member commission is appointed by the Governor for five year terms. I neglected to mention, I was also a former employee at the Nebraska Department of Aeronautics, where I worked there for 22 years and I was a deputy director of planning engineering. So I worked with the commission through many, many years. And I would say during my tenure, they really did balance the needs of urban and rural airports with a focus on pavement maintenance and safety. But it is currently under state statute their duty to allocate those funds. A question has come up about airport runways and landing fees. An airport runway is just a mile of city street. A mile of city street is not producing any direct revenue. You're not charging a toll road to the business in Lexington. We're not charging fees on the runways. It's just not practical, just as it is not practical to charge a toll on city streets. Airports throughout the country are all facing the same funding limitations. The states air-- 80 airports are a key component to the economic success of Nebraska. This \$8 billion industry needs this money for maintenance. And here's my famous quote. Build a mile of highway, you can go a mile. Build a mile of runway, you can go anywhere. Thank you.

**LINEHAN:** Thank you, Ms. Hofer. Are there questions from the committee? I'm-- I'm not very familiar with airports and aeronautics, but do we collect the state aeronautics tax or tax on aviation fuel?

**DIANE HOFER:** Yes, there is a tax on aviation fuel that's dedicated to that division of aeronautics.

**LINEHAN:** So do you know how much that generated last year?

**DIANE HOFER:** One point two million to one point five. That goes to operate the department, so that mainly goes for their salaries and their own expenses. And then there's three state-owned airfields that it goes to support.

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**LINEHAN:** So was it never like, we have-- to build roads, we have a gas tax. So it was never-- was it ever thought that you land a plane, you have to fill it up with aviation fuel. Is our tax-- is our aviation tax less than most states around us or--

**DIANE HOFER:** Yes, it is. Our aviation tax-- there are two types of aviation fuel. One hundred low lead, which goes in the Piston, it's a small aircraft. That tax hasn't changed since 1947. I don't know if anybody in the audience-- I believe that's a nickel a gallon. And then there's jet fuel tax that hasn't changed since the mid-1980s. So that's 35 years that we-- and that is three cents, three cents a gallon on jet tax. So those taxes have not kept up-- kept up with inflation, obviously. And the department's expenses and everybody's expenses are rising and the fuel tax has just not kept up with those rising expenses.

**LINEHAN:** So if I'm flying somewhere over Nebraska or Kansas and I land in Kansas, what do I pay in jet fuel?

**DIANE HOFER:** In Kansas jet fuel?

**LINEHAN:** If you don't--

**DIANE HOFER:** No, I don't know. I think most of your fuel taxes are in that-- in the 10 to 15 cent range [INAUDIBLE].

**LINEHAN:** I think it would be real helpful if the committee-- and maybe others on the committee know this-- I think it would be helpful to have a comparison of what we're charging for aviation fuel versus the states surrounding us, right? Because if you're flying over Kansas, Nebraska, South Dakota, you can choose where you land to get fuel.

**DIANE HOFER:** That's correct. Yes. Yes.

**LINEHAN:** OK.

**DIANE HOFER:** But for instance, so the fuel tax that you're currently playing [SIC], if you buy an airline ticket on Southwest to go to Phoenix, Southwest is basically adding about a-- 10 cents to your ticket price to pay what they're paying in fuel tax in Omaha. So it's an even, even-- it's a very small amount that actually the passengers on an airline are paying.

**LINEHAN:** OK, but could you provide for the committee what the aviation fuel taxes are?

**DIANE HOFER:** Yes, I can. Yes, I can. I will do that.

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**LINEHAN:** Thank you. Are there other questions from the committee? Seeing none, thank you very much for being here.

