

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

HUGHES: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the 28th day of the One Hundred Seventh Legislature, Second Session. Our chaplain for today is Pastor Nathan Metzger from Senator Dorn's district. Please rise.

PASTOR NATHAN METZGER: Good morning. For what it's worth, on behalf of the state of Nebraska, thank you for answering this call to public service to look out for the needs of the entire state of Nebraska, especially in these days as we continue to sort through COVID and everything surrounding it, healthwise, economically, and everything else. On behalf of the entire state, thank you. Let us pray. Almighty God, lord of the nations, you set governments in place to preserve justice, ensure freedom, and to help life flourish as well as it can on this side of paradise. As this day session comes to order, I give thanks for these people who have answered your call to take up the important task of government. Guide these, your people, by your spirit. Help those gathered here to see each other as you see them, as people made in your image here to serve constituencies made up of people also made in your image. Grant wisdom, strength, and patience in this session and sessions to come. Help us work for the well-being of all in this state as best we can. Should any virtues fray, grant grace-- the grace needed to restore them. I pray also for the state of Nebraska as a whole. Inspire respect for those gathered here for the sake of the work that they are doing. Grant this state what outward prosperity may be your will, but above all things, grant us a living faith in you, that our state may bring glory to your name by sharing its blessings with all people for it is in your name we pray. Amen.

HUGHES: Thank you, Pastor Metzger. I recognize Senator Sanders for the Pledge of Allegiance.

SANDERS: Please join me for the Pledge of Allegiance. I pledge allegiance to the flag of the United States of America and to the Republic for which it stands one nation under God, indivisible with liberty and justice for all.

HUGHES: Thank you, Senator Sanders. I call to order the 28th day of the One Hundred Seventh Legislature, Second Session. Senators, please record your presence. Roll Call. Mr. Clerk, please record.

ASSISTANT CLERK: There is a quorum present, Mr. President.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

HUGHES: Thank you, Mr. Clerk. Are there any corrections to the Journal?

ASSISTANT CLERK: There are, Mr. President. On Page 582, line 25, strike "AM" and insert "ER." That's all I have for corrections.

HUGHES: Thank you. Are there any messages, reports or announcements?

ASSISTANT CLERK: There are, Mr. President. Registered lobbyist list is on file with the Clerk's Office as required by statute. Additionally, agency reports electronically filed with the Legislature can be found on the Legislature's website. The Health and Human Services Committee has designated LB5-- excuse me, LB752 and LB1173 as its committee priority bills, LB752 and LB1173. Your Committee on Enrollment and Review reports LB767 is correctly engrossed and placed on Final Reading. Additionally, your Committee on Agriculture, chaired by Senator Halloran, refers LB744 as is placed on General File with committee amendments, as well as LR284 reported to the Legislature for further consideration. That's all I have at this time, Mr. President.

HUGHES: Thank you, Mr. Clerk. Speaker Hilgers, for an announcement.

HILGERS: Thank you, Mr. President. Good morning, colleagues. I want to update you as we end, end the week and go into next week. I have about four updates. Number one, most importantly for today, today is the deadline to request Speaker priorities. Those have to be received hand-delivered in my office by adjournment. If you want to be considered for a Speaker priority, in my office today by adjournment. I've had a couple of people ask me whether they can request more than one, if they've requested a bill to be on consent, should they also do Speaker priority? My recommendation-- well, one, you can do more than one. You can request more than one. And my recommendation is if-- to make the request regardless if you think it's Speaker priority worthy. We will be making the final decisions by Tuesday evening after the senator and committee priority deadlines and we'll be announcing those Wednesday morning. So again, today is that deadline. I just alluded to the deadline for your priorities and your committee priorities is next Tuesday, next Tuesday, February 22, and those must-- those with letters must be read across the Journal before-- be read across into the Journal before adjournment and hand-delivered in my office. If you have any questions about either of those two, please let me know. Next Tuesday, we will continue with our consent calendar. We have a few rounds left to go. We-- I have a date for the final cut off for consent requests. That will be March 8, so it's a-- the Tuesday after

Transcript Prepared by Clerk of the Legislature Transcribers Office

Floor Debate February 17, 2022

Rough Draft

a four-day weekend after our last committee hearing day. So I'd ask those committees after the last committee hearing to make sure they Exec on anything that would be consent worthy so that you can have those requests to my office by adjournment on the 8th. I don't know exactly when the consent calendar will end, but it will probably be at least a week, maybe two after that for probably just one. Beyond that, I just want to flag for everyone-- I've been saying this since the beginning. We only have two weeks left before all-day debate. So two weeks-- after today, we have two weeks of half-day debate and then we go into all-day debate. We only have one week of all-day debate before we go into nights. So we're three weeks away from night debate. So I've been telling you that this session is coming fast and it is about to be-- the end is about to be here. Last, I do want to tell you that the ties are in. So as you know, next Tuesday-- thank you, Senator Clements-- in honor of the American Legion and recognizing Presidents Day, we've got these ties. If you ordered one, I'll be handing them out to you this morning if you don't have them already. This one is actually Senator Wayne's. It has your name on it. And for those of you-- I would ask-- who have a tie, to wear it next, next Tuesday morning, the day after Presidents Day. And with that, everyone have a wonderful weekend. I look forward to seeing you on Tuesday. Thank you.

HUGHES: Thank you, Speaker Hilgers. Senator Machaela Cavanaugh would like to recognize Dr. Joe Miller of Omaha, who is serving as the family physician of the day today on behalf of the Nebraska Academy of Family Physicians. He is under the north balcony. If you would please rise to be recognized by your Nebraska Legislature? Thank you, Doctor. Mr. Clerk, we'll now proceed to the first item on the agenda.

ASSISTANT CLERK: Mr. President, LB939, introduced by Senator Linehan, is a bill for an act relating to revenue and taxation; changes individual income tax rates as prescribed; and repeals the original section. The bill was read for the first time on January 10 of this year and referred to the Revenue Committee. That committee placed the bill on General File with committee amendments. When the bill was left yesterday, there were committee amendments pending, as well as AM1820 to the committee amendments from Senator Linehan and a motion to recommit to committee from Senator Hunt.

HUGHES: Thank you, Mr. Clerk. Senator Linehan, you're recognized to bring us back to speed on LB939.

LINEHAN: Thank you, Mr. President, and good morning, colleagues. LB939 includes both a reduction in individual tax rates of 1 per-- from 6.84

to 5.84 over three years and a reduction in corporate rates down to the same rate over four years. So it is a across-the-board rate reduction of the top rate on both corporate and individual income taxes. So I would appreciate-- I'm sure we're going to have a robust debate this morning. I'm looking forward to it, so thank you.

HUGHES: Thank you, Senator Linehan. Debate is now open on LB939 and assorted amendments. Senator Erdman, you're recognized.

ERDMAN: Thank you, Mr. President. Good morning. This morning, I want to speak a bit about what has been said yesterday on the floor. Before I do that, I just want to say that as we've been here for six years, Senator Briese, Senator Linehan, Senator Friesen, Senator Groene, and several others have worked diligently on trying to fix our tax system and I appreciate that. It's difficult work, it's hard work, and it's not well received sometimes. So yesterday we heard the Speaker say that if we reduce taxes, people have more money to grow their wealth. You heard Senator Linehan said-- she say-- said I would like to blow up the whole system and start over. So we've heard these kind of comments. So we now know-- I don't believe there's a person in the room or anybody listening that would disagree that we have a broken tax system. And we started down this road in 1967 when the voters said no more property tax for the state. And we implemented sales and income tax and then it was supposed to be the famous three legged stool, one-third of each. That never did work, it never will work, and the current system we have is broken. And so we know that we have a broken system. So when I farmed, when I had a situation come up and I figured out what the solution was, my crop consultant would come and say, you need to spray or sunflowers because of the worms you have coming. I didn't just spray part of the field. I didn't just put a Band-Aid on the amputation like we've been doing here. So if you want to fix the tax system, inheritance tax, property tax, personal and real, and all income tax, corporate and individual, then we need to start over and the consumption tax proposal that I put in place is what does all those things. If we make the decision to fix our system like it should be fixed once and for all, at least one-half of the bills that we currently debate on the floor of the Legislature that are introduced will not be necessary, one-half. The problem we have with our current system, it continuously focuses on those who collect and spend the tax dollars and it's not their money. It is the people's money. But we don't comp-- we don't focus on that, we focus on those who collect and spend the tax dollars. Someone is telling you-- somebody in the state, whether it's a school, city, county, or the state collects income tax, how much you should pay of your money and

when you should pay it irregardless [SIC] if you have anything to pay it with. So I appreciate Senator Linehan trying to make a reduction in the taxes we currently have and unless we make a decision to become more competitive in the tax environment with our neighbors, our neighboring states, and the rest of the states in the United States, we're going to continue to lose people like we always have. Young people are not going to stay here. Old people like myself are going to move somewhere where the taxes is more competitive, more able--

HUGHES: One minute.

ERDMAN: --the people will be able to pay it. And so we can continue to do what we've done irregardless [SIC] if we know what the fix is and the real fix is what I just described. One of the things that I wish I would have known two years ago, I was told that we couldn't implement or have a discussion about how we implement the consumption tax until the constitutional amendment passed. I have discovered that that was not correct information and so what I should have been focused on is how we're going to distribute and collect the tax dollars to be revenue neutral, every agency of the state, every local unit of government get the same money they currently get just from a different source. And most of the questions I get about the consumption tax has to deal with distribution and the guarantee that everybody's going to get what they've always gotten. And so consequently, hopefully we'll get a chance to talk about the consumption tax later on in this session. Thank you.

HUGHES: Time, Senator. Thank you, Senator Erdman. Senator Groene, you're recognized.

GROENE: Thank you. Didn't expect to get up that quick. I thought there'd be a filibuster going, but anyway, I am listening on LB939. I understand we-- I don't like taxes and I echo what Senator Erdman says. There's-- some of us been here quite a while and we've worked hard on tax reform and, and when I thought about it this morning, the work that Senator Linehan and Briese and I was involved a little and what we've done so far has been good. It's not the best way to do it, but it's been darn good, darn near over half a million dollars in property tax relief through credits. We've done-- Senator Lindstrom has done some things with increasing the inflationary factors on brackets and Social Security. Senator Brewer has done it on, on veterans. And when I leave this place, I will be paying less prop-- net taxes, income and, and property. So we've achieved some goals. Is it enough? Is it the right way to do it? I don't think it's the right

way to do it with credits because it's not good policy. I looked at the fiscal note for LB939 and I have a bill in Revenue today on actually fixing property taxes and fairness in funding-- state funding for our rural schools that pretty much matches the fiscal note for this bill. So my quandary is do I continue with this excess-- if we have excess tax dollars-- to still focus on property tax relief or do I give the, the lucky, the hard workers, the gifted-- God gifted them with intellect that turned into a higher payroll income-- do I give them a break? And policy wise, I just can't see cutting the high -end taxes because folks, we have the lowest unemployment in the nation. We don't have a problem with incentivizing corporations to come here and build because we have a high unemployment rate and we need more workers because those corporations that-- any tax cuts don't end up here. They end up in, in foreign countries where their headquarters are in the east, east where those headquarters are. And as far as the wealthy, I look at where a lot of them gain their money. A lot of them work in government, school administrators, college administrators, excuse me, but agriculture people who got federal payments. Anybody in the medical profession that makes high incomes, most of their pay comes from Medicare and Medicaid. Well, if you're going to make that money and a big chunk of it comes from government payments, then you ought to be willing to pay some income taxes and pay your share of your own wages. There are people like the Ricketts family who did it completely free enterprise and even the Buffetts. But even that, if we're going to, if we're going to push-- state chamber pushes for early childhood programs and free tuition at the university. Well, then your membership, state chamber, ought to pay some higher income taxes to pay for those programs. But the people I see hurting who don't want to come here and work for the corporations are the middle class and they need a, they need an income tax cut, the working people, so they're incentivized to come here and live here.

FOLEY: One minute.

GROENE: That's-- if we're going to do a tax law that, that fixes the problem, we need to lower the-- raise the income levels where we start making people pay the highest rate. Right now, it's about a little over \$31,000 for a single person, anything over that, but I understand there's a \$7,100 deduction, so anybody making over \$38,000 or so after that amount starts paying the highest rate, just like Mr. Buffett does. A family, it's like \$61,000 or \$62,000 plus their \$14,000 deduction, which is \$75,000, anything over that money, they're paying the highest rate as the wealthy in this state. That's not right. And then you wonder why the people who are independent don't look for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

government, don't want to live here. Don't look to government for their answers, don't want to pay for a government they don't use. That's where we need to cut the income taxes to the middle class.

FOLEY: That's time.

GROENE: So that's where I stand on income tax cuts, so--

FOLEY: That's time.

GROENE: --I'll listen.

FOLEY: Thanks, Senator Groene. Senator McCollister.

McCOLLISTER: Thank you, Mr. President. Good to see you back. Good morning, colleagues. I first want to acknowledge this very cool tie that the Speaker provided for us. I think, I think they're just plain awesome and thank you, Senator Hilgers. I had occasion to go through some of my old campaign documents from 2014 and a big part of those campaign documents were using information from the Tax Foundation. And of course, those numbers are a little distressing when you look at Nebraska's comparative situation. Property taxes, 7, 8, or 9, not the best. Income taxes-- well, at least at that time, we're kind of in the middle of the pack, maybe 20, 25. And sales tax, we're in still pretty good shape, but our sales tax is pretty narrow. We don't tax services and that's something we definitely need to fix. I think that if you compare Nebraska sales tax with surrounding states, you'll see our sales tax is narrow and we give way, way too many exemptions. And when I was on the Revenue Committee, we made an attempt to adjust some of those sales tax, but of course, we failed in that effort, which is too bad. When I was also on the Revenue Committee, we looked to incentives and we'd end up with an arms race on incentives. That's too bad that states end up competing with the incentives they provide. I think we'd be way better off if we simply lowered our tax rates and that's what we're doing with this particular bill., LB939. I don't-- I'm listening to the debate, have, haven't decided how I'm going to come down on this particular bill. The Chair has indicated that she wants to move this bill to Select File and there it will sit until we can reconcile the bill with the, the other bills that we, we have in place, Social Security tax and also some of the spending we have. So I, I understand that's something we, we need to do. But I do need to thank-- I do need to think-- I do think that we need a more balanced kind of approach that takes into account some of the low-income people that need a tax benefit as well. So I'm listening to this debate. I hope we get to a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

good place and we can reconcile this tax reduction because in the competition of states, Nebraska, when you compare Nebraska with our surrounding states, we, we do have some issues to deal with. Needed to say that on the record. Thank you, Mr. President.

FOLEY: Thank you, Senator McCollister. Senator DeBoer.

