

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 28, 2022

**LINEHAN:** Thank you very much, Senator Flood. OK, we go. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent the 39th Legislative District. I serve as Chair of this committee. The committee will take up the bills in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. Your hearing today-- our hearing, excuse me, today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit hand-outs. It is important to note if you are unable to attend the public hearing and would like your position stated for the record, you must submit position and any comments using the Legislature's online database by 12 p.m. prior-- 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. You must use the online database in order for it to become part of the permanent record. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please turn off cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We will need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes, if necessary, and we will use the light system so you have four minutes on green and then when you turn to yellow, you should wrap up. If there are a lot of people wishing to testify, that doesn't seem to be an issue today. If your remarks were reflected in previous testimony, or if you would like the position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. First, I would like to introduce committee staff. To my immediate right is legal counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. To my left at the far end of the table, the committee clerk Grant Latimer. The committee members with us today will introduce themselves, beginning with Senator Pahls.

**PAHLS:** Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

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

**FLOOD:** Mike Flood, District 19, all of Madison and southern Pierce County.

**ALBRECHT:** Joni Albrecht, District 17, Wayne, Thurston, Dakota, and a portion of Dixon County.

**LINEHAN:** And young ladies, if you please stand up. Our pages today are Kennedy, who is at UNL studying political science, and Ashlyn, who's at the University of Nebraska, also studying political science and national security. Thank you, ladies, for being here. Please remember that the senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for reporting purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. With that, we were going to start the hearing with Mr. Rob Hotz for a reappointment. It's reapportionment to the Tax Equalization and Review Commission for TERC. Hi.

**ROB HOTZ:** Thank you. Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Rob Hotz, R-o-b H-o-t-z. I was recently reappointed by Governor Ricketts to continue serving on the Tax Equalization and Review Commission as the commissioner from the 1st Congressional District. Thank you for your consideration of my reappointment today. I am one of two attorneys who serve on the commission. I've been licensed to practice law since 1994. I graduated from the University of Nebraska in 1984 and the law school in 1994. I grew up in Grand Island. I graduated from Grand Island Senior High, and my five children have been raised as sixth generation Nebraskans. Since my first appointment to the commission in 2007, I have been directly involved in the resolution of thousands of appeals to the Tax Equalization Review Commission. On average, we resolve about 1,500 appeals per year. Since 2011, I have presided over hundreds of single commissioner hearings and panel hearings for the commission. While serving as a commissioner, I obtained and still hold the State Assessor Certificate, which is required of all assessors and deputy assessors in Nebraska, and I have completed more than 180 hours of real property appraisal courses. Since 2007, I've also earned several certificates for courses at the National Judicial College, and I have completed basic mediation training as recognized by the Nebraska

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Supreme Court, Office of Dispute Resolution I'm a member of the National Association of Administrative Law Judiciary and I've served on the Planning Committee of the National Conference of State Tax Judges every year since 2012. At those conferences, I've been invited as a speaker and moderator of several sessions over the years. In 2016, at the National Conference of State-- State Tax Judges, I was designated as the tax judge of the year at that National Conference. I remain committed to the process of providing full and fair hearings and affording taxpayers with due process of law in our proceedings. I am respectfully requesting your approval of my reappointment for confirmation-- and confirmation of that reappointment. Thank you for your time and attention today. I'd be happy to answer or try to answer any questions you may have.

**LINEHAN:** Thank you very much for being here, Mr. Hotz. Are there questions from the committee? Senator Albrecht.

**ALBRECHT:** Thank you, Chair Linehan, and thank you for being here. You're reappointed. How long have you served on Terc-- on the Terc?

**ROB HOTZ:** Since 2007.

**ALBRECHT:** 2007, you said, OK. First, I want to thank you because that has to be the hardest job in the state. I can't believe the number of-- of cases that you must have to-- is there a waiting line right now, like to hear?

**ROB HOTZ:** Because the commission by statute, the filing deadlines are in August and September. All of the appeals get filed for one tax year all at once. So unlike a court where filings could come throughout the year--

**ALBRECHT:** Any time.

**ROB HOTZ:** --we get piled on, if you would, in August and September. Before COVID, I'd say we were running approximately six months behind, and the calendar is a careful calendar here. Tax year 2022, the effective date is already January 1, but we won't see those until August, September. We'll do jurisdictional matters and hearings, and then you start scheduling in earnest later, almost toward the end of that same tax year. So we're always-- we would appear to be one year behind always. So I would generally add about six months to that. And then with COVID, we were affected. I don't know that I can measure exactly how much that effect. We have still been able to do a large amount of the hearings. We still have individuals who cannot come to

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testify or attorneys representing the parties and say, I have to quarantine now and so on, and we have to see continuances and so on. But we're working our way through that.

**ALBRECHT:** OK, well, thank you very much for serving. Appreciate it.

**ROB HOTZ:** Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Other questions from other-- Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. Sorry, I'm here late, and I hope nobody's asked other questions, but I was curious as on the Board of Equalization, what percentages of the-- the issues that you handled deal with commercial property where somebody is protesting their value or residential. Is there a majority of one or the other or is it pretty well across the board?

**ROB HOTZ:** We generally have commercial and residential, as you said, and also agricultural-- agricultural would be the least of the number of appeals that we get generally. And residential and commercial statewide, it probably balances out fairly closely, similar number. But of course, as you're aware, the values of those properties could go from hundreds of dollars to, you know, tens of millions of dollars.

**FRIESEN:** Have you ever had a case where an assessor brought property valuation issue before you, where the county and assessor didn't agree on a-- certifying their values.

**ROB HOTZ:** Yes, that's fairly common. The statutory provision allows assessors to appeal the county board determination if they wish to. And we see those fairly regularly.

**FRIESEN:** Is there-- is there-- generally do you have to raise or lower levels when that happens?

**ROB HOTZ:** Similar to any case brought by a taxpayer, it's an evidentiary hearing and we consider the evidence and if there's clear and convincing evidence, which is the burden of proof, we're going to lower that value.

**FRIESEN:** Have you ever had a case where you've had to raise those values?

**ROB HOTZ:** Rarely from-- if-- if a county assessor comes in and says the county board determination was too low, it really should be up

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here. And in order to maintain the equalization with all of the other properties of that class or subclass, we-- we-- we need to make sure that doesn't stay down or go down. They need to give us notice of intent to raise the value. If they do and the evidence is there, we would do that.

**FRIESEN:** OK, thank you.

**ROB HOTZ:** Yes.

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

**ROB HOTZ:** Thank you very much.

**LINEHAN:** With that, we will close the hearing on the reappointment of Mr. Hotz and open the hearing on LB701. Welcome, Senator Williams.