**DIANE HOFER:** Thank you.

**LINEHAN:** Are there other proponents?

**SANDI DECKER:** Good afternoon, I'm Sandi Decker, S-a-n-d-i D-e-c-k-e-r. I am the chairman of the board of the Fairbury Airport. I'm also vice chairman of the Nebraska Association of Airport Officials and I'm a member of the Nebraska Aviation Council. I-- this is kind of off the cuff because I was not planning on testifying this afternoon, but after hearing some of the questions, I represent a smaller airport. We only get \$31,000 from our city council. We have 24, roughly \$25,000 that we get from our farm lease. We have 21 based aircraft. We pay-- they pay hangar rent. We sell the fuel, but again, we don't sell a lot of fuel, so there's not a lot that is generated through that. We are like Lexington. We have a grant coming through this year to resurface and take care of our cracks and that type of thing. It's roughly going to run \$400,000. We had to issue bonds to come up with our share. It really hurts. I mean, we're lucky, but there's smaller airports out there that have absolutely no way of getting their 10 percent. And I've been at Fairbury now since 1980, and when I first got on, the federal grant share was 90 percent. The Department of Aeronautics or Nebraska paid 7 percent and your local share was 3. Then it changed and it backed down-- or sorry, it was 95 percent for the federal and-- and 3 and, you know, and then it dropped down to 95 percent that they would fund-- or raised. So then the state paid 3 and we had to pay 2. And then over the years, it got down to where they only paid 90 percent and 10 percent totally was ours. And like I said, that's just very, very difficult. We can't charge landing fees because if we did, the aircraft would land at Hebron or Beatrice or Seward. We don't charge any use fees because again, it would not work for us. Our major-- we have crop dusters that operate off there and last year our people sprayed over a 100,000 acres and they-- they built a hangar on there. They paid for the hangar. After a certain lease in time, that hangar becomes ours. But other than that, we really-- we do have a lease agreement with them. But again, that doesn't go much and what funds we do get goes to just maintaining the airport itself, mowing, snow. We have no paid employees. We're all volunteers. And I thank you.

**LINEHAN:** Thank you very much for being here. Are there other-- are there any questions, excuse me, from the committee? Seeing none, thank you very much for being here. Are there other proponents? Are there any opponents? Anyone wishing to testify in the neutral position?

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Senator Friesen-- oh, let me see. There are no letters for the record. Senator Friesen, would you like to close?

**FRIESEN:** Thank you. So just quickly, I mean, the fiscal note does show where the money would have gone to and where it would go now. So, and it does go into this Capital Improvement Fund and would be available, I would take it as grants or loans or whatever. I don't know how they distribute the money, but it would just put more money into that fund. So I know there's airports out there and I think York is one of them where they do get a lot of jet traffic to land just to fill in fuel because they have low fuel prices. I don't know of any that charge a landing fee that I know of, but.

**LINEHAN:** Are there questions from the committee? I have. So did you say in your opening statement that we looked at fuel taxes at one point and that was-- that didn't get anywhere.

**FRIESEN:** I think in the last couple of years we have had a bill that-- maybe even last year that raised the fuel tax and obviously that would be a tax increase.

**LINEHAN:** I-- if you can work with them and get a list of-- because even the military like flies everywhere and they land places to get fuel tax. Why would we be-- anyway we need to look at taxes around.

**FRIESEN:** I have no objection to that, but.

**LINEHAN:** OK. Any other questions? Thank you very much. With that, we close the hearing on LB1033 and we'll open the hearing on LB1070. Senator Murman.

**MURMAN:** Good afternoon, Chairman Linehan, and members of the Revenue Committee. For the record, my name is Senator Dave Murman. That is spelled D-a-v-e M-u-r-m-a-n. I represent District 38, it's seven counties south of Kearney, Grand Island and Hastings. Today, I bring LB1070 with AM2236 for your consideration. LB1070 with AM2236 would include header trailers, head haulers and seed tender trailers in the Nebraska agriculture machinery sales tax exemption. Header trailers are specific equipment for moving only combine heads from one field to another and cannot be used for other purposes. Seed tender trailers are-- also have a distinct purpose. I have distributed a picture of both to the committee just in case you aren't familiar with these trailers. Agriculture machinery and equipment is tangible personal property that is used directly in cultivating or harvesting a crop, raising or caring for animal life, or collecting or processing an agricultural product on the farm or ranch. An agriculture producer