DeBOER: Thank you, Mr. President. Good morning, colleagues. Good morning, Nebraska. I have a number of thoughts on this bill. One of the first ones is-- and this is, this is a really hard thing for me to get over-- is the price tag of this bill. If you look at the cost of this bill when it's fully implemented, it's about \$420 million, \$430 million. And \$420 million or \$430 million is a whole lot of money. It's about 9 percent of what we spend every year and it is the entire cost of the court system of Nebraska, civil, criminal, and at the-- also the entire cost of our Corrections Department. So never mind that it's overcrowded. This is the whole cost of Corrections, Parole, Probation, courts, civil, criminal, the whole thing. We were talking about a bill last week and somebody says about a, a revenue bill-- it was going to earmark half-cent sales tax towards a specific purpose. And the, the question raised was where does that money come from? And I got to tell you, that's one of the questions that I have. Where does this money come from? Four-hundred-thirty million is, is a lot of money. That's the entirety of both of those two very important systems within our state. So heaven forbid, we get into a situation where we have to cut things ever again, but I'm a realist and I know we will. And when we get to that situation again, I know we can't cut the entirety of Corrections and the entirety of our civil and criminal court system here in Nebraska. So the question is what will we cut? Somebody did some calculations for me and I don't, I don't have them. I'm not as organized as I wanted to be, but someone had, had had figured out how many police officers-- and, and, and I can't find it-- police officers and, and state troopers that was, but it was a whole lot of starting wage state troopers and police officers. I see Senator Wayne is here. Senator Wayne, would you yield to a question?

FOLEY: Senator Wayne, would you yield, please?

DeBOER: I totally caught him off guard. I didn't warn him.

WAYNE: Sure.

DeBOER: Senator Wayne, what is the cost of the north and south Omaha recovery-- is it, is it recovery plan?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

WAYNE: Yes, \$450 million roughly.

DeBOER: \$450 million, so that's one time?

WAYNE: One-time spend.

DeBOER: That's one time. So this bill that we have here-- thank you, Senator Wayne.

WAYNE: OK.

DeBOER: This bill that we have here is \$430 million, a little less than that, every single year. Now I know, as everyone says, this isn't our money yet because this is a tax cut. So this is not money that we have, this is money that would be coming, but it is a fiscal change of \$430 million. So we could not only do the north and south Omaha recovery plan, but we could do it every year. Senator McKinney, would you yield to a question?

McKINNEY: Yes.

FOLEY: Sorry, who, who did you ask?

McKINNEY: Yeah.

FOLEY: Oh, Senator--

DeBOER: Thanks, Senator McKinney.

FOLEY: --Senator McKinney, would you yield, please?

McKINNEY: Yes, I do.

DeBOER: Senator McKinney, what kind of a difference would the north and Omaha-- north and south Omaha recovery plan make to your district?

McKINNEY: It would make a world of a difference, I-- no time in history has that amount of money ever been allocated to my district or Senator Wayne's district and I believe it would be life changing.

DeBOER: And what if we had that amount of money every year to allocate to different portions of the state? Do you think that that would help all the different portions of our state we were able to allocate it to?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

McKINNEY: I think so. I think it will make our state a lot more attractive for individuals. It will probably stop a lot of the migration from the west to the east as well.

DeBOER: Thank you, Senator McKinney.

McKINNEY: No problem.

DeBOER: So colleagues, when I'm thinking about this number, this giant, giant--

FOLEY: Half-minute.

DeBOER: --number. Was that one minute?

FOLEY: It's half-minute, sorry.

DeBOER: When I'm thinking about this giant number, it's an incredible amount of money that would be something that we have to look at what the offsets are. It's always balances. Since I am at the end of my time, I'll get back on the mike and talk some more about this. Thank you, Mr. President.

FOLEY: Thanks, Senator DeBoer. Senator Matt Hansen.

M. HANSEN: Thank you, Mr. President, and good morning, colleagues. Colleagues, I wanted to kind of talk-- before I talk about the specifics of this bill, I wanted to talk broadly about taxes, as I have many times throughout this floor-- or on the floor this year. And one of the things that I wanted to talk about and we see it time and time again, and I just really want to keep emphasizing this point, is that we kind of know that all of these tax bills are connected. We know that they all impact one another and we know that they all impact spending. As Senator DeBoer has just pointed out, the fiscal note of LB939 is larger than some of our larger departments in the state. It's a considerable asking and part of the reason I wanted to talk about the overall picture of spending and of taxes this year is reminding everybody that last week when we were discussing LB890, one of the rationales or at least one of the concerns of LB890-- and that was the education funding bill proposed by Senator Walz-- was that if we earmarked any sort of sales tax for school funding, it would jeopardize our ability to cut income taxes. So in-- already, other senators have made the connection of promoting school funding and cutting income tax as being rivals. I'm sure there's some way to do it. I'm sure there's some way to make the numbers work and prioritize

both if we really, really tried. But as the proposals are coming down just out of Revenue Committee, out of Education, this-- Committee this year, they're being set up as kind of clear rivals. And so that's unfortunate that I don't know if this body is going to be able to find a way forward. And the other thing I wanted to talk about is this kind of overall notion that I brought up a couple of times of people talking about taxes and they talk about taxes and past bills, past ideas, preferences, things of that nature. And for a large part of this, we see kind of a lot of the same senators occasionally-- the debate focusing on the same group of senators. It being kind of sometimes portrayed as representative of the body and in my mind, often representative of kind of smaller groups and not the whole. And the reason I bring that up is, for example, we were talking yesterday on this bill and the notion of why haven't we done something grander, why haven't we blown up the whole tax system, why haven't we looked at everything? And we went through some of the things that have failed or been rejected over the past and one of the things that had been mentioned as being rejected over the past is raising revenue through dealing with sales tax and sales tax exemptions, figuring out some sort of path forward there and that was held up as this is the decision this body made to not move forward. Colleagues, I don't, I don't disagree with that, but we can't ignore the fact that that was a decision this body made to not move forward due to, in my view, pretty clear stance and pressure from the Governor and a whole number of senators not wanting to risk a veto and risk the clash with the Governor. So when we're unable to move different tax pieces forward and we're kind of talking about, well, some people didn't like this idea, yeah, some people didn't, but it was not necessarily the same group that's coalescing on this bill or that bill or the others. A lot of times, we have kind of the same group of people who are working on taxes who really are a smaller subset of this body who have some pretty fierce divisions and a lot of the times for me, for-- including for my first whole term, you know, I'm kind of sitting on the sidelines trying just to catch up and seeing why everybody's so upset and why everybody is using these two bills as huge rivals. I say this, I say this just kind of clarify over and over again. You know, there are things that I certainly could support or want to support, but, you know, if one side--

FOLEY: One minute.

M. HANSEN: --and the other side has strong stances-- you know, some things just straight up don't get out of Revenue Committee-- you know, things that I would like or to look at, like the earned income tax

credit and things, like, I think I've struggled to get it out of committees in some years. And so it's tough for me to then say that the view and the debate on tax bills on the floor is representative of my view of taxes or my view as a senator because a lot of the issues that I want to discuss are kind of deemed nonstarters by some of the people prioritizing and bringing tax bills. And so when you're already kind of framing the debate or limiting the debate in terms of what gets prioritized, what gets brought out of committee, that's fair. That's the purpose of committee and that's the purpose of personal priorities and senator priorities, but that also already cuts off a lot of ideas and proposals that some of us, including some of us who aren't even going to be engaged in this debate all that much, would be interested in. So when we talk about we've tried this in the body rejected this, you know, yes, things haven't gone forward, but they haven't gone forward because there's been a clear bloc of the body--

FOLEY: That's time, Senator.

M. HANSEN: Thank you, Mr. President.

FOLEY: Thank you, Senator Hansen. Senator Williams.

WILLIAMS: Thank you, Mr. President. Good morning, colleagues. First of all, it's the 17th of February, which happens to be my wife's birthday. And this is the day that she again gains that extra year so I'm the young kid in the family. So happy birthday to Susan. I really appreciate-- oh, thank you. Yeah, she-- I'll tell her you all appreciated that. Thank you. In the period that we've been here, we continue to debate our, our tax system. And I think we have made progress, but this also is a discussion that is a difficult discussion and, and one that is not likely to be one that we want to continue in-- year to year. Our trick is to find a balance, finding that, that narrow path forward that we can say we have done the right things for our constituents. And what makes it tough is that any time we change one level of button, it changes something for someone else. And when we reward someone with lower property tax, we have to find a way to make that up in another area and balancing that three-legged stool that we've worked so hard to try to balance. What I remind each one of us-- and I remind myself every day on those discussions-- is that we are in charge of making the broader public policy and that's not easy. Balancing this system is not easy, but that is our responsibility and I appreciate people engaging in this debate and staying on the topic of the proposal that is there with LB939. There's one area of this that I want to talk to briefly that, that I've encountered with a

number of people over a career in banking and that's what happens in Nebraska when you sell a business. We have been talking about and LB939 hits the area of personal income tax. And we all know that at the federal level, when you, at the end of your career, sell your farm or sell your privately owned business, the gain on that sale at the federal level is taxed as generally long-term capital gain, which is a preferable rate. In our system in Nebraska, there is no provision to do that. So when that same business person that we're talking about or that same ag producer or whoever you want to talk about liquidates at the end of that lifetime, the Nebraska tax is taxed as ordinary income, not at the preferred rate of long-term capital gains. So I think that skews some of the things that we are seeing on these graphs of, of situations where you see someone have a substantial income in those numbers, but that number could be a one-time sale of a business and so I would caution all of us to be careful with those numbers. I think at the end of the day, when we, when we look at this, our job is to create the best environment that we can create for our businesses, for our individuals, for our landowners, for our doctors, for our teachers, for our factory workers, and I believe LB939 is on the right track of getting that done--

FOLEY: One minute.

WILLIAMS: --by lowering the individual rate to match the corporate rate and phasing that in over a period of time. I think that'll help. It's not a panacea. We still will have discussions about taxes going forward, but I think this is again our level of responsibility to the people that elected us to make these decisions. Thank you, Mr. President.

FOLEY: Thank you, Senator Williams. Senator Friesen.

FRIESEN: Thank you, Mr. President. So this morning, I'm going to talk a little bit about what small business in Nebraska looks like. And according to the U.S. Small Business Administration, they have a website where you can go on and it's-- some of the data is-- the latest they can get in some of the tax issues is like 2018, but it's a 2020 small business profile that I found and it shows that there's like 179,509 small businesses in Nebraska. So basically 99 percent of Nebraska businesses are the small businesses. A firm with 20 to 99 employees have the largest share of small business employment. These are-- a small business is defined as someone with 500 employees or less. And so if you look at the data, I mean, small business really does drive Nebraska. So when you look at the median income for

self-employed individuals at their own incorporated business, the median income, I believe, was \$43,000 in 2018. For a self-employed individual at their own unincorporated firm, the median income was \$27,440. So we're talking, you know, a large majority of firms in the state who are-- really are small business that do drive our economy. They're the ones that have created the most jobs over the past. In the fourth quarter of 2018, we had 1,582 establishments that started up. They generated 5,380 new jobs in Nebraska and they-- a startup is somebody that hires at least one employee. But during that same period, we have to look and see how many establishments quit and there were 1,621 establishments quit, but they lost 4,182 jobs, so we had a net increase in jobs. But historically, you can look and see that the startups and the exits have always been a close ratio and when the economy is kind of tough, that's when the exits usually exceed the startups. So when we want to look at tax policy, to me, I think we need to focus on those small startups or the small companies, the small business of Nebraska, and how do we benefit them? How do we incentivize them? How can we get them to grow faster? How can we get them to hire more employees through our tax policy? In the end, they're the ones that create the jobs. The state-- you know, a lot of politicians like to run around and say we're going to create jobs and we don't. We're usually in the way of businesses that do create the jobs, so our job is to stand out of their way and let them do their work. And so for me, if we look at our tax policy overall, if we can help the small business out there, to me, that's where our focus should be in trying to get those job creators-- get them rolling after going through the COVID time these past couple of years. So when I'm-- want to talk about tax policy, that's what I want to kind of focus on. When we talk about corporate tax policy, that's a little different. It's a different issue to me. I used to strongly support lowering the corporate rate. Once you learn a little bit more how corporate tax rates work and corporate businesses, OK, we can do some things there. I'm, I'm open to that, but I don't think the focus should be there. The focus should be more on-- it goes back to our small businesses and what we can do there and I think there is room to do tax policy. Sometimes we-- you know, for the first six years I was here, there was no revenue on the table to do anything with, but we do have the revenue now.

FOLEY: One minute.

FRIESEN: We can accomplish something. And I'm looking forward to finding a compromise on what can be done because in the end, it is not our money. I agree with Senator Linehan there. It's, it's revenue that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

has come in that has exceeded our expectations. It's time to give some back. Thank you, Mr. President.

FOLEY: Thank you, Senator Friesen. Speaker Hilgers.

HILGERS: Thank you, Mr. President. Good morning, colleagues. I rise again in support of LB939 and I appreciate a lot of the comments Senator Friesen just made. I think there's a lot of discussion on tax policy and that's important from a state perspective, being competitive, thinking through what is the best policy, what's fair, what's good for businesses, what's good for others, and I appreciate Senator Friesen's leadership on that. And I think there's a lot of really strong arguments on a tax policy competitiveness standpoint to support LB939. My focus yesterday and today and maybe for the course of this entire debate is going to really focus on what this means to individual families. As I described yesterday, the opportunity for the middle class in particular to move up the ranks in American society and change their family's trajectory is by getting more disposable income and be able to acquire assets. If we think about wealthy in, in the United States, they own assets, they own businesses, they own real estate, and those individual-- they own stock. And we have a whole other tax scheme that deals with those types of assets and the-- our most direct policy lever is getting more money in the hands of working families in the state of Nebraska. And yesterday I went through in depth the, the types of what a standard family in Lincoln might look like. It's certainly in my district and I talked about the, the average salaries that I found online for Kawasaki, one of the largest employers in, in Lincoln, in my district, or Duncan Aviation. You can look at the salaries for nurses in Lincoln or LPS, University of Nebraska, Legislative Council. In a two-parent household, those, those families are going to get real tax relief in year one from LB939 or at least year one and when it's fully implemented and that relief will only compound itself over time. So that was a primary argument that I made yesterday and had we had more time, I would have gone into this next piece, which is the urgency of the moment today. I think it is ur-- we, we should have urgency for families on the merits of this bill. They ought to have more money back in their pockets because every day that we wait is a day that they don't have to start really helping change the direction for their families. But it is incredibly urgent today because the inflationary environment that we're currently in. I read an article just the other day that tried to, that tried to quantify the impact of inflation on families. And that article suggested that inflation has caused a \$250 monthly increase to the budgets of families in the United States and I think in many cases,

we're underselling that. It's probably a lot higher. It's probably a lot higher. But at a minimum, inflation is far outstripping wage increases in Nebraska and around the country. And if you, and if you look beyond just the core set of goods and you start to look at all the other costs and the cost pressures for families trying to make it and get ahead, look at the price of housing. Middle-class families are getting priced out of housing. Over the last year, the rapid, significant increase in housing stock costs at all levels, starter homes, second-- the next level up, family homes, larger homes for families as they grow, they are outstripping the ability of middle-class families to afford them. Now what can we do about that? Philosophically, some in this body might argue, well, there, there are ways that we can help. We can do housing supports, we can do government programs. Philosophically, I think they're end goal. I would agree with a lot of the end goal. I have a, I have a different philosophical approach. I think the way to empower Nebraskans is not through an additional government program, although some of those at some point can help, but it's they get more money into their hands, more money into the hands of families. Now we're good in this body-- historically, we're very good about slicing off what the special interest might need. Tax exemption here, tax credit over here--

FOLEY: One minute.