**WILLIAMS:** Good afternoon, and thank you, Chairman-- Chairwoman, excuse me, Linehan, and members of the Revenue Committee. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, from Gothenburg, representing Legislative District 36. Thank you for the opportunity to introduce LB701. LB701 is a bill that was brought to me by the Nebraska State Chamber of Commerce. The sunset extension dates were selected in consultation with Suzanne Geist in her capacity as Chair of the Performance Audit Committee. LB701 does two things. First, LB701 extends the sunset date for the Nebraska Advantage Research and Development Act by one year from 2022 to 2023. Second, LB701 extends the sunset date for the Nebraska Job Creation and Main Street Job Development Act by five years from 2022 to 2027. The extension dates are in keeping with the timeframes established by the Legislature's Performance Audit Committee that established the statutory mandate that business incentive programs be audited by the Performance Audit Committee once every five years. With regard to the R&D Tax Credits, this program was last audited by the Performance Audit Committee in 2017. It is scheduled for another audit this year. The extension of the program to 2023 then puts the program in the Performance Audit Committee's established five-year cycle. Estimates for their R&D Tax Credit program show that every \$1 in research and development tax credits generate anywhere from \$2 to \$4 in research and development spending. Estimates also show that a 1 percent increase in the share of research and development expenditures in the yield, yields 2.2 percent increase in real GNP growth. I would also point out that Blueprint Nebraska report from 2019, which noted research and development was an essential component to encouraging innovation and

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entrepreneurship. I think it is important that we continue the excellent work of this program by extending its sunset date this one year and to ensure no interruption in support and research and experimental activities. To give you some context so that we are all on the same page, in 2020, the R&D tax credits claimed were 10.2 million and the year before in 2019 they were 7 million. These can be found in the Department of Revenue's annual tax expenditure report. Moving on to the Job-- Nebraska Job Creation and Main Street Job Development Act tax credit, this program was audited just last year. Extending the program to 2027 also corresponds to the next scheduled performance audit for the program. The program, commonly referred to as Nebraska historic tax credits, provides incentives for the redevelopment, rehabilitation, revitalization of historic properties and districts in Nebraska and encourages private investment in historic buildings. This investment has several benefits, such as providing new uses for underutilized buildings, the creation of new housing units in potentially unserved areas, and revitalization of communities and neighborhoods in downtowns called Main Streets. It is important we continue to leverage private investment in new building and building vibrant communities that attract and retain new families and talent. The Nebraska Job Creation, Main Street Job Development Act provides up to 15 million in Nebraska historic tax credits to be allocated annually. The credit is equal to 20 percent of eligible expenditures incurred for improvements to qualifying historic least significant real property and is limited to \$1 million per tax credit per project. Historic tax credits may be used against income tax, the premium tax imposed by insurance companies or the franchise tax imposed on financial institutions. An analysis of the program in 2018 shows that the historic tax credits had nearly a \$184 million impact on the state's economy, while supporting 2,457 jobs with a total impact of 82.7 million in wages. Many of the projects that benefited from the tax credits were in distressed areas of the state. Finally, the study showed that for projects with available property tax data, 78 percent showed property tax value increases in the following year. I thank you for the opportunity to introduce LB701. There are testifiers behind me who will be able to answer your specific questions about the programs, but I would be happy to take any questions specifically about the extension of the sunset dates. Thank you, Madam Chairman.

**LINEHAN:** Thank you, Senator Williams. Are there questions from the committee? Seeing none, thank you very much. Are you going to stay close? First proponent.

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**NICK PANKO:** Good afternoon. My name is Nick Panko, N-i-c-k P-a-n-k-o. I'm vice president of CFO Services in Omaha, but here today on behalf of the Nebraska Chamber, Greater Omaha Chamber and Lincoln Chamber of Commerce and the Nebraska Bankers Association in support of LB701. Specifically, my comments will focus on the R&D credit portion of the bill. I know there's others here that will speak to more on the historic side of the bill, so just talking about the R&D credit. Specifically, what is the Nebraska R&D credit research and development-- the tax credit for research development? So it'll focus on for new products, improving manufacturing, developing software, just a few examples of the types of activities that can get picked up in the R&D credit. It'll hit a lot of different various industries that have benefits, be it from the agricultural complex, food production and again, manufacturing is a big component of capturing that credit. It's not specific to a region, just the state. So any R&D-- R&D that's done within the state doesn't be depending on if it's an urban or rural area. And then-- but it does have a relationship to the federal R&D credit that's out there from Internal Revenue Code. How is it calculated? You take your federal R&D credit and then there either through your-- there's a proportion that kind of determines how much goes to Nebraska, and then the regular credit is 15 percent. There's also an enhanced component for research done on campus, which is 35 percent. It's allowed to be claimed over 20 years for the business. And then there's also an E-Verify component requirement in the bill. How do business use it-- use the R&D credit? There's three uses. There's a refundable portion through income tax. There is apply to sales and use tax. And then there's also that you can distribute the credit as if it's a flow-through or partnership or S corp to the partners or shareholders. I would say the biggest benefit that we see is going to be the refundable portion of the credit because it does allow, for example, start-up companies are able to actually utilize that credit when they typically don't have the ability to do that until they're generating income from their business. But it also encourages larger companies and enterprises to continue that investment into R&D, to keep pace with technology and also just, you know, customer demands that come out. And why does it matter? Most other states have a R&D credit in some form or version. This credit, as long as-- you know, as well as other business incentives in just, you know, kind of the-- the, well, you know, research workforce helps Nebraska stay competitive in the marketplace. So I appreciate you hearing my comments. I'd be happy to answer any questions at this time.

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**LINEHAN:** Thank you very much, Mr. Panko. Are there questions from the committee? So this-- I'm looking at the fiscal note. Do you have the fiscal note?

**NICK PANKO:** I do have that in front of me.

**LINEHAN:** So you're the 23-- '23-24, it's \$446,000?

**NICK PANKO:** That's what it says here, yes.

**LINEHAN:** So it's not a very big program.

**NICK PANKO:** Well, I mean, I'm-- I'm not too familiar with--

**LINEHAN:** Guess it depends who is--

**NICK PANKO:** --how the fiscal--

**LINEHAN:** --who is looking at it.

**NICK PANKO:** Yeah, with the fiscal note, I'm not too familiar with how that's calculated. So but that's what the number is listed here.

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

**NICK PANKO:** Thank you.

**LINEHAN:** Next proponent. Good afternoon.

**TREVOR JONES:** Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Trevor Jones, T-r-e-v-o-r J-o-n-e-s, and I am director and CEO of History Nebraska, the state's historical society. And today I am speaking in favor of-- speaking in favor of LB701, which will extend the Nebraska Create-- Job Creation and Main Street Revitalization Act for five years. This act is more commonly known as the Nebraska Historic Tax Credit, and it's a program that my agency administers in cooperation with the Department of Revenue, and the tax credit has been a success since it has been implemented. And coming around to you is a report from the Bureau of Business Research with a full breakdown of its impact if you're interested in the deep dive. But just to sum that up, the Nebraska Historic Tax Credit has had an economic benefit of this point at in excess of \$200 million, and the program has returned over \$7 for every one the state has invested in the program. And I-- you can break down the numbers and we can talk about those in more detail if you'd like, but for me, the