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couldn't haul any other supplies or machinery on these trailers because it's specifically built for seed transfer and hauling combine heads field to field. To tax these items is wrong because they fit the definition of being directly used to grow crops and livestock in production agriculture. Our neighbors in Iowa, Kansas, Colorado and Wyoming all exempt agriculture machinery. By taxing these specific pieces of machinery not only are our equipment owners possibly losing business to other states, but it's taking money from our agriculture producers. I understand that placing these specific pieces of machinery in statute may not be the best way to address-- address the issue at hand, although it may encourage the Department of Revenue to interpret their sales tax exemption stance on these pieces of agricultural equipment in the correct way. This bill is concise and uncomplicated. From a business point of respects-- perspective, it makes sense that these header trailers and seed tender trailers would also be exempt from sales tax in Nebraska. I'll be able to answer any of the questions you have. I know there are some represent-- three representatives of agriculture sector behind me that would be willing to answer your questions that I can't. Thank you.

**LINEHAN:** Thank you, Senator Murman. Are there questions from the committee? Seeing none, thank you very much. Proponents.

**ANSLEY FELLERS:** Good afternoon. Thank you, Chairwoman Linehan, and members of the Revenue Committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here on behalf of the Nebraska Farm Bureau testifying in support of LB1070, Senator Murman's bill, which would include header trailers and head haulers in the Nebraska sales tax exemption on ag machinery and equipment, as well as Senator Murman's amendment which would include state tenders-- seed tenders which are used to transfer bulk seed to planters. According to the Nebraska Department of Revenue, purchases and leases of depreciable ag machinery and equipment are exempt from Nebraska and local sales and use taxes when purchased or leased for direct use in commercial agriculture. Combine headers are types of equipment attached to the front of a combine harvester and used to harvest and pick up-- pick commodities. Header trailers which are also called the head haulers and head transports are essential equipment for moving headers and platforms from one field to another and they really have no other use. Additionally, with ag equipment becoming larger and larger, in some cases 30 to 40 feet wide, it's safer to put the combine header on a trailer or hauler than it is to move the combine from one field to the other with the header attached. On a broader scale, we would encourage this committee to look at the Department of Revenue guidance document entitled Nebraska Agricultural Machinery and Equipment Sales Tax

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Exemption, which was last updated in 2014. The same issue has arisen when it comes to the sale of tangible personal property used directly in the raising or caring for livestock. Statute related to the ag machinery and equipment sales tax exemption does not indicate what items do specifically qualify for a sales tax exemption. The statute indicates what does not qualify for an exemption. Therefore, by all accounts, taxpayers and policymakers have only the regulatory interpretation to rely on. The Department of Revenue, in its own words, believes it's incumbent upon the taxpayer to identify on what items they should be remitting sales tax and as the regulatory guidance document is not necessarily binding, I would ask the committee to consider the challenge this presents to equipment manufacturers, purchasers and lessees. Thank you for your time. I'd be happy to answer any questions.

**LINEHAN:** Thank you. Are there any questions from the committee? So is this a case where this is new equipment or equipment that's not--

**ANSLEY FELLERS:** It's a purchase or lease of any equipment, but there is a dealer representative behind me that could probably answer that.

**LINEHAN:** All right. Thank you very much for being here.

**ANSLEY FELLERS:** Thank you.

**LINEHAN:** Other proponents?

**MARK OTHMER:** Good afternoon, Chairwoman Linehan, members of the Revenue Committee, my name is Mark Othmer, M-a-r-k O-t-h-m-e-r. I'm the Nebraska field director for Iowa-Nebraska Equipment Dealers Association. Realizing that this is fast-Friday, I'm going to be really quick here to add just a few things to the previous testimony. There's a long history on what's gone on with header trailers. Our industry has been selling them for over 30 years and, quite honestly, for the beginning that they came in basically as a safety item to haul heads because they were getting really, really wide, they were considered nontaxable, qualifying for the ag sales tax exemption. And we proceeded underneath that thought for many, many years. And I'm sure there were many audits at the Department of Revenue did on some of our dealers and the subject never, ever came up this item should be taxable. Somewhere around in the 2012-2014 area, we had some dealer audits that suddenly popped up that this product needed to be taxable. And the reason that we were given by the Department of Revenue was that because it was pulled by a pickup rather than the combine. Now, when they were originally introduced, they were specifically used behind combines as a one-man operation to be able to move the combine