HILGERS: --a little. Thank you, Mr. President. We'll take care of this group over here. We'll take care of that group over there, but we-- who we do not take care of, who we have never given, in a way that we would in LB939 of my time in the Legislature, are families, middle-class families, the family in my district that is working two jobs, maybe working overtime, putting it in-- putting in the extra time to help make their child's future brighter. We haven't done a lot for them. We've taken as-- we've taken care of, as we should, military veterans, fixed-income seniors, but let's take care of middle-class families and help them have their own money so that they can help-- be empowered to make their future a little brighter. Thank you, Mr. President.

FOLEY: Thank you, Speaker Hilgers. Senator Linehan.

LINEHAN: Thank you, Mr. President. I'm going to-- I really appreciate comments Senator Hilgers just made, Senator McCollister and Senator Williams, so I'm going to just echo. Yes, as Chair of the Revenue Committee-- and I think everybody-- there's several of the members on the floor right now. You can talk to them. We have, I don't know, four

or five hearings, three days a week and mostly it's about fixing a tax credit here, a deduction there, and we can go back to LB1107 incentive package. So we've done a lot, but we have not helped our neighbors and our constituents that live next door. This is about letting everybody keep more of their own money. So some of the comments about what we're going to do with north Omaha versus the canal versus the lakes. That is not our general revenue. We're not talking about that money with this bill. That is the ARPA funds. That's a completely separate bill than this. So I think we need to keep that in mind and I don't know why we're talking about-- it's a different pot of money. Secondly, how are we going to pay for it? We're going to pay for it the same way we pay for everything else we've done in tax cuts the last five six years. We're going to pay with it with growth. Now I might not be exactly right in these numbers because it's my math, so if Senator Stinner is here and he would like to wave to me and say I need to correct you, that would be fine. But we've had growth over 5 percent in revenues for the last four years, so we can say \$300 million is a lot of money, but 5 percent of \$5 billion is a lot of money. We can pay for this with growth. We're not having to cut anybody or having to cut any taxes. What we're simply doing is we're getting more revenue than we need and we need to give it back to the people that paid the bill. We just do. And I think once we get through this amendment, there's another amendment coming behind, which tries to-- increases the tax rate on the millionaires. Well, actually, I think it increases rates on anybody that's over \$500,000. And as Senator Williams said, a lot of these people, it's a one-time deal. You sell your business, you sell stock so you can send a child to college. Those-- we don't have a capital gains tax here. That all comes in in General Fund revenue at 6.84 percent. The other thing when you look at the top brackets as they currently stand, you need to look at the number of people we're talking about. We're talking about total number of Nebraskans out of-- filers, I should say, out of over 1 million filers, 18,000 people, less than 2 percent of the filers are in that bracket. And right now, that bracket generates 17-- over 17 percent of the revenue. So it's not like they're not paying taxes. They are, but every bill that I've seen in the Revenue Committee-- and we're going to have, as Senator Groene said, a bill from him today that tries to pay for things by increasing the bracket on the wealthy. It doesn't work. There are not enough of them. So it might make you feel good, but the math doesn't add up because the people who are paying the taxes in the state of Nebraska are the middle-income, two-earner families that Senator Hilgers just talked about. It's a teacher married to a fireman. It's a nurse married to a pharmacist. It is people who--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

FOLEY: One minute.

LINEHAN: One minute?

FOLEY: One minute.

LINEHAN: It is people in my children's age group who are having a very hard time buying a house because you can't find them and then they're way overpriced. Then they have to pay the property taxes on them. We're talking about middle-income Nebraskans and if we have this much money left over after we pay our bills, we need to give the money back to them. That's what this bill is, giving them back the money we don't need. Thank you, Mr. President.

FOLEY: Thanks, Senator Linehan. We're going to pause the debate for a moment. Mr. Clerk for announcement and items for the record.

ASSISTANT CLERK: Thank you, Mr. President. Revenue Committee will meet at 10:00 under the south balcony. Revenue Committee, 10:00, south balcony. The Urban Affairs Committee will hold an Executive Session at 10:30 under the north balcony. Urban Affairs, 10:30, under the north balcony. Additionally, Mr. President, some items. The Committee on General Affairs, chaired by Senator Briese, refers LB866 to General File and the Committee on Health and Human Services, chaired by Senator Arch, reports LB752, LB901, and LB1173 to General File, all having committee amendments. Committee report from the Natural Resources Committee concerning gubernatorial appointments to the Nebraska and Parks Commission, as well as the Nebraska Ethanol Board. Amendment to be printed from Senator Friesen to LB344. Finally, Mr., Mr. President, Senator Stinner would ask unanimous consent to allow the Appropriation Committee to meet in Room 1525 and the Natural Resources Committee to meet in Room 1003 today at 11:30-- excuse me, 1:30.

FOLEY: Without objection, so ordered.

ASSISTANT CLERK: That's all I have at this time, Mr. President.

FOLEY: Thank you, Mr. Clerk. Continuing discussion on the bill, Senator McCollister.

McCOLLISTER: Thank you, Mr. President. Colleagues, preparing a budget is one of the most important things we do in this place. It's a moral statement. It's where we think our values are. It collective-- it represents our collective values and we have to make hard choices when

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

we do a budget. We have to think about expenses and we have to think about tax cuts and we have to think about revenue. And when all those things come together, we have to make a decision that-- what's important to the body. In this case, we have a couple of revenue bills coming out of the Revenue Committee that we need to figure out and reconcile with the money coming into the state, which has been good lately. We also have to figure out our values like housing and that, as we know, according to chambers of commerce that we deal with, that's been a major issue in Nebraska. I'd like to ask Senator Williams a few questions about housing if he would yield.

FOLEY: Senator Williams, will you yield, please?

WILLIAMS: I certainly would.

McCOLLISTER: Thank you, Senator Williams. Of course, you represent or did represent a district around Gothenburg. Does Gothenburg have a shortage of housing?

WILLIAMS: Absolutely and so does all of rural Nebraska.

McCOLLISTER: I'm not surprised. How is the city of Gothenburg dealing with a shortage of good housing?

WILLIAMS: Well, and when you say the shortage of housing, what we have a major shortage of is what I call workforce housing. It's for the new school teacher that's tired at the school or the nurse at the hospital. And Gothenburg, like many communities in our state, have now been able to take advantage of the Rural Workforce Housing Grant program that this body passed originally in 2017. A lot of hard work in each one of those communities that received those grants in, in raising the money, a lot of leadership in those communities that has caused that to happen.

McCOLLISTER: So those grants go to first-time home buyers, is that correct?

WILLIAMS: No, the grants go to the nonprofit development corporation that actually puts in the infrastructure and builds the homes through hiring a contractor and then sells the homes again and recoups the, the money that they have invested into the program so they can continue doing it. Through that program, this body will remember that in 2017, we were able to allocate \$7 million from the Affordable Housing Trust Fund. Currently, that has been used to build over 800 housing units across our state and an investment of over \$110 million.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

That's the first program. We did it again in 2020 with a \$10 million investment from the state, so-- and, and of course, as most of you know, I've introduced three bills this year that would continue that program for the next five years.

McCOLLISTER: So you'd say those particular programs give the state a higher rate of return for the money expended.

WILLIAMS: Department of Economic Development would tell you that this program is one of the most important and the most well-used program they've ever had in their calculation. It is over a 15 to 1 return on the state's investment.

McCOLLISTER: Yeah, thank you, Senator Williams, but that is the issue that we face in this body. How do we spend the state's money for the absolute best return? I noticed in the paper this morning that we're raising provider rates for mental health and that's an-- also a very important item that we need to fund correctly. And so we look at those successful programs and then we have to reconcile that with tax cuts, a Social Security--

FOLEY: One minute.

McCOLLISTER: --reduction as well, so those are the kinds of things that we need to reconcile when we prepare this moral statement, which we call a budget. Thank you, Mr. President.

FOLEY: Thank you, Senator McCollister. Senator DeBoer.

DeBOER: Thank you, Mr. President. OK, so since the last time I got up here, one of the things we've been talking about is why did I mention the number of dollars that this was going to take and the amount of money that that kind of equals? Well, the reason is, is because I want us to understand that this is serious money we're talking about here. And I understand that we've been growing for the last couple of years, but that's the thing about growth. We don't know when that ends. We don't, we don't know if we're going to continue to grow at that rate. There are a lot of indicators by really smart people that we won't. So what we're doing is we're gambling with the future of Nebraska that we are going to continue to grow at that rate so we can give this money that we think we might have to do something else and borrowing against the expectation, the hope of future growth makes me very nervous. Senator Williams talked about the instances in which someone sells a business and how their income will be much higher that year than it is

in other years. That's one of the reasons, colleagues, that we're talking about median, not mean or average incomes. Median incomes take all of the incomes in an area, they line them up next to each other, and they find the middle one. That way, if you have a couple that are outliers, they're not going to drag the average up. So when you look at a median income, you know that about 50 percent are going to be lower and about 50 percent are going to be higher even if you account for things like one-time, sort of windfall years in terms of what your, your income looks like because you sold a business or had some other outlier event. So when we look at these median incomes in Nebraska, we see that the median income in Nebraska is at about the range \$60,000, \$65,000, \$68,000-- I've seen different numbers-- where this tax credit would maybe start to kick in, depending on how you file, depending on if you're a jointly filing, married or if you're head-of-household filing or whatever, but that means, colleagues, that 50 percent of the people in Nebraska wouldn't see any of this. So that's, that's what we're talking about. We keep hearing this is a tax cut for everyone. It's not. That's the thing that is giving me pause. Sorry, I'm getting a little high pitched here because I am getting excited about this, but it's only 50 percent maybe. Now if we look at this on a district by district, Senator Hilgers' district is Legislative District 21. According to the information I have in 2020, the median income in Senator Hilgers' district was \$63,901. I assume that's married filing jointly. That's not going to get you a cut, 50 percent of the people in that district aren't going to get it. I understand that there are some really good jobs here in Lincoln. And for people who work at those really good jobs and those really good companies, yes, they will get some income back from this income tax reduction, but there's a whole lot of other people. I agree we ought to get money back to the middle class. I don't think this does that. I'll continue to listen. Maybe I'm wrong, but I just don't see how we can do that if we're not even going to give any tax relief to 50 percent of the people in this state and that's what's giving me pause here. It's not just that we might do something terrible in terms of causing real financial hardship to the people who have these offices after us--

FOLEY: One minute.

DeBOER: --by hoping that we have the money to cover these tax cuts because we will grow into them, which there's a lot of reasons to say maybe that won't happen. There's a lot of federal money that's come into our state and it's flushing our state with all sorts of things. All of those stimulus checks, people have more money to buy things.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Floor Debate February 17, 2022

Rough Draft

You couldn't buy a freezer for a while because everybody was buying freezers. Whatever it is, that money is kind of falsely inflating the amount of growth that we have in our state. We're in a financial bubble, they say. It looks better than it is. I hope that's not true. I really hope that's not true. I hope that I'm wrong and we grow, grow and grow and grow and we have the ability to pay for things like this, but we don't have any guarantee of that at all and indicators say that's a risky proposition; \$430 million--

FOLEY: That's time, Senator.

DeBOER: --is lot of money to spend on a risky proposition. Thank you, Mr. President.

FOLEY: Thank you, Senator DeBoer. Senator Blood.

BLOOD: Thank you, Mr. President. Fellow senators, friends, all, I love long debates like this where people actually bring content that I haven't heard before. It's always a great learning experience. I've actually been a fan of the Nebraska Legislature as a citizen for decades. I can remember having snow days and being able to watch it on public television and I always loved that. And that's when people actually debated way back then. Less about just talking on the mike, more about debating and it was always really interesting and a great learning experience. So I've been listening to what everybody has to say. I, I have to put a plug real quick, Senator Groene talked about how overpaid our school administrators are. I, I just want to remind people that there's two things that we're overlooking on that statement. First of all, our teachers are underpaid, so it makes the gap look bigger. And second of all, if those school superintendents worked in the corporate world and had that many employees to oversee, they would be making three to ten times more than what they're making as a school administrator. So we always seem to forget that, that they are, they are paid based on their education, their experience, and the amount of people that they supervise. So with that said, one of the things that I keep hearing is about middle-income Nebraskans. And I don't disagree that they need a break, but I don't see this, as many other senators have said, as a real break for middle income. And I do respect that Senator Linehan says we need to give their money back. What I question is why did we take it in the first place? What about our state statute has prevented us from letting them keep more money in their pocket? We're always trying to give things back that we've already taken from them and that has never made sense to me. So if we're going to take care of middle-class Nebraska, maybe approaching

it as refunds, returns, that's not the way to approach it. The way to approach it is let's let you keep more money in your pocket to start with, but-- to me, that makes sense. Maybe I'm the only one on the floor that that makes sense to. So listening to what everybody's saying, I mean, I, I still haven't heard the number. How many tax cuts are sitting on Select File right now? What does that amount to, so-- and any other bills that are in Revenue Committee right now? I-- they-- I mean, they're having an Exec Session at this very minute. What are those bills plus what's sitting and Select, how much does that amount to and is that going to wipe out our current surplus? That's concerning. I remember when I got elected, we were \$1 billion in the hole, folks. How much do we expect the bills on Select and any other bills in the Revenue Committee to advance from, from, from their committee to the floor, how much is that going to add up to? And I have to think that when we're not here, we're not the ones that are going to have to be worried about who pays for it, right? It's just another way for us to kick the can down the road, as has been done in-- for decades in Nebraska. I, I don't think there's ever been a session where people didn't web-- wave flags and said they lowered some sort of taxes. No matter who the party, no matter who the senator, I, I can't remember one time that there wasn't some brouhaha over lowering your property taxes, lower some other types of taxes, putting more money in your pocket, allegedly. But yet we keep coming back to this over and over again. So are we really, truly helping Nebraskans? So I read again over and over this bill and it says we're going to phase tax cuts in by 2025 for personal and 2026 for corporate instead of implemented all at once, which is very prudent and obviously had some thought behind it. But if we don't have the money now, how do we know we're going to have it in the future? Again, we're pushing that problem forward to other senators, other administrations. Who's going to be in the body to make the needed budget cuts--

FOLEY: One minute.