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value of historic preservation goes beyond these impressive numbers. The Historic Tax Credit program has been a financial success, but the true value of historic preservation is how it improves the quality of life for Nebraskans. And we've seen this in programs that-- projects like in Hartington, where one single tax credit program rehabbed the Main Street business, created a rental space and then created downtown housing. And then, just as significantly, the single tax credit in this community inspired several other property owners in Hartington to make improvements to their own businesses, and they helped revitalize the entire downtown. And the tax credit has been used for numerous multi-million dollar projects like the amazing Cottonwood Hotel project in Omaha, but I must confess that my favorite personal tax credits are the smaller ones. I really like projects like the Palace Hotel in Pender, which created 16 apartments in the town of a thousand people. And we've got two new, really exciting, projects in Kearney that are building downtown apartments in what were formerly vacant buildings that were contributing nothing to the tax rolls. And so I've been all around the state visiting tax credit projects. And one of the really most exciting things is that the vast majority of these efforts are undertaken by young entrepreneurs who believe in their communities and want to invest in them. And the Historic Tax Credit is the catalyst, the spark that makes that investment possible. So renovating existing buildings as opposed to building new ones is-- it's cost effective. It's environmentally sustainable. The greenest building is the building that is already built, and it maintains a sense of place and connection. So historic buildings are typically often near the city center, and investment in them maintains vibrant downtowns, and it creates housing for workers where people want to live. And so Historic Tax Credit projects create virtuous cycles of business development, and it helps us maintain community anchors in Nebraska. But I also want to point out that the tax credit is not free money. It requires adherence to rigorous preservation standards. And although it provides tax relief to property owners who receive the credit, it also requires them to make a significant private investment and contribution to economic development. It's a 20 percent tax credit. And this has been a successful approach since 2015, and LB701 will ensure that the Nebraska Historic Tax Credit will continue to strengthen the state and improve our quality of life. And I thank you for considering the extension of this important program.

**LINEHAN:** Thank you very much. Are there questions from the committee? Senator Albrecht.

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**ALBRECHT:** Not so much a question, but thank you for mentioning the Pender, and invite anybody to come up. It was quite a project and the community is just ever so grateful, so.

**TREVOR JONES:** And we also have the Dr. Susan LaFlesche Picotte Hospital in your district as well, Senator. It's a tax credit project.

**LINEHAN:** Thank you, Senator Albrecht. Senator Friesen and then Senator Pahls.

**FRIESEN:** Thank you, Chairwoman Linehan. One of the complaints I heard once was that unless it's a very large project it's too complicated and too hard to apply and people are not using it unless it's a \$5-\$10 million project. Is that the case or is that why we're seeing so few projects in rural Nebraska?

**TREVOR JONES:** I-- we've definitely transformed that from the first years of the project, Senator, where it was all big projects and they were almost all out of Omaha. And I think that's a result of a whole lot of pent-up demand for that where we had developers that were there. But actually, since 2015, it has been more smaller rural projects in the numbers, not the dollar amounts. Those tend to be smaller than it is those-- those great big ones. So it's really transformed that we have seen projects all around the state and they have been much smaller. Now, my personal opinion is that one way in future years that this program could be improved was actually would be to lower the minimum investment in-- so that you could use those-- those credits and actually make it smaller because we actually do-- one of the other complaints that we get is, well, I want to put a new roof on my building, but it's only going to cost me \$15,000 and so I can't qualify for the tax credit. And I'd like to do that, and I feel like that's a-- you know, that's a barrier that we could eliminate for people, but no, we have done some-- some, you know, improvements to the-- to the tax credit system with Department of Revenue over the years. And I think those have solved a lot of those problems from the early days.

**FRIESEN:** OK, what is the minimum?

**TREVOR JONES:** It's \$30,000 now, but I think taking that down to 15 would be great.

**FRIESEN:** OK. All right. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Senator Pahls.

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**PAHLS:** Thank you, Chair. Since we heard about Pender, which I think is a great place to be from, I'm going to sort of talk to the Cottonwood before they they took a bunch of us through Blackstone and what they had to do to retain some of the characteristics of that old building. It just transformed that part of the neighborhood. That's a great-- if you ever have the chance, you ought to go to the old Blackstone. They call it the Cottonwood now because of the name. They couldn't use that name again, so that was a great utilization.

**TREVOR JONES:** It's a fantastic building. It's amazing.

**LINEHAN:** Thank you, Senator Pahls. Are there questions? It's 20 percent of what-- 20 percent of what they spend or invest?

**TREVOR JONES:** Yes, 20 percent of the total-- total project.

**LINEHAN:** So is there any maximum amount?

**TREVOR JONES:** It's a million dollars is the maximum credit that can be received, not the maximum of the project. It's 20 percent of-- of the total expenditure.

**LINEHAN:** So it could be a \$5 million project.

**TREVOR JONES:** Yep, or \$100 million project, but they still only get a million.

**LINEHAN:** But can-- can they-- I don't know what-- what's the term I'm looking for? Can they stack incentives on top of each other?

**TREVOR JONES:** Yes. And I would say about 50 percent of the people that use the tax credit stack the state credit with the federal credit as well because there is a federal historic tax credit. And that raises the bar because then you're dealing with the National Park Service and then you're basically saying, I'm going to adhere to an even higher preservation standard by doing that because you have to jump through the federal hoops as well as our hoops.

**LINEHAN:** And what's the federal credit-- 20 percent too?

**TREVOR JONES:** It-- it's-- depends on which program you're using, but it ranges between 15 and 20 percent, depending on.

**LINEHAN:** And then is it a refundable credit?

**TREVOR JONES:** From the feds or from--

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**LINEHAN:** No, from the state.

**TREVOR JONES:** No, the department-- we turn it all over to the Department of Revenue and what the Department of Revenue does is they-- they audit the receipts for the entire project and then they issue the credit after-- after the project has been concluded.

**LINEHAN:** OK. But by refundable, what I mean is even if they don't owe income taxes, do they get money back?

**TREVOR JONES:** They can, if-- so, if you're-- the credits are transferable. So if they don't need them, they can be sold.

**LINEHAN:** OK. Other questions? Thank you very much for being here. Appreciate it.

**TREVOR JONES:** You're welcome. Thank you.

**LINEHAN:** Good afternoon.

**RYAN DURANT:** Good afternoon, Chair Linehan. Ryan Durant, R-y-a-n D-u-r-a-n-t, 1110 North Skyline Drive, Elkhorn, Nebraska. She's laughing because I bugged her a lot last year. So I'm glad to be in front of you. I can tell you the historic program has been instrumental to some things that I'm currently working on. I've got about \$60 million worth of projects going on, Fremont, Nebraska. We're taking the 505 building, which was built in the early 1900s as a bank and an office for professionals, doctors, attorneys. It's been sitting vacant for about 12 years and converting it into 28 apartments and commercial space on the main floor, which will be used for small businesses down on Main Street. There was a study that Fremont had done of the downtown, and they called the 505 the catalyst for the redevelopment of the Main Street in Fremont, Nebraska. And we are now in 2022 making that happen, but it would not be without programs like this. I took the building over in 2019 and we did not start construction until 2021. Obviously, we understand 2020 was an interesting year, but we did stack a number of incentives. In fact, the city put a million dollars into the project because they believed in what we were trying to accomplish. But I can tell you, the state credit was instrumental in getting us through the process. It was real money that helped move things forward because the things that people don't think about are-- we had to put a new elevator in, which is not very cheap. We had to put sprinklers in to make it safe. So there's a lot of cost when you go into older buildings to bring them up to today's standards because today's standards are obviously very