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and the head from field to field. Obviously, our pickups got more comfortable, got more powerful and suddenly farmers figured out, well, I can pull that header trailer with my pickup just as well. It takes an extra person but I had an extra-- dad was there helping me or whatever, so I just had him move the head for me. I would tell you that those heads are still pulled on header trailers behind combines. That hasn't gone away, but Department of Revenue has deemed that if it happens one time or in their view predominantly, why we're going to charge sales tax on them because if they're a taxable trailer, they can't qualify or, excuse me, pulled by a licensed vehicle, they're a licensable trailer. If they're a licensable trailer, cannot qualify for the ag sales tax exemption. It's a stream. So anyway, I encourage you to maybe set the record straight on this. It's a regulatory nightmare for dealers. Some dealers have filed, they have become licensed trailer dealers. Then they can fill out a Form 6 with the Department of Revenue, send it in and not collect sales tax from the dealer-- or from the customer. Customers will search those guys out so they can buy the stuff without having to pay the sales tax at time of purchase and then maybe forget to make the trip down to the state-- or the county treasurer and license the trailer. Some of the trailers never, ever make it to the-- to the road, the commonly known as shed trailers. Obviously, if you have a 40-foot head and a 20-foot door, you gotta find a way to pull it in lengthwise. That's what they use the trailer for, just to move it in and out of their-- out of their shed. So anyway, at my-- my request, I guess, is that I would like you to see-- put it back the way it was. Obviously, they were deemed not taxable at one point qualifying for the ag sales tax exemption. If anybody has any questions I'd be glad to try to answer.

**LINEHAN:** Thank you very much for being here. Are there any questions from the committee? Seeing none, thank you very much. Other proponents?

**JOHN HANSEN:** Good afternoon, Madam Chairman, members of the committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm president of the Nebraska Farmers Union and also their lobbyist. The use of the-- the piece of equipment in question seems to me ought to be the guide. And so the use for this is clearly-- is clearly a farm implement. It's not something that you can use any of these specific pieces of equipment for other than what they're intended for. And so they have no other broader use. And so I am at a loss to how it is that the Revenue Department would decide to-- to treat them in this fashion. If I-- I have had enough experience with the Revenue Department on some other items of that, if you get into the multi-use area, I can understand at least a plausible argument. But in this

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case, what else do you use with a header trailer except putting it on a head? There's just not much else you could do with it and the same way with the seed tender and so if-- if common sense prevails, this bill will pass and there will be clarity. Thank you.

**LINEHAN:** Thank you, Mr. Hansen. Are there questions from the committee? Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Madam Chair. Can I use this for my mobile home?

**JOHN HANSEN:** It would have to be a very small mobile home.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Are there other questions from the committee? Seeing none, thank you, Mr. Hansen.

**JOHN HANSEN:** Thank you very much. Have a good weekend.

**LINEHAN:** Thank you. Are there other proponents? Are there any opponents? Is anyone wanting to testify in the neutral position? Senator Murman, would you like to close? Waive closing. Oh, I'm sorry. Letters for the record. Proponents: Mark Stock, Big Iron Auctions; Dan Nerud, Nebraska Corn Growers Association; Nicole Fox, Platte Institute. There are no opponents and no one submitted a letter for the record in a neutral position. So with that, we will close the hearing on LB1070 and open the hearing on LB1074. And Senator Friesen, would you please take over as Chair.