BLOOD: --in 2025 and 2026? I really worry-- I worry right now, again, about the people of Mead. How are we going to pay for that cleanup? We're so anxious to get rid of funds in our coffers-- and again, not our money; should go to the citizens-- but are we really being prudent? Are we really being good stewards? Are we really thinking ahead or are we just thinking about the now, the here and the now? And I'm not hearing anything that tells me we're thinking about the future. I'm going to keep listening. I'm going to keep learning and I hope that I hear these answers because at this time, I'm not sure I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

support this bill or the underlying amendments. So with that, thank you, Mr. President.

FOLEY: Thank you, Senator Blood. Senator Slama.

SLAMA: Thank you, Mr. President and good morning, colleagues. I rise today in support of AM1780 and the underlying bill, LB939, and I'm looking forward to AM1820 as negotiations this weekend. That's a placeholder amendment intended to give us room to talk and dialogue this weekend and come to a compromise, which I think is what this wonderful Legislature is all about. So as a rural senator, I've got a lot of questions from my district as to why I would support LB939. Property taxes are still too high and we shouldn't be sawing off part of the leg of the three-legged stool if the other one is still too long. That's a fair point and I agree property taxes are still too high and I think we might possibly address that issue if not in LB939, in later bills on the floor. But it gets to the progress that our legislatures have made over the last few years and I'd like to just highlight some of the fantastic tax cuts that we've put forth in the last few--

FOLEY: Excuse me, excuse me, Senator. Members, please come to order.

SLAMA: Thank you, Mr. President, and I get it, it's a filibuster. It's been a long day and we're all excited for the long holiday weekend. But I do think it's important to highlight some of our victories that we've gotten in the last few years for taxpayers in Nebraska. We've gotten tax cuts for our military retirement veterans, tax cuts on Social Security. We've gotten the largest property tax relief bill that this Legislature has ever passed, passed in LB1107. So we've had a lot of wins over the last few years, but where we're really lacking are tag-- targeted income tax cuts towards the middle class and I think LB939 achieves that for a few reasons. So in short, when it comes to income taxes, look at Texas and Florida. Look at, look at their lack of an income tax and how people are fleeing high-tax states to go live there. Moreover, all of our surrounding states have lower income tax rates, except for Iowa. I never want to compare myself to Iowa, but they're going to be beating us here in a few years and it's not just in football, it's going to be in our income tax rates too. So really, the onus is on us right now to address not only extremely high property taxes, but the fact that middle-class families, people who are corporals at Tecumseh, for example, or teachers or just any other middle-class job, whether you're in rural Nebraska or in Omaha or Lincoln, are in the highest tax bracket in the state and facing one of

the highest tax rates in the country, most certainly in the Midwest. So I think this is a really good, substantive time to talk about this because the revenue forecasts are in, folks. We have the money to achieve this bill and anyone who's arguing that we don't have this money for the long term is absolutely supporting bills, either earlier in the session or moving forward, that spend that much money, if not more. So I'm, I'm very excited to see those who have raised concerns about the money that we would be cutting, in terms of taxes and our tax revenue, where they would want to see that money go instead. Because our numbers are in, our revenue forecasts are in for the long haul and this is sustainable. These tax cuts and their sustainability indicate that we're taking too much money from Nebraskans in taxes and you guys deserve to have your money back. Not-- we don't need more government programs. We need tax relief and this is the most direct way we can do this in addition to property tax relief and the other tax cuts we've gotten over the last few years. So I'm proud to stand in support of LB939 because I think it's a wonderful bill that plays into a larger scheme of tax cuts for our state that get us more balanced out for the long term so we're competitive to recruit young families who work those middle-class jobs and not--

FOLEY: One minute.

SLAMA: --put them in a situation-- thank you, Mr. President-- where they're, for example, in my district looking at living in Kansas, Missouri, or Iowa because it's cheaper to live there, not only for property taxes, but also for income taxes. We need this bill to be competitive, so I'm proud to stand in support and I look forward to this weekend and seeing if we can come to a good compromise. Thank you, Mr. President.

FOLEY: Thank you, Senator Slama. Speaker Hilgers.

HILGERS: Thank you, Mr. President. Good morning again, colleagues. I appreciate the conversation on the, on the floor this morning and I appreciate what Senator Slama just said. I, I do think it's important to highlight the good work that we have done. I think the Governor said last year we did have one of the most successful tax-cutting years that we've had, at least in 25 years, if not in modern times and I do think highlighting what we've done for fixed-income seniors and what we've done for the military and others is really important. But when it comes to broad-based relief with lowered rates, this is going to be one of the most consequential things that we can do in this body and I think it will be meaningful for Nebraskans in every legislative

district, from west to east to north to south. And I think it's the most direct way to help provide relief to families, give them their own money back so they can make their own decisions on what to do, whether they want to start a business or whether they want to put more-- pay down their student loans or they stay-- safe for a house. So that's why I think we ought to pass LB939. Now, there's been at least two arguments on the floor that I do want to address this morning. One is from Senator DeBoer and we had a conversation yesterday off the mike and she referenced the median income in my district, District 21, north-- northwest Lincoln and north Lancaster County. And I think as-- the argument is, well, look, we're not-- because that median income is like around \$60,000, which is roughly, once you do-- once you account for standard deductions, you know, is roughly the cutoff as to where, for a family of four, the highest tax bracket hits. And I think that argument is fair so far as it goes, but I don't think the, the, the what logically follows is to say let's not do this tax cut at all. What I would say is OK, if we want to make this broader and actually do more for the people under that income level, I'm all ears. And if Senator DeBoer puts an amendment on the board that does that, I would vote for it. But what I don't think follows from that fact is to say to the other families who are maybe, maybe making \$70,000 or \$80,000, or \$90,000, those two, two-income households who are working at Duncan or LPS or nurses, that they shouldn't get some of their own money back. I don't think it follows. That's, that's argument number one and I appreciate it, but I think what we ought to do then is make the tax cut broader, which I would support. The second argument, I think, is this-- is an argument as a tax policy in our budget and it's what we don't have-- do we have the money to sustain this? And first, philosophically, I just disagree with the framing. I understand why we talk about it that way. My view is this is the people's money and our first focus ought to be how does this help them? It shouldn't be, well, how do we afford this? I think that's the second-- that is a downstream question I don't think ought to lead the debate, but I do understand the question. I think it's worth talking about. And I certainly understand Senator Stinner and others who have said, hey, look, we don't know to what degree our budget is increased by the stimulus that's going around in the country. And certainly, at least to some, at least in some-- to some degree, our increased revenues is from the stimulus. I think that's only logical. At the same time, I think that this body has followed a well-worn path on providing tax relief and here's what I mean. If you look at other states that have provided long, long-range, meaningful, broad-based tax relief, what they have done is they've done two

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

things: one is they control their spending so that our growth, it doesn't-- is less over time and then secondly, they cut taxes slowly over time. That's how you avoid a situation that we saw in Kansas or other places where they go from 7.5 percent or 5.5 percent to zero and they cut off immediately significant state revenues. The way that other states have done it, responsibly, in my view, is to cash flow it over time. Well, we have done the first half of that equation. A big reason why we have additional revenues to give back to Nebraskans is because over the last six years-- and I give this Appropriations Committee and Chairman Stinner tremendous credit-- we have kept our spending disciplined. We haven't been at 4 percent growth or 5 percent growth--

FOLEY: One minute.

HILGERS: --at 6 percent growth. Thank you, Mr. President. And if we had, we wouldn't have nearly the money to give back to taxpayers. So we've done the first half. We've done some of the hard part, which is fund our priorities and do it in a disciplined way and I think this body ought to be proud for the work that we've done in funding our priorities. Now we have additional revenue. Let's give it back to Nebraskans. Now, if there is a real substantive question as to whether this will fit into the out years, I am certain that Chair Linehan and others could work through a modification just like we did last year with Social Security, just like Senator Briese and Senator Stinner did on LB723. There's a path that this Legislature, Legislature has already taken that we can follow to make sure to accommodate some of those concerns. But ultimately, at the end of the day, this is the right thing for Nebraskans and I'd urge your green, I would urge your green vote on the bill. Thank you, Mr. President.

FOLEY: Thank you, Mr. Speaker. Senator Matt Hansen.

M. HANSEN: Thank you, Mr. President, and good morning again, colleagues. Colleagues, I want to talk a little bit about the bill and more importantly, I want to talk about the half of the bill that nobody so far has really mentioned on the floor today because colleagues, yes, there's individual income tax in here and yes, I'm interested in that and I would love to give that to my constituents in some form or some fashion. What's also in here is a larger tax cut for corporations, including any corporation who does business in the state, whether or not they're headquartered here, because of how we tax sales in the state of Nebraska. So we get up and we talk about this half a percent of one bracket is going to be so meaningful for

our individuals and our families and I appreciate that and I appreciate supporters working on that issue. I think there's been some concessions already that our tax debates over these past eight years have failed our working families and I would 100 percent agree with that. That is not something this body or this Revenue Committee or frankly, this Appropriations Committee has done a great job of in my tenure, much to my chagrin and much to my frustration. So the fact that they are being centered in this debate is good and I'm glad to hear that. I'm glad to hear some people speak on them. The thing I want to point out is, again, as I read this, we're giving a half a percent cut to individuals. We're giving a full 1.2 percent cut to corporations. We're giving twice as much tax relief to corporations as we are individuals and we're framing this as this, like, easygoing, let's all just, you know, give the people their money back. Some of the people are giving the money back or Wal-Mart or Amazon or anybody who does sales in the state of Nebraska for a corporation. We're giving Fortune 500 companies their money back. And maybe that's something we want to do is the state and maybe that's something we decide is good policy, we think it's going to change the business landscape, whatever. But we haven't talked about that and we haven't talked about that being the bigger piece of this, at least in terms of raw percent of who we're giving tax cuts to. So just to clarify, we're not giving tax cuts to anybody making under \$29,000 in adjusted gross income, so that's probably people a little above-- over \$30,000. So if you make \$30,000--some or less, no tax cut. If you're Wal-Mart, tax cut. So I appreciate that we're having a discussion on what's going to impact our constituents and what's going to help people move forward, but let's talk about every piece of the bill. Let's talk about every piece of the bill. I understand the strategy now is to frame anybody who has even the slightest criticism of this bill of not understanding working families. And I think that's unfortunate because there's lots of people here who have spoken on this bill who I think are working families, who would fall into this category of people impacted by this and people who this money is meaningful to. That includes me. This is something that would benefit me personally and I'm skeptical of the corporate provisions we stapled on top of it. Colleagues, I'm somebody who didn't have employer-paid healthcare until my wife got a new job like a year and a half ago, two years ago now. Like, I understand what it's like to budget and to figure things out and to, you know, see what healthcare expenses are and do all the stuff at the kitchen table. I understand that. Like, you don't have to explain what a middle-income family, what a middle, you know, working couple is to me. So don't frame any of my criticism or opposition to the corporate

tax giveaways packed in this bill as anything other than that. Colleagues, we are giving corporations that sell things in the state of Nebraska a bigger tax cut than our individuals by combining these two bills together. We want some notion-- we know LB1820 [SIC] is a vehicle for compromise. I'm again a little disappointed we've rushed a revenue bill out to the floor, knowing what the discussion is going to be, knowing that we're going to have to take some time to compromise. In that way, I mean, sure, there's, there's a filibuster going on, but in part because we recognize the bill is broken and you guys are already willing to change it. Colleagues, let's have a real debate about the things we are. I appreciate all of the, the flowery speeches about working families, about two teachers and all of that.

FOLEY: One minute.

M. HANSEN: I want to help them too, but I don't want to help them at the risk of other things the state does because we've been too generous to Fortune 500 companies, which is a huge component of LB939. Like, we can't just ignore the bigger tax cut for corporations mixed in this bill. That's, that's the whole-- like, that's the whole point of the Revenue Committee amendment. Like, that's what's in here as well and we haven't had any talk about it. I would love to give all of my constituents a tax cut. I would love to do lots of things. But if you're going to insist on Fortune 500 corporations get a bigger tax cut than some of my constituents, I can't help but cast a skeptical eye on that about where the motivations or goals or priorities are going to be, especially when some other things that I've wanted to do this year have-- already hitting the buzzsaw of we don't have the money to do. OK, like, we either have the money or we don't. If we have the money to do things, we should have the money to do my priorities as well. We're either in a great fiscal situation in which there's no critique or not. Colleagues, let's--

FOLEY: That's time.

M. HANSEN: Thank you, Mr. President.

FOLEY: Thank you, Senator Hansen. Senator John Cavanaugh.

J. CAVANAUGH: Thank you, Mr. Lieutenant Governor. Well, I haven't spoken yet today, which has been kind of fun. I've been listening to a lot of conversations and I just wanted to stand up and again state my position. I am opposed to LB939 and I'm going to say something that I know a lot of people don't expect to hear. I agree with Mike Groene.

Senator Groene said that if you really want to give middle-class tax cuts that you can raise the, the income thresholds. So I was sitting here on my computer like I like to do sometimes and trying to figure out an Excel spreadsheet where I can put in and you can change the thresholds and I'm still working on that, so I'll, I'll report back later. But the thing I wanted to talk about is kind of Senator-- Speaker Hilgers was referencing, you know, that we can have an opportunity to invest in the future and give these tax cuts and those things. And I generally, in principle, agree with the idea that putting more money into the economy were-- will help stimulate the economy and obviously that the amount of money that's come in from the federal government has stimulated our economy to the degree that we're, that we're talking about this now. I do fundamentally think that it is irresponsible for us to make these enormous cuts in taxes with this information that is, we admit, is temporary and uncertain into the future. So I know we're all excited and the Forecasting Board is going to give us another positive outlook for the next year or so, but we don't know what it's going to look like five years down the road and when, when this federal money stops. So I think that this is, one, a rush to do this, but two, the reason really, I rose to rise-- to speak was I referenced this report yesterday from the Department of Revenue. It is the 2018 Nebraska Tax Burden Study that the Rev-- Department of Revenue conducted or published on October 29, 2021. And basically, what the Department of Revenue does is they take a hypothetical sales tax cut of \$100,000-- or \$100 million and a hypothetical individual income tax cut of \$100 million and they figure out how that will affect the economy, how that will affect the budget. And there's a-- it's a pretty long report. I guess not long, 22 pages with some charts and things and I've referenced a few of them. But the top line is that a million-- a \$100 million cut in sales tax would result in an \$87 million decline in state revenue. What essentially that means-- and there's other numbers here in terms of increasing disposable income, number of jobs created. Sales tax would create 613 jobs and create new private investment. So the sales tax would create the multiplier effect, the economic benefit that would mean that it would only cost us \$87 million to cut \$100 million in taxes. So it actually does stimulate the economy, but not enough to pay for itself, which is what some people will claim in tax cuts. An individual income tax reduction of \$100 million spread across the tax brackets, not just at the top tax bracket that we're talking about now, would cause-- result in a \$94 million-- \$94.73 million decline in state revenue, which essentially means again, it doesn't pay for itself either, but it actually pays for itself less than a sales tax cut, and it would

generate 1,000 new jobs and \$115 million in disposable income-- or \$111 million disposable income, so it's \$50 million less in disposable income of the sales tax cut and it would increase investment by \$27 million, as opposed to \$102 million. So what this is telling us is, one, that there-- the evidence that cutting taxes will actually pay for themselves is just not based in fac., it's not based on evidence studied by the Department of Revenue and I, I would-- if there's a contradictory report by another institution, I would be happy to see it. But this is the State of Nebraska Department of Revenue says that a tax cut doesn't pay for itself at this level and it's a tax cut that is, is more targeted to lower-income people.