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different than previous standards. So we are, you know, very excited. We actually have our first, you know, resident sign a lease last month and a lot of people are excited to get the apartments and we're excited to get some commercial users on the main floor. It's been sitting vacant for a very, very long time. I'm also working on Dana College campus. We just got that nominated for Historics through the National Park Services in August of 2021. We're taking two of the former dormitories and converting them into housing for kids who are aging out of the foster care system and setting up some programs to help them, you know, hopefully guide them through and keep moving on with life. So we're really excited about that. And then the other project is in Plattsmouth, Nebraska. We're taking a former high school and converting it into 41 units. We're taking 25 and putting it into a historic building, and then we're actually taking some new construction in the parking lot to create 41 new units in Plattsmouth. You know, these communities are, you know, definitely have not seen a lot of new housing and so, you know, I think these are different and unique and people are very excited. And I should-- I should also say that Plattsmouth actually threw a million dollars behind the project too. So it shows you the commitment and what these buildings mean to these communities, because if they didn't believe in it, they wouldn't throw that kind of money behind them. So I can tell you, but I won't tell you what communities. I did look at two rural communities this year because I'm under homeowner contractor yet and I don't want to give that up. But one was a-- a middle school in a small community. And then this week I looked at an old hospital in a community of 7,000 or less, so the program can be used in both urban and rural. I don't want it to be, you know, it's only an urban thing or rural thing, so it can be used in any of the communities. I think we could improve it, but that's for another day. I'd just like it accepted.

**LINEHAN:** Thank you, Mr. Durant. Senator Pahls.

**PAHLS:** Thank you. It really pleases me that-- that you really actually trying to save what I call downtown Fremont because that is a very unique community. And I know they've lost the last couple of years, some significant old businesses. So I appreciate that. I've had some bad-- or some past connections with Dana College.

**RYAN DURANT:** Yeah.

**PAHLS:** With Dana College, and that's great that you're doing that. And another good town, is the town that your-- Plattsmouth?

**RYAN DURANT:** Yep.

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**PAHLS:** It's another one of those unique towns. There's so much characteristics. Those towns are just full of life and so that-- you make me feel good.

**RYAN DURANT:** Yeah. No, there are many of those communities. Honestly, I've been to two of them just in the-- in the last couple of weeks, and I'm very excited about those opportunities. But again, if this went away, it would certainly change my mind on whether I'm going to move forward and put those buildings under contract.

**PAHLS:** Thank you.

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

**RYAN DURANT:** Thank you very much.

**LINEHAN:** Next proponent. Good afternoon.

**CAROL BODEEN:** Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association, NHDA. Our address is 3883 Normal Boulevard, Suite 102, in Lincoln, Nebraska, and I'm here today to testify in support of LB701. The Nebraska Housing Developers Association is a membership organization with over 70 members from across the state. Our mission is to champion affordable housing. We do this by supporting statewide renter and home buyer education programs, offering assistance to affordable housing developers, and by advocating for policies that support safe and affordable housing. It's our goal that Nebraskans of every income have the cornerstone foundation of a healthy and affordable home. Our members include nonprofit and for-profit developers, nonprofit organizations that provide housing services, government agencies and economic development organizations. The Nebraska Housing Developers Association is in support of this legislation, which extends the Nebraska Historic Tax Credit, NHTC. As developers and providers of affordable housing, we would like you to know that the NHTC is a valuable tool, which our membership has often utilized to develop and preserve affordable housing across Nebraska. NHTC has been paired with public subsidies such as the low-income housing tax credit and new market tax credits to make previously impossible projects financially feasible. The result is not only the preservation of historically significant buildings, but also the provision of the safe quality housing for Nebraska's low- to moderate-income residents. Historically,

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significant-- significant buildings are often in older areas of communities and near city centers. Utilizing these tax credits for affordable housing projects typically results in increased financial investment in economically distressed areas and includes affordable housing in these downtown areas, which are often closer to employment and transportation opportunities. By maintaining the Nebraska Historic Tax credits with the extension of the Nebraska Job Creation and Main Street Revitalization Act, we continue to make Nebraska a most welcoming state for development and maintenance of affordable housing. I ask that you support and advance LB701. And I thank you, and I'm happy to take any questions from the committee.

**LINEHAN:** Thank you, director Bodeen. Are there questions from the committee? Seeing none, thank you very much.

**CAROL BODEEN:** All right. Thank you so much.

**LINEHAN:** Next proponent. Any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Letters for the record. Go ahead, Senator Williams, I know that we have-- we did have four proponents and no opponents and no one in the neutral position for comments for the record.

**WILLIAMS:** Thank you for your attention. The goal-- the clear goal of LB701 is to not only extend the sunset dates, but also match these sunset dates with the five-year audit requirements with performance audit. That's again why the R&D credit is being asked to extend that just for one year to match with that and the Historic Credit for the five-year period. We deal a lot with tax credits, and I believe that tax credits are here to incent investment in activities that we think are important, growing our state, helping improve and grow entrepreneurship and innovation. And as you've heard, clearly help us with the revitalization of Main Streets in our communities, large and small. With that, I would encourage your advancement of LB701. Thank you.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none, thank you very much. And that brings the hearing on LB701 to a close, and we will open on LB702.

**WILLIAMS:** Thank you again, and good afternoon again, Senator Linehan, and members of the Revenue Committee. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s. I'm from Gothenburg and represent Legislative District 36. I'm here today on behalf of First Five Nebraska to introduce LB702, which would extend the sunset date of the School

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Readiness Tax Credit Act for an additional five years. The program is primarily administered by the Department of Education in conjunction with the Department of Revenue. In 2017, Nebraska became just the second state in the nation to offer up to a \$5 million annually tiered tax credit as quality improvement incentives for child care providers and individual early good-- early childhood employees. The credit was made possible through the passage of LB889, the School Readiness Tax Credit Act introduced by Senator Mello, and in 2020, LB266, introduced by Senator Lindstrom. That was passed to correct statutory language to help expand the program. The School Readiness Tax Credit offers a refundable income tax credit for individual child care employees who maintain a profile in the Nebraska early childhood professional record system and have been employed by an eligible child care program for at least six months. The amount of the credit corresponds to the employee's professional classification as-- as defined by the educational credentials, training, work history and similar factors. Secondly, it offers a nonrefundable tax credit to individuals and businesses who are ranked according to a program administered by the Department of Education. The amount of the credit is equal to the average number of children attending the program monthly, multiplied by a specific dollar amount corresponding to the program's rating. The original School Readiness Tax Credit Act reached its sunset in 2021 as-- right at the time we were having an increase in number of providers throughout the state that were able to take care-- or take full advantage of the program. LB702 would establish a new sunset of January 1, 2027 and cap the tax credit program at \$5 million per year. To give you an idea, in the first year, which was 2017, there were a 142 approved at-- attestations and that amounted to \$178,000. That has steadily increased to-- in 2020, the last year that we have information today, 476 applicants that were-- were approved attestations in an amount of \$684,000, still a long, long ways away from the \$5 million cap. Nebraska, as we all know, is facing an unprecedented work shortage. Attracting a quality workforce requires the availability and affordability of quality child care. Yet over the past two years with the pandemic, the availability of child care has diminished. Data from the Nebraska Department of Labor showed a 7 percent reduction in the child care workforce from 2020 to 2021. The data also showed there was a 7.4 percent decrease in providers since 2019. As a result, we've seen more programs limit the number of children they serve or close entirely because they cannot meet required teacher to child ratios. Quality child care programs and the professional educators who operate and work there need the support of the School Readiness Tax Credit. It provides an important part of broader, long-term efforts to strengthen and incentivize the child