**LINEHAN:** Good afternoon, fellow committee members. For the record, my name is Senator Lou Ann Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n. I represent the 39th Legislative District. I am introducing LB1074 for the Department of Revenue. This is their technical correction bill, which does only two simple things. First, it addresses improvements to leased land. The improvements are assessed to the owner of the leased land unless a form is filed by either the owner or the lessee stating that the improvements are the property of the lessee. The deadline for filing the form is currently before March 1. The new language changes this deadline to, on or before March 1 to harmonize with other property tax deadlines. Secondly, the bill harmonizes the filing requirements of the lodging tax and tire fees with those of the sales tax. Under current law, the lodging tax and tire fee returns are filed every month. Under the sales tax laws, retailers may file monthly, quarterly or annually depending on the volume of sales. The bill would allow lodging tax and tire fee returns to follow the same periodic

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filing requirements as the sales tax returns based on volume. So, if you have any questions.

**FRIESEN:** Thank you, Chairman Linehan. Senator McCollister.

**McCOLLISTER:** Yeah, just curious, you know, Madam Chair, where this bill originated?

**LINEHAN:** The Revenue Department's clean-up bill that we get every year.

**McCOLLISTER:** OK, I'm with you. Thank you.

**FRIESEN:** Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you.

**LINEHAN:** Thank you.

**FRIESEN:** Any proponents wish to testify on LB1074?

**McCOLLISTER:** Oh, my goodness.

**KAY STILWELL BERGQUIST:** No question Friday.

**McCOLLISTER:** No question Friday?

**KOLTERMAN:** You didn't get the memo.

**McCOLLISTER:** We'll get you out of here.

**FRIESEN:** Welcome.

**LYDIA BRASCH:** Thank you, and good afternoon, Vice Chair, Senator Friesen, and members of the Revenue Committee. I am passing out testimony that Tax Commissioner Fulton had planned on testifying today. He is unable to be here and has asked that I speak on his behalf. And I am Lydia Brasch, L-y-d-i-a B-r-a-s-c-h, and I am the legislative liaison for the Nebraska Department of Revenue. LB1074 is the agency's technical bill. Realizing this is a short session, and there are only two sections in law the agency wants to address, and that is by harmonizing certain dates that will help simplify the process for taxpayers. First, as Chairwoman Linehan said, it is to harmonize filing dates for separate assessment of improvements on leased land. There is the need to amend Nebraska revenue statute 77-1376 to make the filing date consistent for improvements on leased land with the dates for improvements on leased public lands. The deadline under the Nebraska revenue statute 77-1374 reads, on or

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before March 1, while the deadline under the Nebraska revenue statute 77-1376 reads, before March 1. This difference in the language has created confusion and-- for county assessors and taxpayers. By simply using on or before March 1, that would resolve the confusion for both. And the next part of the bill simplifies filing dates in the litter and lodging tax statutes by making a change in Nebraska revenue statute 81-15,164(2) and 81-3722 to read, the fees imposed shall be due and payable to the tax commissioner on or before the 25th day of the month following the monthly, quarterly, or annual tax period instead of only monthly. This will change the filing deadline to match the sales tax filing periods for these same retailers and allow for quarterly and annual filing. Several small business filers have very small or no revenues to report quarterly. This would allow them to access both a relief and efficiency for them to have the option to only file annually. I ask for your favorable consideration of LB1074, and I'm happy to answer any questions.

**FRIESEN:** Thank you, Ms. Brasch. Any questions from the committee? Seeing none, thank you--

**LYDIA BRASCH:** Thank you.

**FRIESEN:** --for your testimony.

**LYDIA BRASCH:** Thank you.

**FRIESEN:** Any other proponents wish to testify on LB1074? Seeing none, anyone wish to testify in opposition to LB1074? Seeing none, anyone wish to testify in a neutral capacity? Seeing none. Senator Linehan. There are no letters. Senator Linehan waives closing. With that we will close the hearing on LB1074 and the hearings for the day.