FOLEY: One minute.

J. CAVANAUGH: But what it also says is if your real interest is generating jobs, if your real interest is actually increasing investment in the state, a sales tax cut would be a better way to go. And so if that's our objective, that is another option. So I, I again am in favor of targeted tax cuts that will actually accomplish the things everyone says they want, which is middle-class, middle-class tax relief increasing investment in our economy and that is not what LB39-- LB939 is. There are other ideas out there. Senator Groene's one is closer to the mark and so again, I agree with Senator Groene on this issue. And so I will get back in and we can keep this conversation going, but I appreciate everybody so far today and I'd like the conversation to keep going. Thank you.

FOLEY: Thank you, Senator Cavanaugh. Senator Friesen.

FRIESEN: Thank you, Mr. President. So what I'm going to do a little bit here, and I will preface this by saying that I am not an accountant. I'm not a tax preparer. So if somebody finds my number is skewed, come talk to me and-- I'm just using some general figures here, but I'm going to talk a little bit about what LB1107 did to provide tax relief in-- like in Lincoln here. So if you are paying around \$10,000 in property taxes on your house, which I think is a probably a medium-size-- priced house. I've heard a lot of complaints about property taxes from everybody and I think the urban residents are, are paying more than they'd like also. But if you take-- you're paying \$10,000 in property taxes on a house and you take that times 62 percent, which is roughly what schools take, that can vary-- in Lincoln here, maybe it is a little higher, some areas, it's a little lower. But I just used 62 percent of that goes to schools, so \$6,200 of your bill would go to schools. And so what LB1107 did when we first

drafted it, which, you know, it's exceeded our expectations, but the first year, it only gave you a refund or a rebate-- a refundable tax credit of, of 6 percent. And so it wasn't very much, but this year, when you file your return, you're going to get 25 percent of that back, which would be like \$1,500 refundable tax credit when you file your taxes. So if you take the same person and you-- let's talk taxes and if they, if they're making \$100,000 married filing jointly, you take the, the, the top bracket basically and the income that's exposed to that. So you say at \$81,000, that's when your top bracket kicks in. So you subtract that from there, you're going to have \$18,940 of income above that. And so you'd take that times the 6.8 percent, which would be \$1,287. So you're going to pay \$1,287 on that top bracket. So if we take 1 percent off of that, you're going to get \$12.81 [SIC]. So we have provided a lot of dollars in property tax relief and sometimes I fail to say that on the floor because I've not gotten it distributed the way I'd like through school funding, but we have accomplished a lot and I am appreciative of this body and the way LB1107 worked out, that we could be there today because I think people are really going to notice that this year. But when we-- if we want to look at tax policy, I, I think there's other ways of approaching this for now and I'm looking forward to seeing some of these ideas. And I know Senator Groene had some ideas. There's some others floating around out there, but it's something I think we should look at and how do we provide the most amount of tax relief for that? I was talking earlier about small businesses and, and that bracket of people who are trying to really drive the, the jobs in Nebraska, the increase in jobs, they're hiring people. They are doing well, I think, right now. Coming out of COVID, we're hoping that they really ramp up and we get the supply chain issues fixed. I think our economy could be really good. You look at the farm income right now. I mean, I think most guys would agree that we are on a trajectory to have another good year. That's always dependent on marketing and the weather and things like that, but the possibility is at least there. There are times when we go into a downturn when we know good and well the farm economy is not going to be good for a couple of years in a row, but I do think that the potential is there for a good year, maybe two good years. So when I, when I look at that and all this coming together and if our supply chain issues are fixed and suddenly we can have exports going full speed--

FOLEY: One minute.

FRIESEN: --if we can have our, our business community here running at full speed, I do think that there is a path for a really good number

of years here. And that's one thing that I've always talked about, too, is if we get some diversity of business in rural Nebraska so that we're not so dependent on farm income, that would tremendously help rural Nebraska going forward so that when we go in these downturns, these cycles, we can depend on businesses maybe to pick up the slack and we don't have the ups and downs that we've experienced in the past. Thank you, Mr. President.

FOLEY: Thank you, Senator Friesen, Senator Blood.

BLOOD: Thank you, Mr. President. Fellow senators, friends all, those that aren't in an Exec Committee [SIC], which doesn't leave a whole lot of people right now, I keep listening and the thing that always comes to mind and has come to mind since I've been a freshman senator is why do we always reform taxes like we're eating an elephant? When are we going to come up with an all-encompassing bill that really, really is going to change our tax base in Nebraska? I would really love to see that and I'd be open to that in the future, by the way. So I'm listening to what people are talking about and who they're concerned about and there's so many things that we could be doing outside of this bill if we really want to see the people get help that we're talking about today. We could, in Nebraska, increase the minimum wage. We could use savings funds to pay off student debt for those who want to live and work in Nebraska, specifically our teachers, our healthcare professionals. We could add more tax brackets. We could expand the sales tax to include services, especially software as a service, and we could review the Nebraska Constitution to amend the Eighth Amendment to allow for intangible property tax. Now, I'm not saying all of those are good ideas. What I'm saying is that we haven't visited a lot of these ideas and we always have rhetoric of, of cutting taxes, but we never really review the other tax bases. Now, I know Senator Briese had a bill a couple of years ago that-- he, he tried to, but I wasn't really-- for me, it really wasn't going there yet. So I have-- I still have concerns about this bill. I still have concerns about what it means for the future. It's really easy to stand up and say, I'm not worried about the future, but I'm not seeing numbers that show me differently. I believe in facts, I believe in data, and I'm not seeing that. I'm just hearing opinions. And so we also have to make sure when we're standing at the mike that, that we explain sometimes the difference between Tax Day, payroll taxes, actual earnings. You know, Tax Day is once a year. W-4 payroll forms, they no longer have allowances on them, so you can manipulate how much you get on your paycheck. I don't know if you've noticed that. And, and quite frankly, a lot of the people we're talking about don't make

that much per hour or on salary to really pay enough or, or any taxes every April. So I don't know, I-- the more I hear the debate, the more questions that I have, the more concerns that I have. I'm hearing Senator Slama talk about people going to Florida. With all due respect, it's the Sunshine State. Are they moving by the ocean? I don't know. I'd like to know that. I did read a really good survey recently and it asked why young people are moving out of states and where they're moving to. And the number one reason was job opportunities-- taxes wasn't number one-- and then change of weather, I think, was number two. So that would explain why people, if they're young, are going to Florida. And I know people that are old and arthritic go to Florida for the heat and hang out by the ocean on the beach. So I just-- I want us to be really careful at how we create a picture. Are we creating false fear based on opinions or based on facts and data? And again, my concern is that we still are leaving a lot of things on the table. There are things that I hope Senator Linehan will talk to me about, such as putting in more, more brackets, but I'm still not there because I am not convinced yet that the future is as sunny as everybody says it is and we will not be here in this body when there is a problem.

FOLEY: One minute.

BLOOD: And I don't like kicking the can down the road to create problems for other senators because they did that to us. Senator Linehan, Senator Albrecht, Senator Briese, Senator Halloran, we came into a \$1 billion deficit and I will always remember that and there was smart people like Senator Stinner that made sure that we got out of that. So let's be smart. Let's really make it about the people that we claim that we're trying to help and maybe let's revisit some of these things like Senator Briese did try to do it one time, I believe, if memory serves correct and see if we can come up with something better, something stronger, something lasting that we won't have to have a knee-jerk reaction to in the future if it doesn't work. Thank you, Mr. President.

FOLEY: Thank you, Senator Blood. Senator Pansing Brooks.

PANSING BROOKS: Thank you, Mr. Lieutenant Governor. I'm standing up with a lot of concerns about this bill. I have talked to Senator Linehan and, and brought two years' worth of bills on the earned income tax credit. That earned income tax credit is what takes care of middle-class people up to \$52,000 married and filing jointly who are working individuals. It's been shown to be the quickest and most

effective way out of poverty. So I've talked about-- to her about amending and including, including an increase in the earned income tax credit for Nebraskans who are really hurting and it includes some middle-class Nebraskans as well lower-middle class. So now it's my understanding the average income for Nebraskans is \$61,000 about and when you look at the graph that was, that was printed off and distributed, somebody with \$80,000 income will receive about \$25. If you have \$100,000 income, you'd get \$215, so-- and somebody with \$1 million, \$1 million would get a \$9,215 return, so-- to income. So I just, I just want to stand up and say, if we're looking at the, at the middle class and the average income is \$61,000 and we're not even touching the middle income-- we're not touching the average middle-income earners in the state. And this bill has a cost to the state-- it's not a cost because it's just tax money that's not going to come in-- of \$400,000, so my-- \$400,000 million-- sorry, \$400 million. So my question is what are we cutting? Are we cutting the public schools? Are we cutting programs to people with mental health issues? Where are these-- because we are now, if this passes, going to have \$400 million less to deal with and pay for various programs in our state. What are those programs? What are you ready to cut? Fortunately, this is not going to be my problem in the Legislature because I'm going to be gone after this year, but this is, this is something that's highly concerning, \$400 million of something in our state that's going to be cut. I certainly hope it's not our public schools. There are a lot of things that we pay for that are important. So yes, some, some tax cuts are good, but when you look at corporate income taxes and the fact that out-of-state corporations like Amazon and Facebook and those, those companies that sell products in Nebraska are going to reap the benefits outside of our state, that is a concern to me. So-- and again, the earned income tax credit bill that I brought two years in a row that couldn't get out of committee basically is one of the quickest and surest ways to help middle-income and lower-income people and there's, there's no discussion about that. There's no, no attempt to try to help those who are truly in need. And with that, I'll give the rest of the time to Senator Linehan if she wants it.

FOLEY: Senator Linehan, 1:00. She waives that off. Thank you, Senator Pansing Brooks. Senator John Cavanaugh. Is Senator Cavanaugh on the floor? Oh.

J. CAVANAUGH: Thank you, Mr. Lieutenant Governor. I was right in front of you, but you couldn't-- I was down low. Sorry. So I was talking a bit ago about, you know, the I guess downstream effect of cutting

taxes and how they actually have this economic benefit and, you know, report is pretty clear that taxes of this nature do not actually achieve that objective. But-- and I said I would-- you know, did some work on the, the Excel spreadsheet and so I kind of put in, you know, different income levels. And so I talked about this yesterday. You have your federal adjusted gross income and then you take a standard deduction from the state of Nebraska and that gives you-- you know, and there's a couple of other things in there as well, but then you-- generally, the easiest way to describe it would be to take that \$14,000 for married couple filing jointly. So I just sort of was trying to figure out-- we've talked about-- Senator Linehan mentioned childcare costs about \$1,000 a month, that, that's for one child, and so a-- I was just trying to figure out what income level you'd have to be at to get \$1,000 back in-- under this tax cut. So somebody to get a \$1,000 to pay for one month of childcare, you have to be-- your federal adjusted gross income would have to be \$180,000. That gets you \$1,015. So admittedly, that would be-- I'd be very happy if I was getting one month of my childcare paid for and so that is true when everybody says this is real money. This is money that we shouldn't be scoffing at, money to people. But you have to be much higher than the average income earner than the people we're talking about, a lot of us are talking about, to benefit at the level that, that is being discussed here. So if you are-- say you make \$85,000 a year of your adjusted gross income, your federal income. Your tax savings would be \$65. So when you get down to the real middle-income working people, they're getting a lot less of a share here. If you make \$1 million a year, you will be saving \$9,215.70, so that one person making that amount of money gets-- I don't even know what-- I'd have to do the math on that again, but that's nine times the benefit of somebody making \$180,000 and that is what we're talking about when we keep talking about-- everybody has talk-- got up and said they're in favor, favor of some kind of tax reform. We have an opportunity to do that. But the question is what nature should that take or what form should it take and who should derive the benefit of that tax cut? So I just wanted to make sure that we got-- we put it in context, a little more context and I will try and put some more context to it as we go forward. But when you talk about working people, giving them an opportunity to save, giving them an opportunity to buy a home, giving them an opportunity to save up for their kids' college or to save for their retirement, and that we shouldn't be we shouldn't be scoffing at the amounts of money that people are getting, it is important to consider that there are ways to do that where those people get a benefit, that we are not also giving \$9,215 to somebody who doesn't

need it to save for a home, who doesn't need it to save for their kids' college, who doesn't need it to save for their retirement because they are earning \$1 million a year. And so there are the suggestions and Senator Groene's suggestion. There are-- I think Senator Machaela Cavanaugh had a tax bracket adjustment suggestion. I had a bill for the increase in the earned income tax credit that would put money in the hands of working people making less than \$52,000 a year, if I remember right. And so there are ways--

FOLEY: One minute.

J. CAVANAUGH: --to put money into the-- you said one minute? Thank you-- put money into the hands of the people that we're all talking about. This is not a conversation about whether or not you want tax cuts or what types-- this is a conversation about where to put those cuts and where they can do the most good for the state of Nebraska, where they can do the most good for job generation, where they can do the most good for economic stimulation, where they can do the most good for the future of Nebraskans. So that is the question here. That is the conversation. That's what we should be thinking about and looking at and this bill does not accomplish that. Cutting the highest tax bracket does not do that. Doing other things that have been suggested by other people will-- are much more likely to accomplish that. So thank you, Mr. Lieutenant Governor.

FOLEY: Thank you, Senator Cavanaugh. Members, we're about to proceed to a vote on Senator Hunt's motion to recommit the bill. Senator Hunt is currently checked out. Has she authorized anyone to speak on her behalf for the closing statement? I see no one, therefore we'll proceed to a vote. The question before the body is the adoption Senator Hunt's motion to recommit the bill.

LINEHAN: Call of the house.

FOLEY: There's been a request to place the house under call. All those in favor of calling the house vote aye; those opposed vote nay. Record, please.

ASSISTANT CLERK: 14 ayes, 1 nay to place the house under call.