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care programs and personnel we depend on to activate the statewide network in all areas of business and industry. Those who testify after me on this bill will be able to expand more on-- on the content and components of the tax credit program. I would just say that in working over these past few years, as much as I have in early childhood education and child care and also being an employer, this is a really, really big issue. Child care providers are losing employees to McDonalds, to Walmart because they get paid more and they don't have to put up with the issues of dealing with that. This is one way that we can help add some help to that and help our employees. With that, I would be happy to try to answer any questions. Thank you, Senator Linehan.

**LINEHAN:** Thank you, Senator Williams. Are there any questions from the committee? Seeing none. Good afternoon.

**ELIZABETH EVERETT:** Good afternoon. Chairwoman Linehan, and members of the Revenue Committee, my name is Elizabeth Everett, spelled E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t, and I'm the deputy director of First Five Nebraska. First Five Nebraska is a statewide public policy organization focused on policies that promote quality, early learning environments for our youngest children. I'm here today to testify in support of LB702 and would like to thank Senator Williams for introducing this important legislation. As Senator Williams mentioned in his opening statement, Nebraska Child Care System is facing serious challenges that have implications for our state as a whole. COVID-19 has destabilized the child care marketplace, resulting in significant attrition and early childhood professional workforce and licensed child care programs. We know that these challenges have cascading social and economic effects. They undercut the ability of parents to reenter the workforce, provide for their families and meet the needs of Nebraska employers. In a larger sense, they also undercut our ability to market in Nebraska communities as a desirable place to put down roots, raise a family and pursue a career to grow a business. While emergency federal assistance can help shore up weaknesses in Nebraska's child care system, in the short term, we also need to adopt incentives to recruit, retain, and develop a skilled early childhood workforce over the long term. Nebraska is one of only two states in the nation to both-- offer both refundable and nonrefundable credits to encourage early childhood educators and business owners to remain in this crucial industry. As Senator Williams explained, the refundable credit is intended to benefit child care employees, while the nonrefundable credit primarily benefits childcare businesses. The qualifications in the tiers for the tax credits or amounts are outlined in the policy brief that I provided to the committee. We have

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seen growing usage of both tax credits types since they were initially adopted in the Legislature. However, with the sunset of the scoring this tax credit program taking place in the 2021 tax year, we'd be losing one of the few existing incentive-- incentives our state offers to child care professionals and programs. This past summer, First Five Nebraska worked with Senator Stinner on LR162, an interim study to examine providers attitudes toward the tax credit program and how it can be improved. Overall, we found that the majority of providers we spoke to want the School Readiness Tax Credit to continue. Many of these professionals felt the program was an indicator of their value to their communities and state. It indicated that the tax credits encourage them to remain in their child care industry rather than seek opportunities elsewhere. In fact, the number of individuals claiming the refundable credits specifically increased by 234 percent since 2017, demonstrating rapidly growing interest in the tax credit program. The scoring in this tax credit is reauthorized. We expect to see the number of child care providers who take advantage of these incentives to increase even further. To that end, we have worked with Senator Morfeld to introduce a companion bill, LB868, which would increase the flexibility of the base education requirement and help more providers become eligible for the refundable credit. At the same time, LB702 encourages more programs to participate and Step Up to Quality and more early childhood professional to pursue additional training and work experience so they can qualify for the higher tiers of the tax credits. The School Readiness Tax Credit is meeting its legislative goals by improving the quality of care and incentivizing more programs to remain open and more professional educators to remain engaged in the child care workforce. By extension, these successes are helping our state offer social, educational and economic opportunity for its residents. For these reasons, I hope you'll vote LB702 out of committee. Thank you again for allowing me to testify and I'd be happy to answer any questions.

**LINEHAN:** Thank you, Ms. Everett. Are there questions from the committee? Seeing none, thank you very much.

**ELIZABETH EVERETT:** Thank you.

**LINEHAN:** Other proponents? Are there other proponents?

**KRISTEN HASSEBROOK:** Chairman Linehan, my name is Kristen Hassebrook, K-r-i-s-t-e-n H-a-s-s-e-b-r-o-o-k. I'm here today in support of LB702 on behalf of the Nebraska Chamber, the Greater Omaha Chamber, and the Lincoln Chamber of Commerce. Lack of available talent, in addition to factors that heavily impact community population growth, are

dominating the priorities of business leaders in 2022. Approximately 300 community business leaders weighed in on top issues and opportunities impacting their growth of businesses and communities over the course of this summer, and when asked to rank their top three challenges and opportunities, 54 percent put education and childcare in the rankings. It's apparent from the raw notes from these sessions that we conducted that child care workforce is a critical component to business success as it serves as a workforce enabler, supporting both the current and future workforce. The School Readiness Tax Credit supports working parents returning to work and helps essential child care providers recover and growth of the pandemic. As you've heard, there is anecdotal evidence that many high quality childcare providers have either delayed retirement or have been able to use the tax credits benefits to remain in this important field. The School Readiness Tax Credit also ensures consistent, high quality early childhood education across Nebraska. On its face it obviously requires participants to participate in our state, Step Up to Quality program or the quality program and rating system that we have here in Nebraska. And as you've heard, there has been shown a correlation between increased credit usage and participation in that program. The theme today on tax credits is to keep the momentum going. Losing these tax credit tools just for communities and businesses are ramping up. Efforts to help parents return to work and attract new residents could set Nebraska back and slow our progress of economic recovery. We'd encourage your support of LB702 and I'd be happy to answer any questions.

**LINEHAN:** Thank you. Are there any questions from the committee?  
Senator Pahls.

**PAHLS:** Thank you, Chair. You said there was a survey and how was this ranked, this particular issue?

**KRISTEN HASSEBROOK:** So we conducted a survey and did listening sessions across Nebraska with business leaders, so essentially key business leaders across Nebraska. And we asked them to rank their top, three to five business issues and 54 percent put education and childcare in their top three.

**PAHLS:** OK, so, in the top three, what was number one?

**KRISTEN HASSEBROOK:** Workforce, which is also directly like, that's why I wanted to highlight kind of the raw notes that that we took from these sort of listening sessions, which sort of show that

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workforce-slash-child care workforce kind of as its critical component. You know, kind of an entirety, kind of fits together.