FOLEY: The house is under call. All members, please return to the Chamber and check in. The house is under call. All members, please return to the Chamber and check in. The house is under call. All members, please return and check in. The house is under call. Senators

Transcript Prepared by Clerk of the Legislature Transcribers Office

Floor Debate February 17, 2022

Rough Draft

Kolterman, Lathrop, Ben Hansen, and Senator Arch, please check in. Senator Lathrop and Senator Ben Hansen, please return to the Chamber. Check in. All unexcused members are now present. The question before the body is Senator Hunt's motion to recommit the bill. A roll call vote in regular order has been requested. Mr. Clerk.

ASSISTANT CLERK: Senator Aguilar voting no. Senator Albrecht voting no. Senator Arch voting no. Senator Blood voting no. Senator Bostar. Senator Bostelman voting no. Senator Brandt voting no. Senator Brewer voting no. Senator Briese voting no. Senator John Cavanaugh voting yes. Senator Machaela Cavanaugh voting yes. Senator Clements voting no. Senator Day voting no. Senator DeBoer not voting. Senator Dorn. Senator Erdman voting no. Senator Flood voting no. Senator Friesen voting no. Senator Geist voting no. Senator Gragert voting no. Senator Groene. Senator Halloran voting no. Senator Ben Hansen voting no. Senator Matt Hansen voting no. Senator Hilgers voting no. Senator Hilkemann voting no. Senator Hughes voting no. Senator Hunt. Senator Kolterman voting no. Senator Lathrop voting no. Senator Lindstrom voting no. Senator Linehan voting no. Senator Lowe voting no. Senator McCollister voting no. Senator McDonnell voting no. Senator McKinney voting no. Senator Morfeld not voting. Senator Moser voting no. Senator Murman voting no. Senator Pahls voting no. Senator Pansing Brooks voting no. Senator Sanders voting no. Senator Slama voting no. Senator Stinner voting no. Senator Vargas voting no. Senator Walz. Senator Wayne voting no. Senator Williams voting no. Senator Wishart. Vote is 2 ayes, 39 nays, Mr. President.

FOLEY: The motion is not successful. I raise the call. Items for the record, please.

ASSISTANT CLERK: Thank you, Mr. President. A communication from the Governor: Engrossed LB310 was received in my office February 11, 2022. The bill was signed and delivered to the Secretary of State on February 17, 2022, signed Pete Ricketts, Governor, received February 17, 2022. Priority bill designation: Senator Vargas, as Chair of the Legislative Planning Committee, designates LB741 as the committee's priority bill. Additionally, the Urban Affairs Committee selects LB800 and LB1024 as the committee priority bills. Notice of committee hearing from the Revenue Committee, as well as the Executive Board. Committee report: the Committee on Health Human Services, chaired by Senator Arch, prefers LB698 and LB1068 on Gen-- to General, General File. Senator McDonnell introduces LR297. That will be laid over. That's all I have at this time, Mr. President.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

FOLEY: Thank you, Mr. Clerk. Returning to debate on LB939 and the pending amendments. Is there any member wishing to speak? I see none. Senator Linehan, you're recognized the close on AM1820.

LINEHAN: I am-- yeah, I'll pull it.

FOLEY: AM1820 has been pulled. Did I understand you correctly, Senator?

LINEHAN: Withdraw, please.

FOLEY: AM1820 has been withdrawn. Mr. Clerk.

ASSISTANT CLERK: Thank you, Mr. President. Senator Friesen would move to amend with AM1815.

FOLEY: Senator Friesen, you're recognized to open on AM1815.

FRIESEN: Thank you, Mr. President. Basically, this was a, an amendment thrown in there to create more discussion, I guess. What it does is strike section 1, which deals with the individual income tax bracket changes. So again, as we're talking about tax policy and what this bill did in tax cuts versus what I keep hearing on the floor over and over again that people want to do something, but they want to look at how we structure the brackets and how we might go forward in setting what we would call major tax policy on our income taxes. So what this does is strike that whole section and would open it up then to an amendment maybe that could reach some sort of an agreement here on who to target those tax cuts to if that's what I'm hearing on the floor of where we're headed with implementing some income tax changes. So I still expect that we want to work on some brackets and we can use this amendment as kind of a, a placeholder here to have that discussion. So when we-- earlier when I walked through the process of, of who might get this tax cut, we saw that it was not really for what we would call the median-income small business. And I can talk also a little bit about the corporate tax. In the past, when I first started here, I was very much in favor of taking the corporate rate down to zero. And so as I have learned about corporate tax policy and how C corps are treated in this state, I have changed my position on there. I'm open to having the discussion on changing some rates, but being a C corp holder myself, I, I don't really ever exceed that \$100,000 threshold, so this bill really would have no impact on me and it doesn't have an impact on most corporations in the state. I think this corporate tax cut probably does only cut taxes for 2,000-some corporations and most

of those are based out of the state of Nebraska. So even the, the small business owners that have decided to incorporate, even today, if you were starting up a new business, you would probably not choose the C corp model. There's too many other options. But back in the '90s when I chose to form a C corp, there were some other tax advantages that really aren't relevant today. So if I was to start up a, a new business today, I would probably start it up under a subchapter S or a-- some sort of LLC whose taxes then would flow from that corporation to me on my personal rates and that's where most business startups are today. But I think, as Senator Hilgers has mentioned probably, I mean, any corporation who eventually wants to go public, they would have transformed themselves into a C corp because that's the only structure that's recognized when you go public. So there's a lot of what I would call small C corps, small businesses that formed back in the day who are formed under the C corp. And when the federal government did their Tax Cuts and Jobs Act a few years ago, they actually raised my taxes because they eliminated the bottom bracket on the federal taxes and they implemented a 21 percent tax rate, so my taxes back then increased by about 7, 7 percent. So it wasn't a tax cut even back then for everyone. And so now the federal rate is at 21 percent and there's a lot of talk of changing that back up to 29 percent, but whether or not they can get anything done has yet to be seen, as they've pretty well shown they can't do anything. So when we look at Nebraska's taxes and the effective tax rate that I pay on my C corp, basically all of my income now is at that 21 percent rate because they have no bottom bracket. Now, when you are able to deduct your taxes off your-- like off your federal return, your state taxes, in the end, it never adds up to the advertised rate. We-- no corporation in the state pays the advertised rate. We pay what we call the effective rate. So that's what will be left and the bill is talking about is corporate taxes now, if this motion would pass, which I do think we have to look at some other solutions to the individual. But when we're talking about corporate taxes now, we can focus a little bit on, on what changes would do there and how small business would be affected by changes to the corporate tax rate. So again, it focuses on anyone over \$100,000 of income on a C corp and you would see parity in that rate. They want to bring the corporate rate. We already adjusted a little bit. It's slowly being implemented over the next five years to, to get it down some, but this would end up taking it down to parity with their individual rates, which is something, as-- you know, we've talked about here for years and trying to get done. From my standpoint, I'm-- my corporate rates. I can live with that. I'm not going to leave the state and all my business is done here in the state, so it's all

subject to the 6.8 percent corporate tax. Now, if I was to branch out into Kansas or Oklahoma or Texas, on that income that I earn, I would pay no Nebraska taxes because it's earned outside the state. So when people talk about corporate taxes and, and we think about John Deere, for instance, they do business in the state of Nebraska, but they're not headquartered here and so they're taxed on the earnings that they earn in Nebraska. So again, you're talking about lowering their corporate rate. It's not going to lower the price of a tractor or a combine or products they sell here. It's just going to give them a corporate tax break at their headquarters and that's located out of the state. Now, it would be nice if we could separate out corporations that are headquartered here and give them different tax treatment, but I don't think that's constitutionally possible. But those are the businesses we would always like to help is the local businesses here, the ones that are growing in Nebraska, that are doing business in Nebraska that eventually might grow up to be the next Peter Kiewit or some firm like that who works internationally. They bring a lot of, I think, a lot of publicity in Nebraska. They're a great company. They've shown that they've grown, they do good work, they tackle big, giant projects. Those are the types of firms-- they bring their people back here to train them. But again, most of their income is probably earned outside the state of Nebraska. And I am not sure even what kind of tax structure they have over there, so I-- it's probably an example that's not a C corp, but that's the difference in tax policy when we're talking here. And when we talk brackets, the ones that I'm basically eliminating from here, those are the ones where we have four tax brackets in this state, I believe is what they are, and the high tax rate does start too soon. Those brackets, I think, need to be moved up so that the average median-wage worker is not paying the top rate on their wages. And so what this does, again, is just-- it eliminates section 1 of the bill and renumbers the remaining structure. Thank you, Mr. President.

FOLEY: Thank you, Senator Friesen. Mr. Clerk for an announcement.

CLERK: Mr. President, Tribal Relations Committee will meet underneath the north balcony immediately. State-Tribal Relations Committee, north balcony. Thank you.

FOLEY: Thank you, Mr. Clerk. Before proceeding, Speaker Hilgers would like to recognize 20 members of the Nebraska State Bar Association Leadership Academy. They're with us up in the north balcony. If those citizens could please rise, we'd like to welcome you to the Nebraska Legislature. Continuing discussion, Senator John Cavanaugh.

J. CAVANAUGH: Thank you, Mr. Lieutenant Governor. So I was taking that time when we voted to do a little more math here and so I-- the thing that I thought struck me as interesting, when I-- my last comments about the fact that we want to give tax relief to these middle-income people and we want to make sure that people have these opportunities for investment and that folks making less than, say, \$180,000 in adjusted gross income would actually be able to have that money and invest in the economy as opposed to a person making over \$1 million would get \$9,215 in a tax cut. So I just went through and I did what each basically tranche, but I think it's called decile on the sheet that Senator Linehan handed out yesterday, what each one of those cuts would cost us. And so for that highest decile, which is people making more than \$1 million of adjusted gross income in Nebraska-- and obviously, that's just if you just set it at \$1 million. Some people are making more than \$1 million-- that would cost us-- this, this cut for those individuals, which is 88-- 8,811 people, would cost us \$81 million. So that is one group of people getting-- I think this bill costs about \$400 million. They're getting about a quarter, a little less than a quarter of the benefit of this. The next group, the \$250,000 and above, would cost us \$70 million. Those people that are \$250,000 to \$499,000 and obviously, that's just at the \$250,000 level because I'm not good enough at math to make it go an average across that scale. So that's just the lowest amount. It actually would cost us more for people making above-- between \$250,000 and \$500,000. People making \$500,000 and above, \$500,000 to \$1 million, would cost us \$37 million. And then the cost for individuals making \$81,000 would cost us \$2 million. So the middle-income people, the teachers, the nurses, the police officers, the corporals at Tecumseh that we've all talked about, that tax cut is \$2.5 million to the state of Nebraska. The tax cut to millionaires is \$81 million. So again, the question that we're having here, the question about what policy to pursue going forward is not whether or not you want to cut taxes to middle-income people because we've always said that that's what we want to do. The question is how you go about it and whether or not you are also giving a massive tax cut to people who are making over \$1 million a year and whether that state can afford that, whether that's the smart thing to do, whether we actually get the economic benefit that we claim or we're hoping for when we make those cuts. That is the question. What is the best way to go about giving tax relief to working Nebraskans who need a little bit of help and we have the opportunity to do it and whether or not you have to do that in conjunction with a tax cut to the wealthiest in Nebraska. Senator Friesen did a very nice example of problems with the corporate tax cuts in his, his journey on that, his

Saul on the road to Damascus conversion, I guess. And I thought that was very helpful and I appreciate that and I haven't spent much time talking about the corporate tax cuts. I don't even think-- I, I am not interested in cutting corporate taxes in the state of Nebraska at this point. We cut them last year. I agreed to cut them last year because the argument that it would-- we would increase economic activity in the state through that cut. We haven't had any time to see whether or not that's been beneficial. I actually said-- Senator Flood and I had this conversation on the mike-- that I would bring the bill to continue to cut the corporate taxes if it was demonstrated that that tax cut actually increased economic benefit and generated--

FOLEY: One minute.

J. CAVANAUGH: --more activity in the state. And so we haven't had that. There's no evidence of that. I'm not bringing that bill at this point in time. I've become more convinced since then that it will not do that and so that's why I think that the corporate tax cut doesn't even-- isn't even part of the actual conversation here. The corp-- when you cut these corporate taxes, as I think Senator Friesen talked about, most of it-- 80 percent, I think, in one study, maybe more-- will go to corporations not in the state of Nebraska. And that's not going to affect how people-- how corporations decide whether or not to do business here. It is not going to affect whether corporations decide to site here. There's actually a study-- a article-- I'll pull it up and talk about it next time I'm on the mike-- about a corporation that left the state of Nebraska and had nothing to do with the taxes. So I will push my light and get back on. Thank you, Mr. Lieutenant Governor.

FOLEY: Thank you, Senator Cavanaugh. Senator Linehan.

LINEHAN: Thank you, Mr. President. Senator Blood, can I borrow that because-- Senator Blood-- thank you. One of the things we're kind of-- and this is on me. So at the beginning of the year, the Revenue Committee looked at the Governor's budget and the tax bills that we've brought to the floor fit in the Governor's budget, so that was Social Security and LB723 and this bill. So if you look at the fiscal note on LB939, it fits in the Governor's budget. I understand the concerns about the brackets and we do this and do that, but-- and we'll probably get to this next week. Sorry, Senator Machaela Cavanaugh. She's got an amendment on the bill to change the brackets and it's-- well, this is LB1180, so I'm not sure what her amendment does, but when you change the brackets-- and we'll get to this afternoon in

Revenue Committee hearing with Senator Groene-- increase the cost of this greatly. So conversations outside of the money we actually have available, they're good because many of us will come back next year and we can hopefully keep working on this. But if you're talking about numbers that are outside the parameters of the money we have to spend, it's not going to work. So I just think when we're all mulling this over this weekend and what we can do, you need to stay within the numbers on the fiscal note of LB939 and LB938 or you're going to be outside of the parameters of the budget. Secondly, Senator Pansing Brooks did come to me yesterday on the earned income tax credit. So I think it's good to start what we currently do, so that's the page from the-- so if you go to-- and Senator Blood just asked me where I got this. So if you go to Department of Revenue's website, it-- there's a whole book that can tell you all you want to know about income taxes in Nebraska, who gets what cuts, what the deductions are, what the credits are. And actually, when I showed this to Senator Slama earlier this week, she goes, oh, show that to Senator Clements because his eyes will light up and they did. Literally, he was thrilled to see the book. So this is on your earned income, current law. It's connected to the federal and what I don't know-- and this is something for staff to look into over the weekend because I, I read there is a big push now to get-- make sure everybody is filing their income taxes even if they don't think they pay any because the Biden administration was very-- did a-- I would agree-- did good job last year at getting money to people with children. I think they increased the child credit from \$2,000 to \$3,600 for those under six and 6-18, \$3,000. So I don't know how that's going to affect this. We'll try and figure that out over the weekend, but my understanding, it's 10 percent of that. And if you look down here in the blue part-- so you can apply for the earned income tax credit if you're at \$51,464 or \$57,414 if married filing jointly for three or more qualified children. And then it goes two unqualified children, one qualified child, child and then evil-- single. So we do have an earned income tax credit. I think what I would request us to do over the weekend-- I'm mostly talking to people on my staff and other staffs--

FOLEY: One minute.