**PAHLS:** OK, thank you.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions from the committee? Seeing none, thank you very much for being here. Next proponent. Go ahead.

**JENNY NELSON:** Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Jenny Nelson, J-e-n-n-y N-e-l-s-o-n, and I am a current employee at the University of Nebraska-Lincoln Children's Center, and I am here to support the possible extension of the School Readiness Tax Credit Program. I have been an active supporter and participant of the program since it began. Working in the child care field for over 20 years has brought an abundant number of positive experience throughout my career, but also some difficulties. The economical support provided by the School Readiness Tax Credit has enabled me to become more stable and secure financially. Although monetary reasons were not what motivated me to choose a career in this profession, the extra financial assistance this program offers has-- has been life changing. There are several times throughout the year when I am left with no option but to spend my personal income on items needed for my classroom, which can bring strain to an already underpaid line of work. The Step Up to Quality program has also encouraged me to become a more knowledgeable educator. I take numerous training hours every year, which have brought in my understanding on several critical topics associated to the early childhood field. In conclusion, I would like to make one last point the most important-- the most important, in my opinion, I created Step Up to Quality for bringing recognition to them the importance of early childhood education. Unfortunately, there is much stigma associated with the profession, babysitters vs. teachers, which Step Up to Quality has dramatically decreased by educating parents, families and the public of the importance of early childhood learning. Thank you for your time and consideration.

**LINEHAN:** Thank you very much. Are there questions from the committee? Senator Pahls.

**PAHLS:** Thank you, Chair. I see you work with the University's Children's Center.

**JENNY NELSON:** Yes.

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**PAHLS:** I'm not asking for yours, but what's the average salary? I'm just curious.

**JENNY NELSON:** Starting wage right now is about \$16 an hour for a full-time employee.

**PAHLS:** How-- how far, I mean, how far can you go up?

**JENNY NELSON:** I've been there over 10 years now, and I'm at \$20 an hour.

**PAHLS:** So you could get a really good job at Target for almost--

**JENNY NELSON:** Exactly. Yeah.

**PAHLS:** Thank you.

**JENNY NELSON:** You're welcome.

**LINEHAN:** Other questions from the committee? Are you an employee of the University?

**JENNY NELSON:** Yes.

**LINEHAN:** So you have a benefit package on top of that?

**JENNY NELSON:** Yes. Yes.

**LINEHAN:** OK. Any other questions from the committee? Thank you very much for being here.

**JENNY NELSON:** Thank you.

**LINEHAN:** Other proponents? Does anyone want to testify as an opponent? Anyone wanting to testify in a neutral position? We had several letters for the record. We had 24 proponents, three opponents and one neutral. Thank you, Senator Williams.

**WILLIAMS:** Thank you again, and it's Friday afternoon. LB702 is a simple bill in the context of it. What it does is extend the sunset date to five years to match what we've done with other sunset. We've got an interesting issue here. We have a workforce issue that we've talked about and we've got a child care business model that I will tell you does not work very well. And Senator Pahls, this summer when I was touring around the state in Ogallala and Gothenburg and Broken Bow on this issue, most of the employees were in the range of \$10 an hour, with little, if any, benefits. And all of a sudden, when the

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sign went out in Gothenburg in front of McDonald's starting jobs at \$15 an hour with some benefits, we know where those people went. So we have that business model. On the other hand, we have this incredible need for the accessibility and affordability of child care. I've lost employees. Other employers have lost employees because if the young mom can't make enough at her job to pay for child care, they stay home. And we don't all have grandmas and grandpas around to fill us with those things. That's the goal of maintaining the School Readiness Tax Credit. It's one small tool that we can continue for these people. With that, I would close. Thank you.

**LINEHAN:** Thank you. Let me see if there's any questions from the committee. Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. Well, what I'm seeing, I guess, and hearing, is that we just don't have enough people who are willing to go into the child care business. And this really isn't incentivizing those lower income ones to attract them to this business, where are you talking to somebody with a pretty good education that can get jobs, maybe at \$20, \$25 an hour. They're not going to take these, but how do we attract people to get there the first place? Because, like you said, 12 bucks an hour doesn't-- you can go work at Walmart as a greeter, maybe, I don't know.

**WILLIAMS:** This is one tool, is what I would say in this, but it can't be our only tool. The Buffet Early Childhood Center did a survey just a few years ago in this area and found that child care workers and early childhood people suffered from low pay. Very little, if any, benefits challenging work environment and stress. And those four ingredients were having them have trouble keeping people in that. This is a bigger topic than-- than we can handle through the School Readiness Tax Credit discussion. But it's something as an employer, we're taking a hard look at right now. There are communities and I've worked in a few of them now, Red Cloud, Broken Bow and more particularly Gothenburg, that are taking this on as a community project that if we don't provide this ability, we, our business community suffers. If we don't provide early childhood, our kids suffer. And we have a discriminatory factor with some of the early childhood things that if-- if-- if-- if a young student is not exposed to that early enough, what we are finding out is they never catch up and they end up still being in the bottom. So we're seeing now communities take this seriously in investing their dollars in it also.

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**FRIESEN:** Are we-- are we seeing businesses step up too? Because as a business owner, I feel it's a lot of my responsibility to make sure my employees have access to child care, is that--

**WILLIAMS:** Absolutely.

**FRIESEN:** --are you seeing that too?

**WILLIAMS:** What we've seen in those communities and in particular in-- in the new project in Gothenburg called the Impact Project that couples with the school participating, the hospital participating, the city participating, but more importantly, private philanthropy directly from the business community themselves. And I think that is part of the answer, Senator Friesen. I think it is my responsibility as an employer to-- to participate in this, and I think others agree with that.

**FRIESEN:** OK. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there any other questions from the committee? So is it 501(c)(3) that you set up?

**WILLIAMS:** Yes.

**LINEHAN:** So donations to it are deductible, but there's no credits.

**WILLIAMS:** No.

**LINEHAN:** Would it be helpful to have tax credits for it?

**WILLIAMS:** I'm not sure that it would. I would want to think about that before I would really-- yes, it would always help. There's no question it would help. I think what we have seen in these communities, and I hope we-- I hope it catches on, is the recognition that this-- this for us is part of our cost of doing business. We just need to invest in this as we do in-- in other things or we can't employ young moms.

**LINEHAN:** OK, other questions? Seeing none, thank you very much for being here.

**WILLIAMS:** Thank you.

**LINEHAN:** Appreciate it. With that we close the hearing on LB702 and open the hearing on LB951. Welcome, Senator Cavanaugh, John Cavanaugh.