LINEHAN: --who are working on this-- to figure out what this is going to mean to Nebraskans that are filing their taxes right now. And then finally, I didn't give him heads up, so we'll wait until-- I'm giving him a heads up now-- on Senator Cavanaugh's-- when he's working these numbers in these brackets, when you're talking about the high income, have you figured out what, what these people are paying in income

taxes? Because when I look at the change in the brackets from the bills that I've looked at, Senator Machaela Cavanaugh's, Senator Groene's, you can raise those high brackets a lot and it doesn't come close to paying for reducing the others. So thank you very much.

FOLEY: Thanks you, Senator Linehan. Mr. Clerk, you're recognized for an announcement and items.

ASSISTANT CLERK: Thank you, Mr. President. The Judiciary Committee will hold an Exec Session now under the north balcony. Judic-- Exec Session, north balcony, now. Additionally, Mr. President, notice of committee hearings the Revenue-- from the Revenue Committee. The Committee on General Affairs, chaired by Senator Briese, reports LB840 and LB1204 to General File, both having committee amendments. Chair on-- excuse me, the Committee on Revenue, chaired by Senator Linehan, reports LB1176 to General File. Senator Hilgers introduces LR298, LR299, LR300. Those will all be laid over. That's all I have at this time, Mr. President.

FOLEY: Thank you, Mr. Clerk. Continuing debate, Senator Machaela Cavanaugh.

M. CAVANAUGH: Thank you, Mr. Lieutenant Governor. Good morning, colleagues. So I apologize to Senator Linehan. I didn't hear all that she was saying about my amendment, but yes, I do have an amendment pending on LB939. I introduced a bill to the Revenue Committee this year that changes the income tax brackets as well and it had some issues with it that Senator Linehan has-- had graciously spoke with me about and talked-- walked through why it lost so much revenue. So this amendment addresses a lot of that and really works on reworking the, the levels, but since we're not on it right now, I wasn't actually planning to speak on it at this moment. I will just for a moment say that I don't-- as it is right now, I don't support LB939 or AM1780, partly-- a large part of it is the corporate tax piece because we did do a corporate tax cut last year and I haven't heard from any corporations that have moved to Omaha or who have left Omaha that the corporate taxes really impact that decision and really what they are focused on is having a workforce. And so I don't view that as an essential need right now for our economic development in the state, but I do think that our income taxes need to be addressed and I wholeheartedly agree with that and the idea behind changing our income tax brackets. When I first learned that the highest income tax bracket starts at such a low rate, I was really flabbergasted. I don't know how long that's been like that, but it certainly needs to change.

People who make \$50,000 and \$500,000 shouldn't be paying the same percentage of income taxes. And to, to Senator Linehan's comments about the federal filing for your income taxes even if you didn't make any money, yes, do that. Do that. I've worked on my income taxes and, as I have said numerous times, I make \$12,000 a year. And because of the changes at the federal level, I can afford childcare for a couple more months. So it is very, very helpful. The child tax credits this year are extremely helpful and I am so grateful for them as a working parent who makes under the poverty line, but fortunately, I have a partner. I just really appreciate having that level of security coming in and I don't think anybody-- maybe they would-- I've never been accused of not working hard. I've usually had-- until I was an adult and out of college, I always had more than one job to help pay for school, pay for high school, and I, I worked to do that and I worked to pay for college and graduate school. And so the fact that I'm getting tax credits now, I feel OK about that. It's really helpful. It helps me be a productive member of society and alleviate some of that toxic stress that can come with financial insecurity.

FOLEY: One minute.

M. CAVANAUGH: Thank you, Mr. Lieutenant Governor. So I will speak more on my actual amendment. I just wasn't really prepared to do that at this moment. But I, as it stands right now, I'm not in support of the bill, but I am happy to continue the conversation and Senator Linehan sounds open to continuing the conversation over the weekend about what changes can be made to bring more people on board. So I appreciate that and I will yield the remainder of my time. Thank you.

FOLEY: Thank you, Senator Cavanaugh. Senator John Cavanaugh.

J. CAVANAUGH: Thank you, Mr. Lieutenant Governor. So I was talking to some people about just general ideas. And so I was trying to wrap my mind around the cost of if we just raised the income threshold for married filing jointly to \$100,000 from the--I think it's \$64,000 right now is the current top. And I, and I know we've talked about this, but sometimes it's good to do a refresher of how this works. So we have what's called a graduated tax structure in state Nebraska, which is similar to the federal tax structure, and we have several tax brackets. So for married filing jointly, if you make between zero and \$6,660, you're taxed at 2.46 percent, so on that in-- that taxable income. So your taxable income is derived from-- in Nebraska, you take your federal adjusted gross income. So you fill out your federal income tax and there are some deductions and things you would take in

that. So you put your W-2 and your federal income tax and then you get to your federal adjusted gross income, which I think is, like, line 9 or something like that. And then you take that line 9 and you put it into your Nebraska taxes. So then you have your Nebraska federal adjusted gross income and from that, there are deductions and other things and credits, including the property tax credit fund, that is taken after you calculate your, your tax, your tax liability. But so you would still-- before that, you deduct, for married filing jointly, \$14,000. So to be in that first tax bracket for married filing jointly of income up to \$6,660, you would essentially be somebody making \$20,000. Second bracket: \$6,660 up to \$39,990. Again, that is up to people making 40--or \$55,000 and that tax rate is 3.51 percent for the income over \$6,000. So what that means is you get 2.46 percent on the first \$6,600 and then 3.5 percent on the next increment between that, which is about \$36,000-- \$33,000. And then you go \$39,990 up to \$64,430 and that is taxed at 5.01 percent and that is for that income in between that \$39,990 and \$64,000, so-- and then after \$64,000, anything you make above that in taxable income is taxed at 6.84 percent, which is why when we talk about \$64,430 is not-- that's your taxable income. That is not your W-2 income and that's not your adjusted gross income. So when we say somebody has to make \$81,000 to even get any tax break here, that's because that is what your W-2 or your-- actually, your adjusted gross would be, depending on how you do the cuts, before your Nebraska standard deduction of \$14,000, get you down to the-- to where we're at. So that's what-- where these numbers come from that we're talking about. So conversation Senator Groene suggested and that I think-- and I've talked to some other people about-- is taking that \$64,430 and raising it up to a higher threshold and say it would be \$100,000. So married filing jointly would go up to \$100,000, single taxpayer or married taxpayer filing separately go up from the \$32,000 to-- I, I don't know what the suggestion was, but maybe up another \$40,000 as well. That would be-- would mean that every person that makes in that range between \$64,000 and \$100,000 would get a tax benefit, but it would also mean that those people making over \$1 million would get the tax break as well, but it would be smaller than the \$9,200 we're talking about. It would be the same. Everyone making over \$100,000 would get the same tax cut--

FOLEY: One minute.

J. CAVANAUGH: --as anyone else. So if you make \$150,000, you get the same tax cut. If you make \$1 million, you get the same tax cut in terms of dollar amount. It would be a more substantial tax cut for those individuals in that range because their tax rate would actually

go down for the amount-- if you make \$81,000, your tax rate would actually go down from 6.84 percent to 5.01 percent. So it actually be a bigger tax cut for those people. So this is-- and I will work on it on my Excel spreadsheet here and I'll share it all with you because I know you all are waiting with bated breath on my Excel spreadsheet reports-- but that to me is one option that would actually be fair, would actually give tax relief to middle-class and working people, and would not disproportionately-- again, the tax break to that top one-- over \$1 million earners would cost us \$70 million-- I'm sorry--

FOLEY: That's time, Senator.

J. CAVANAUGH: --\$81 million. Thank you, Mr. President.

FOLEY: Thank you, Senator Cavanaugh. I see no other members wishing to speak. Senator Friesen, you're recognized to close on AM1815.

FRIESEN: Thank you, Mr. President. Again, as we talk tax policy and where we might head in this state, I do think everybody needs to be aware of how do we grow rural Nebraska? How do we help north Omaha? Some of the incentives we used deal with our tax policy because we are known-- you know, everybody keeps saying we're a high tax state. Well, we can say we're a high tax state, but unless we cut spending and hold down our spending, we will always be a high tax state. And I think this body has done a good job of holding down our spending in the last four or five years. If you go previously to that, I mean, our spending was increasing at 5 to 6 percent and our revenues were increasing at about the same rate, so we spent it as fast as we took it in. So if our economy is going to continue to improve, I don't think we need to spend it either. We need to cut taxes. And the Governor has gone statewide and he's talked a lot about cutting taxes. He has just never focused on which tax we're going to cut, whether it's property taxes or income taxes or corporate taxes or sales taxes. He says he wants tax relief. And so that's the broader policy decision that we have to make is which tax provides the most bang for the buck, so to speak? What tax can we cut that incentivizes businesses to add employees and to buy new machines and ramp up production that continues to bring in revenue to the state? That is the tax policy I think we should look at and that's why I was one of those that was adamantly opposed to the ImagiNE Act. I wanted to focus on growing our companies. I wanted to focus on entrepreneurs that start up businesses like Cabela's in a small town in rural Nebraska and hopefully they do grow big enough that they eventually may be-- be bought out and-- but look at the good they did while they were here. Look at the jobs they generated

for how many years. And not all of them leave, a lot of them do choose to stay here and create those jobs. And so, I mean, that's the discussion I think we need to be having is what is that we can do, besides the incentive program? Is it tax policy that incents people to start up businesses, that gets them to grow their business, that gets them to hire one or two people? I like small businesses. I like incentivizing small business. They're the ones that create the most jobs in the state overall. So how do we do that with our tax policy versus incentives? You can talk about a program that might treat business startups like, like we do tax increment financing, TIF funding. If a business starts up, maybe for the first five years, they get to keep all the revenue they collect in sales tax, payroll taxes; don't pay any income tax or state tax, at least, and they get to keep that to grow their business because if business wasn't there, there would be no revenue, so it would-- really it would be at no cost to the state. Now, you get into things where you might have a competing business, so you have to be careful there. You don't want to put a business out of-- take one business and put it out of commission while you're building a new one. So there are issues there that we have to be careful of and the unintended consequences sometimes of our tax policy. So with that, I, I am going to withdraw this amendment and I think it's created a little more discussion and we can move on. Thank you, Mr. President.

FOLEY: Thank you, Senator Friesen. AM1815 has been withdrawn. Mr. Clerk.

ASSISTANT CLERK: Mr. President, the next motion-- or excuse me, amendment from Senator Friesen, AM1818.

FOLEY: Senator Friesen, you're recognized to open on your next amendment.

FRIESEN: Thank you, Mr. President. So what this amendment does is basically strikes the implementation dates of 2023 and inserts the year 2050. So in the end, we would be adopting tax policy, but would not be subject to that basically for a lot of years. Again, a bill or an amendment that is a-- bring up discussion so that we can further talk about incentives, the incentive package. Which is the right tax policy that we can incentivize small business in Nebraska? What tax policy is driving people out of the state? We hear over and over that people on a fixed income tend to move to states that have low property taxes. If you're on a fixed retirement income, again, you-- your property taxes continue to go up and you look at those states maybe

that have a low property tax. So it's not necessarily a tax-- income tax, but if you want to tie those two together, you can pick a state like Florida or Wyoming or South Dakota who may have low property taxes and no income taxes. To me, most people and me included are going to stay in the state. This is where I've grown up. This is where I've been able to make a good living. I'm going to stay no matter what, but there are people who, if they're on a fixed income, maybe can't stay. Maybe sometimes they're forced to move. I can't answer that question, but I think the statistics will show that most people want to live close to their kids, so we still have to continually look at our tax policy and what are we trying to achieve? Are we trying to achieve-- is it to bring in workers from other states to make Nebraska look like a better place to live? We advertise we're the good life. Is some of our tax policy keeping people from moving into the state? Which tax is too high? Is it property tax is too high or is it income taxes are too high? When I have talked to people and when several of my children move back, I mean, they did not look at the income tax as an issue. They did look at the property taxes to make sure that they would be comparable to what they'd been paying, but in the end, that wasn't one of the issues that came up. But what they said-- they'd been living on the East Coast, they'd been living in D.C.-- we have all the amenities that they have there and we do it cheaper and better. Nebraska's got a great, I think, business climate. Is there something we can do to make it better? Sure, we can, but which tax policy we're going to focus on? And that, I think, is what we need to have more of a discussion on. We put the incentives in place because we were a high tax state. Can the incentives go away if we lower our brackets? Can-- if we change our tax policy on the income tax side, can we get rid of the incentive package? That would be, to me, an admirable goal because I wasn't a big fan of the incentive package because it does just try to attack-- attract large companies and it hasn't been as successful as everyone thought it would be and it costs a lot of money. We've probably designed a better program than we had in the past. The Advantage Act, to me, it looked like created a lot of minimum-wage jobs and actually incentivized companies to the point where they have an effective tax rate below zero. We paid them to be here. The new plan, at least, I think, looks at that differently and it lists-- just incentivizes to come, but hopefully that we don't have a negative effective tax rate. So I'm, I'm hoping we have a little more discussion on how everybody feels about which tax brackets, what we should be working on. Is it corporate taxes? Is it individual rates? Is it the fact that most small businesses are formed as LLCs

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

and their income transfers to their personal rates? Those are the discussions I think we have-- need to have. Thank you, Mr. President.

FOLEY: Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Thank you, Mr. President. Good morning again, colleagues. When I was on the Revenue Committee, we looked at modernizing Nebraska's tax system. Of course, we always talk about the three-legged stool and as we look at that stool, the sales tax portion of that, that stool has been underdeveloped, underdeveloped. And I think most states that want to modernize their tax system, you know, take a look at those sales taxes. And in Nebraska, as I mentioned earlier, we have an underdeveloped, a too-narrow sales tax system. As the composition of sales tax has gone, a greater percentage of that is in services and Nebraska doesn't tax services like many other states. Would Senator Friesen yield to a few questions?

FOLEY: Senator Friesen, would you yield, please?

FRIESEN: Yes, I would.

McCOLLISTER: Senator Friesen, when I was on the Revenue Committee, did we go through our sales tax policies and reach a conclusion that you wish to share?

FRIESEN: Yes, we-- Senator Briese, me, you, numerous of us-- Senator Kolterman was very involved in looking at broadening our sales tax base and we spent hours, days combing through every exemption out there. Senator Pahls would have appreciated being there. He loves exemptions, but we did. We spent days going through the individual exemptions, labeling whether we should keep them, whether they're valid, or whether we should get rid of them.

McCOLLISTER: Why didn't we make any progress with that effort?