**J. CAVANAUGH:** Thank you. Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is John Cavanaugh, J-o-h-n

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C-a-v-a-n-a-u-g-h, and I represent the 9th Legislative District in midtown Omaha. I'm here today to introduce LB951, which will raise the Earned Income Tax Credit in Nebraska from the current 10 percent to 17 percent of the federal Earned Income Tax Credit. The Earned Income Tax Credit, or EITC, is one of the most important tools we have in tax policy to combat poverty, is a refundable tax credit for low-income households who earn a qualified amount of earned income in a year. You must earn income in order to claim the EITC. Earned income includes wages, salary or tips, income from freelance and independent contractor work and self-employment income. It does not include interest in dividends, pensions and annuities, Social Security, unemployment benefits, alimony or child support. The maximum income threshold measured by adjusted gross income for-- to claim EITC in 2020 was \$15,820 for a single filer with no qualifying children up to \$56,844 for a married couple with three or more qualifying children. In 2020, the maximum credit for filer with no qualifying children was \$538. One qualifier was thirty-- one qualifying child, \$3,584; two qualifying, \$5,920; and three or more is \$6,660. ARPA raised the maximum adjusted gross income threshold and credit for filers with no qualifying children temporarily-- temporarily, while filers who had qualifying children also benefited from the monthly child tax credit payments. Unfortunately, both of these changes were only effective for the year 2021. Under the increased credit in ARPA and filer with no qualifying children could get a maximum state credit of 10 percent level for 2021 year of \$150. For 2022 tax year, that credit would decrease by nearly \$100. The great thing about EITC is that it encourages work. The more you earn, the more you get. By example, in 2021 for married couples filing jointly with no children, the amount of credit phases in for an adjusted gross income of \$0 to \$7,100 and then the credit stays the same from \$7,100 to \$14,820. And then-- and from there, it begins to go back down until the credit hits zero again if the adjusted gross income is above 21,920. This is a tax cut for the working poor, and it incentivizes work. I introduced LB318 in this committee last year, which would have raised the EITC over a three-year period to 20 percent, phasing it in gradually. That bill was indefinitely postponed by this committee. This bill takes the middle ground, 17 percent and makes it effective next year. 17 percent is very competitive with our neighboring states. Iowa is 15 percent, Colorado is 20 percent, Missouri is 10 to 20 percent, and Kansas is 17 percent. Using the amounts from the 2020 tax year, the maximum state credit under LB951 would increase by \$38 for nonqualifying children; \$251 for one qualifying child; \$414 for two; and \$466 for three. I brought this bill back because the Earned Income Tax Credit is an important policy tool to address poverty. It's broad support across



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political spectrum and greatly benefits our working poor. If you look at the position letters sent in in support, you'll see both the Nebraska Catholic Conference and the Omaha Women's Fund support this bill. As I mentioned, ARPA temporarily increased the availability of EITC, but it will go back to the normal threshold in 2022. The monthly child tax credit payments, which greatly benefited families last year, have expired. The question is do we have the will to do it and where are the priorities of this committee and the Legislature will be? This is a policy that's been proven over decades to help people in a direct way. I urge you to advance LB951 to the floor and allow the full Legislature to have the debate. Thank you for your time and consideration. I'd be happy to answer any questions.

**LINEHAN:** Thank you. Are there questions from the committee? So, I appreciate you-- your opening very much, but I didn't quite catch. So what's-- where does the program start to drop off? How do we-- just go a little slower around that \$56,000.

**J. CAVANAUGH:** Yeah, I was trying to be quick and of course, throwing a lot of numbers at you, and I can get you the chart that that is reflected of, but I was just using one example. So it begins to go back down, and this is a married couple filing jointly with no child. So there's a different threshold for lots of different scenarios, begins to go down after \$14,820.

**LINEHAN:** But what about with children?

**J. CAVANAUGH:** So you want an answer to a question I didn't prepare for.

**LINEHAN:** No, no, no, you said in your testimony \$56,844, married with three children or more.

**J. CAVANAUGH:** Oh, I'm sorry. I only had prepared the answer to the flow, but I can get that answer. I'm sorry, can you repeat the question?

**LINEHAN:** It's OK.

**J. CAVANAUGH:** I've got it right there.

**LINEHAN:** I'm trying to figure out where-- how much can have a family of four, you know, two of them being children, what is-- when does this currently start? They get money, Earned Income Tax Credit, and you're trying to take it to what amount?

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**J. CAVANAUGH:** OK, so if I understand your question, it is-- so a family of four, so with two children right now at the 10 percent tax credit, or 10 percent Earned Income Tax Credit, would be from the federal government would be qualifying for 500-- I'm sorry, \$5,920. And so under our current system, they would be getting \$592.

**LINEHAN:** OK, but what is the income that qualifies them for \$5,920?

**J. CAVANAUGH:** Oh, OK. So that with two or more children-- got to go back and forth between my notes here. So that would be married filing jointly. I think it starts to go down to decrease. Sorry, seeing [INAUDIBLE] in any one of these, I could-- I could--

**LINEHAN:** It's not even three o'clock.

**J. CAVANAUGH:** These are a lot of numbers. I know this is the Revenue Committee. And so it's a number, you guys are the number committee.

**LINEHAN:** Yeah, we are. [LAUGHTER] We do care about numbers.

**J. CAVANAUGH:** So it probably would be more efficient, I can answer that in a close or somebody behind me can answer it.

**LINEHAN:** Oh, excellent idea. Why don't we do that. Yes, sorry, you'll be here to close.

**J. CAVANAUGH:** I will be here to close.

**LINEHAN:** Excellent.

**J. CAVANAUGH:** Stick around on Friday afternoon to hear all the numbers.

**LINEHAN:** OK, thank you. All right.

**J. CAVANAUGH:** Anyone else?

**LINEHAN:** I will have the first proponent then.

**DIANE AMDOR:** Hi.

**LINEHAN:** Hi, good afternoon.

**DIANE AMDOR:** Good afternoon, Chairman-- Chairperson Linehan, and members of the Revenue Committee. My name is Diane Amdor, D-i-a-n-e A-m-d-o-r, and I'm the staff attorney with Nebraska Appleseed and the Economic Justice Program. Nebraska Appleseed is the nonprofit law

policy organization that fights for justice and opportunity for all Nebraskans. I'm here today to support LB951 because increasing Nebraska's Earned Income Tax Credit is an idea whose time has come. Also on a timely note, Happy Earned Income Tax Credit Awareness Day, which I was today years old when I learned that that's a thing. But apparently it is, and it is today. The state Earned Income Tax Credit, or EITC, which is an acronym that I will trip up at least once, I'm sure, built on the success of the federal EITC by helping families afford the basics, reducing poverty and helping families thrive in the long run through improved child and maternal health, school achievement and other benefits. Because people of color, women and immigrants are overrepresented in low wage work, state tax credits are an important tool for advancing equity. According to information compiled by the Center on Budget and Policy Priorities, a record 14 states and territories have created or approved EITC in response to COVID. Our neighbors in Colorado and Missouri enacted such measures last year. Colorado increased their credit from 15 percent to 25 percent of the federal credit, but it will bump back down to 20 percent in 2026. Missouri enacted a new nonrefundable credit that's worth 10 percent of the federal credit, but it could increase to 20 percent if revenue rises beyond a certain threshold. Also, Oklahoma, which actually cut their credit back in 2016, restored their full value by making it fully refundable, and most states, the EITCs are fully refundable like Nebraska's is. But our current rate of 10 percent, Nebraska has one of the least generous EITCs in the country. Only five states have a lower credit than Nebraska. The change proposed by LB951 would bring us closer to the middle of the pack at 17 percent. At that rate, ten states would have a lower rate than us, and 19 states and D.C. would be the same or higher. The benefits of EITCs go far beyond the dollars that a family receives. By helping families keep up basic spending, EITCs help families build economic stability, improve longer term health and well-being and boost state and local economies. Especially during the pandemic that's hitting low wage workers the hardest, EITCs are critical lifeline to struggling families while also helping their communities and the economy. At the end of the day, Nebraskans who work hard should be able to get ahead. And unfortunately, many in our state face poverty despite working hard. The EITC is a powerful tool to help address these realities. It prevents poverty that helps working families make ends meet. And for these reasons, we respectfully urge the committee to advance LB951.