FRIESEN: We were blocked by the administration, basically, because his policy was that no tax increases and he made it very clear to me that when you take away an exemption, you are raising taxes. If I'm not paying tax on something today and I am tomorrow, you have raised taxes and that's been his policy since day one, he has stayed the course. He has not changed one iota. And so I guess from my standpoint, that's where we stand today.

McCOLLISTER: Well, it's my recollection that Tennessee and a number of states have modernized their tax system and done that by making their

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

sales tax wider and taxing services. And Nebraska hasn't done that and if we did that, could we perhaps generate maybe a half a, half a billion dollars if we were to update our sales tax policies?

FRIESEN: I, I do believe that there was a pretty easy way to get to a half a billion dollars. Well, I'd have to go back and look at some of those numbers because we had different ones out there and some of them got into the food area, soft drinks and candy. But yes, if we compare ourselves-- like to South Dakota, South Dakota taxes a lot more items than we do. And so yes, we could easily generate a lot more revenue through sales tax than we are now.

McCOLLISTER: Well, I recall that my sales tax bill on candy and pop would generate \$30 million. Is that the number you remember?

FRIESEN: That sounds legitimate.

McCOLLISTER: Thank you, Senator Friesen. Senator Pahls, would you yield to a few questions?

FOLEY: Senator Pahls, would you yield, please?

PAHLS: Yes, I will.

McCOLLISTER: Senator Pahls, this is your second or third time in this Legislature, isn't that correct?

PAHLS: Yes.

McCOLLISTER: And in a previous life, you offered a bill to get rid of every exemption that Nebraska had in its tax rolls, is that correct?

PAHLS: That's true and--

McCOLLISTER: What, what was the rationale for doing that?

PAHLS: Well, we wanted to do away with income tax--

FOLEY: One minute.

PAHLS: --property tax, or a combination of that and we had the data that shows that we could do-- get rid of one totally or a combination, but there was so much pushback. In fact, the lobbyists thanked me because they said I would continue to provide more jobs for them, for those people who would fight it.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

McCOLLISTER: So it was job security for the lobbyists?

PAHLS: Well, right. I mean, in fairness, they're doing what they're supposed to be doing.

McCOLLISTER: Thank you, Senator Pahls.

PAHLS: Thank you.

McCOLLISTER: Thank you, Mr. President.

FOLEY: Thank you, Senator McCollister. I see no other members wishing to speak. Senator Friesen, you're recognized to close on AM1818.

FRIESEN: Thank you, Mr. President. Well, being as we have a few more minutes to go, we'll try and drag this out to the end. Senator McCollister, would you yield to a question?

FOLEY: Senator McCollister, would you yield, please?

McCOLLISTER: Sure. Turnabout is fair play.

FRIESEN: Senator McCollister, in, in the years that you served on Revenue with me, which, which tax policies do you feel we focused on the most?

McCOLLISTER: Well, certainly property tax and that's a, a situation where Nebraska truly is an outlier, although Senator Friesen, we don't get recognition for the, the programs that we instituted. And I think if you were to look at the Tax Foundation numbers for property tax, you would see that we're maybe not nearly as bad as appears in their records and that's an unfortunate thing about--

FRIESEN: So, so you're--

McCOLLISTER: --the programs we instituted.

FRIESEN: --saying basically that the method we're delivering property tax relief is not recognized as funding for schools and therefore, we still look like we're 48th in the country.

McCOLLISTER: That's exactly right, although I think the, the two policies that we enacted on property tax reform didn't necessary-- well, I guess they do reflect on the school taxes, but yeah, we don't, we don't get credit for what we have done the last three or four years.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

FRIESEN: So did we work on any income tax issues? I think we worked on some veterans tax cuts, some other things too that were enacted in the past few years.

McCOLLISTER: That's true and the fact that we didn't do anything on sales tax made that job more difficult.

FRIESEN: Did we ever get a property tax bill passed?

McCOLLISTER: In my two years, no. We did subsequent to that, but not, not during my time.

FRIESEN: What was the main reason for not being able to accomplish that goal?

McCOLLISTER: I suppose a combination of the fact that we didn't do more with the schools.

FRIESEN: But it was, it-- was it lack of funding? I mean, we were-- our revenue stream to the state was barely maintainable. We didn't have any extra money for the floor to spend. Would that be a--

McCOLLISTER: Not like we have now, that's correct.

FRIESEN: And so every time we tried to implement something, we had to either raise the funds somewhere, which was increasing taxes. Is that fair statement?

McCOLLISTER: Yeah. The best analogy is like a balloon. You push, push the balloon in one spot and the, and the balloon--

FRIESEN: So, so you, you were in business a number of years and I, I know you're probably out of that business now, but back when you were operating in your, in your beginning startup years, what kind of tax policy would have helped you the most in, in growing your business to where you were when you retired?

McCOLLISTER: I suppose some of the incentive programs would have helped, but the big-- hardest time we had when-- when I was in business were the 80s-- where interest rates were 15, 16, 17 percent and, you know, we almost bought the farm, so to speak, during that time. But some of those incentive programs would have helped when we expanded our plant and the tax rates, at least for business when we weren't making much money, were irrelevant.

FRIESEN: That's what I was going to kind of mention. When you're a startup company and you're getting going, you're not really paying taxes--

McCOLLISTER: That's correct.

FRIESEN: --because of depreciation and equipment purchases, things like that, so. Again, thank you, Senator McCollister. I, I do think our overall tax policy, we should be looking at how do we help the small startup businesses get going? Those are the ones that are-- grow to eventually and hire in 20, 25, 30 employees, 50 employees. How do we incentivize them to do what they do best and that's create jobs? We, as a state, do not create jobs.

FOLEY: One minute.

FRIESEN: All we do is get in the way of people, again, that do create the jobs. We need to look at that tax policy that does it best and figure out, I guess, in our big scheme of things when we do have revenue to work with, how do we do that? Thank you, Mr. President. With that, I will ask you to pull this amendment.

FOLEY: AM1818 has been withdrawn. Mr. Clerk.

ASSISTANT CLERK: Mr. President, Senator Matt Hansen would offer AM1869.

FOLEY: Senator Matt Hansen, you're welcome to open on AM1869.

M. HANSEN: Thank you, Mr. President. Good afternoon, colleagues. What 1869-- AM1869 does, or at least what its intent is to do, is to eliminate provisions that have sunsetted or since expired. I suggested it to Bill Drafters one way, they sent it down this way. My understanding is that it repeals all of the prior income tax rates for tax years that have since expired. Hopefully, that just cleans up the statute and makes the overall the bill shorter. I did want to talk a little bit, continuing my discussion on tax policy that I had mentioned earlier. And I appreciate some of the discussions we've just had, including the exchange between Senator McCollister, Senator Friesen-- I believe Senator Pahls spoke for a little bit. You know, there have been things we have tried to do in the past in this body that have failed to move forward. And one of the, the reasons for that, and it was said earlier, is, you know, the Governor weighs in pretty heavily on tax bills. And obviously that is his right that a statewide elected official, he should. But I don't want people in this

body or the people at home to think that the Governor's influence on taxes is representative of necessarily the body and vice versa. And so when we talk about some of the things that we've had, the fact that Nebraska pretty clearly has a pretty haphazard sales tax exemption list and lots of people get breaks on lots of kind of special interests, largely the reason we can't solve that has been mentioned is that the Governor's belief that any sort of repeal of an exemption is a tax increase based upon the logic shared earlier, that, you know, if you are not paying a tax today and you're paying a tax tomorrow, even if it's a special tax break we took away from you, that's still a tax increase. And I actually can't criticize or fault that logic at all, but when the Governor weighs in and kind of says that's a nonstarter, kind of threatens a veto on bills that do that, that does take away a lot of negotiating room in this body. I would be hesitant to do some of those things, but I'm not outright opposed to doing some of those things if there truly are some egregious sales tax exemptions that are special interest carve-outs. Because as we talked about making our sales tax and our income tax and our property tax, three-legged stool, I appreciate that we should be mindful of, you know, our constituents, our working families, you know, young parents, retirees, homeowners, renters, everyone, looking at the tax system and how it impacts them and maybe giving one industry or one special interest a sales tax exemption so they can save, you know, 5 percent, 5.5 percent, 7.5 percent, wherever they are in the state each time. It doesn't necessarily line up. The reason I wanted to talk about that, though, is, again, we sometimes have these tax discussions about, you know, who's negotiating with who or who's representing what. I want to-- I appreciate that apparently, Senator Linehan has broached some offers. I appreciate that there's maybe some work the Revenue Committee is going to do over this long weekend. I'd be glad to hear that, glad to see what they come up with. But I just remind everybody about being, you know, representative of who's in the room. You know, sometimes when it's just Revenue Committee members negotiating with the Governor, there's a lot of us who aren't really represented on the Revenue Committee. There are a lot of us, you know, who have different ideological perspectives than most members of the Revenue Committee and so when you limit the negotiations to that, sometimes you don't necessarily get a whole perspective of the body, which I understand is then what floor debate is. But I just kind of want to flag that for everyone because I think that's one of the repeated things that we've seen in this body is occasionally, we talk about an issue is the body is unwilling to do this, the body is unwilling to address sales tax exemptions. The body is unwilling to do that largely because the

Governor has weighed in and said that's a nonstarter for him. The body could exercise its will, exercise its control, look at some of those things if it was willing to stand up against the Governor. That's not necessarily anything I'm proposing today. I don't have a bill to do that. I don't know if we're going to look that way. But when we talk about things we've wanted to do in the past and haven't been able to have done, that's one of the things we're looking at. Additionally-- and just kind of remind everybody and reframe this debate a little bit going forward in the weekend. You know, this bill, LB939, is a combination of a couple of different revenue bills that cut both the individual rate and the corporate rate. And as we look going forward, I mean, I have some strong reservations with giving a larger tax cut to out-of-state corporations who have sales in Nebraska than my individual constituents who live in Lincoln and calling that, like, a bill for, you know, working families, a bill for middle-class families. If we are going to prioritize corporate tax cuts, like, we can prioritize that, but let's talk about it and let's be clear to our constituents that that's like a huge proportion or a huge component of this bill. That tax rate is dropping by, I think, a full percentage, if not more, while the individual rate is dropping by about half. So we, we, we kind of talk about this and so I appreciate the-- that a lot of people that I know can and will get some tax relief if this passes, but I'm concerned that we're using that as a leverage point to pass bigger tax cuts for corporations, Fortune 500 companies, everyone. And again, that's not even necessarily something I outright say we shouldn't do or can't do, but let's have a discussion about what we're trying to incentivize with that. Are we trying to incentivize more businesses moving to Nebraska? Are we trying to incentivize entrepreneurship? Like, what are we trying to do? Because so far, a lot of the debate has just focused on the individual . it hasn't covered any of the corporate provisions at all and what we're intending to do with it. And again, we're talking about a sizable fiscal note and if we want to just kind of have the policy that we can't criticize fiscal notes for being too big because we get to decide, I'm OK walking down that strategy, having that strategy. But when we have another bill to discuss school funding, I don't want to hear people say, well, how are we going to pay for it because we've decided we have plenty of money and everything in the budget is fine. We have issues that come up and come up and come up and what we talk about, the impacts over the future, this is the difficulty we are going to continue to have. We're going to have to continue to balance all of these things together because we do have to balance all these things together. We can't talk about cutting taxes, we can't talk

about lowering tax rates without have being mindful of, OK, what's that going to mean for a future budget, a future Legislature? You know, it'd be easy for me as a term-limited senator to just, you know, do a lot of things because I don't have to clean up any of the issues, intended or unattended, in the future, you know? And I've survived some pretty tough budget years, I've survived some pretty tough years, and I wouldn't want to intentionally or unintentionally cause that for my successors or any of your successors or any of you who get to come back or get reelected and that's why I think being mindful of the whole situation makes sense. Again, colleagues, this is individual, this is corporate, this is a pretty sizable fiscal note, and I think all of these things are deserving of scrutiny, especially as we've heard that the Revenue Committee and Senator Linehan and others want to continue talking over the weekend. So I imagine come next week, we might be looking at even already a different proposal. You know, I've put some time and some effort into figuring out which-- this at least I appreciate. I genuinely do appreciate the charts that we've seen of the numbers in comparison. But when we talk about it, you know, we're talking about corporate and individual and I think we owe it to our constituents to make sure that we know that we're doing both of those things. And that, again, it's not just even corporations located in Nebraska. It's corporations that have sales in Nebraska if they're headquartered out of where and that's something I have some strong issues with. I don't want to necessarily give out-of-state corporations that are going to be making these sales in Nebraska regardless without a good reason. Like, I don't want to give Wal-Mart a break because I don't think our tax rate on Wal-Mart is going to impact whether or not Wal-Mart comes into the state. I, I am not opposed. I don't-- I'm not saying corporations are ever un-- were never worthy of some sort of tax restructuring or tax relief. I've supported business taxes before. But like, let's have a clear reason why we're doing this. Are we going to incentivize sales? Are we going to bring new businesses? Because I don't think we are. To me, this really is just kind of a slashing of the corporate rate that's going to reduce state revenue to benefit people who aren't Nebraskans. And it's really tough that it is stapled together with a bill that is designed to help Nebraskans. And that's some of the things that I think some of us speaking on this issue, that are talking about this issue are really struggling with of if we're going to give out-of-state corporations with sales in Nebraska considerable tax relief, more tax relief percentage wise than individuals, why? I mean, that's kind of the fundamental reason is why.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 17, 2022
Rough Draft

FOLEY: One minute.

M. HANSEN: And we haven't had as much debate and much discussion on the floor about that as maybe we could or we should. I appreciate the debate this morning. I've tried to listen to as much as possible. I know most of us have been in Exec Session for at least some of this morning, so we'll come back on Tuesday and keep working on it. Thank you, Mr. President.

FOLEY: Thank you, Senator Hansen. Items for the record, please.

ASSISTANT CLERK: Thank you, Mr. President. The Appropriations Committee, chaired by Senators Stinner, designates LB340 as the committee priority bill. Additionally, the State Tribal Relations Committee has designated LB872 as their committee priority bill this year. The Committee on Revenue, chaired by Senator Linehan, reports LB864 and LB1116 to General File, LB1116 having committee amendments. Name adds: Senator Vargas, LB779; Brewer, LB906; [Matt] Hansen, LB930 and LBB935; Flood, LB964; Groene, LB1015; Murman, LB1074; Slama, LB1086; Matt Hansen, LB1137; Blood, LB1233; Flood, LB1273; Murman and Gragert, LR284; and Senator Pahls to LR296. The Natural Resources Committee will hold an Exec Session following the conclusion of their hearing today. Additionally, the Government Committee will hold an Exec Session follow-- after their hearing in Room 1507. Finally, Mr. President, a priority motion. Senator Murman would move to adjourn the body until Tuesday, February 22 at 10:00 a.m.

FOLEY: Members, you heard the motion to adjourn till Tuesday at 10 a.m. Those in favor say aye. Those opposed say nay. We are adjourned.