**LINEHAN:** Thank you.

**DIANE AMDOR:** Also on your question for Senator Cavanaugh, the Center for Budget and Policy Priorities has a really fun graph where you can

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plug in whether your filing status is married or single head of household, the number of children in your household earnings. And then it shows you the amount of the EITC.

**LINEHAN:** That'd be nice if we had that graph. That would be helpful.

**DIANE AMDOR:** We'll send it to you.

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

**DIANE AMDOR:** Thank you.

**LINEHAN:** Are there other proponents? Any other proponents? Are there opponents? Any opponents? Neutral position?

**REBECCA FIRESTONE:** Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, and I'm the executive director of OpenSky Policy Institute. I'm testifying in a neutral capacity on LB951 because while it would provide direct tax relief to low income Nebraskans, we have some concerns about the long term fiscal sustainability, a concern we have with other types of tax credits. So the Earned Income Tax Credit has been found to be an effective method to provide highly targeted tax relief to low income working families. And in 2018, the EITC brought 5.6 million people out of poverty, including three million children, while reducing the severity of poverty for an additional 16.5 million people. Additional research reports that the EITC benefits local economies as well, with each \$1 in the EITC received generating more than a dollar of economic activity as it travels through local supply chains. It is worth noting that the EITC is also designed to reward work, as Senator Cavanaugh testified. A worker's EITC grows with each additional dollar of earnings until the maximum value is reached. And I can, I think, give you some numbers, at least on the federal level, Senator Linehan. A robust evidenced-based, indicates that the EITC has beneficial effects for children's health, parents, mental and physical health, children's future earnings, educational attainment and is associated with reductions in rates of low birth weight. Modeling from the Institute for Taxation and Economic Policy illustrates that LB951 would directly benefit Nebraskans, particularly low income Nebraska families. Results of this modeling indicate that nearly 90 percent of the increase credit would go to 40 percent of Nebraska taxpayers with incomes under \$47,000. The bill would positively affect nearly 350,000 individuals and more than two-thirds of the children in Nebraska, with household incomes below

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\$47,000. Despite net positive economic effects and other benefits of the EITC, we urge lawmakers to approach reducing state revenues through tax credits with caution. With minimal revenue raisers passed to offset many other of our tax expenditures, future legislators could face a difficult choice of raising taxes or having to cut services to our residents. With that, thank you for your time and happy to answer questions. Although I did want to say at least on a-- in response to your question, Senator Linehan, married filing jointly, I think with three or more children, they're sort of top income. I believe at which the credit is phased out is \$57,000-- 414-- \$57,414. So I'm happy to address and take any other questions.

**LINEHAN:** Thank you very much. Are there questions from the committee. Thank you. Other proponents-- excuse me, neutral position, neutral? Senator Cavanaugh, would you like to close? Let me check the record. We have three proponents.

**J. CAVANAUGH:** Thank you. Thank you, Chairwoman Linehan, and thank you, members of Revenue Committee. I appreciate your time and consideration on a Friday afternoon. So that-- obviously there's a lot of complicated numbers to your question that because it's phased in and it's tied to the federal. But here's the answer to your question. I think married, filing jointly with two kids would go-- it goes up to that 56,000 in terms of eligibility, but that's not where you get your maximum return. The maximum eligibility range, meaning where you top out with that \$5,900 credit is between incomes of ten--10,025. I'm sorry, 14,800 and 25,200. It's ten thousand if you have one child. So basically, if you-- while you're working, you know, if your income goes up, married-- married, filing jointly, the amount of your credit goes up until you get to twenty-- to 14,800 with two kids, and then it stays the same for the next \$10,000, \$11,000. And then once you start making more money than that, then the credit will actually start to go down. And so it obviously incentivizes people to continue working. It doesn't disincentivize them. And then as you get over that threshold where we're saying you are further away from poverty, we are saying you don't need as much of this assistance. So it does-- it, I think, is a good program for lifting people out of poverty, for helping give people more money that goes back into their economy, Heard Ms. Firestone, I think, say that the multiplier effect of this money into these communities can be up to two times, which means this got a fiscal note of about 19,000-- \$19 million, which essentially means across the state of Nebraska that could be up to \$40 million in economic impact to all of our communities across the state, and we would achieve that economic impact by helping lift people out of poverty. So it's a win-win in that regard, incentivize people to work,

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lifting people out of poverty, having a \$40 million economic impact across the state of Nebraska. So I can-- I'm happy to circulate this report that kind of has a little of that-- the multiple different layers, of levels of the federal proportion, but the thing to keep in mind is our amount we're talking about here is a shift between 10 to 17 percent, so a 7 percent increase in the amount relative to the federal amount.

**LINEHAN:** Are there any questions? Thank you very much for that. Are there questions from the committee? I would like to see-- I think you could probably talk to the Fiscal Office, how this breaks down, like what income groups are they saying the 19 million. Because this is-- this is refundable so it's going to people who aren't paying taxes.

**J. CAVANAUGH:** What is-- you do have to pay taxes, but you can get refunded more than you pay. It is a refundable, so you do have to have-- you do have to have an earned income, but yes, you could potentially.

**LINEHAN:** So what-- you and I can talk about this. What I would like to see is the Department of Revenue is where because they're-- they're giving up the revenue. But also we're increasing the refundable part. That's where-- where is-- where are the numbers coming from. We'll have to talk.

**J. CAVANAUGH:** Yes, we can talk about it.

**LINEHAN:** Yes, we can. Are there other questions from the committee? Yes, Senator Bostar.

**BOSTAR:** Thanks, Senator Linehan. Thank you, Senator Cavanaugh. Is this a refundable tax credit?

**J. CAVANAUGH:** It is. In Nebraska, it would be refundable, I think, that different states choose how they administer it, but in Nebraska, it's a refundable tax credit. I guess I could be corrected, but that's my interpretation.

**BOSTAR:** OK, thank you.

**LINEHAN:** It's just like the federal one.

**J. CAVANAUGH:** Yes, but some states are it's not refundable, as you heard, I think Ms. Amdor said that, I think Missouri is nonrefundable.

**LINEHAN:** That would make a huge difference in cost.

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**J. CAVANAUGH:** Yeah.

**LINEHAN:** OK, other questions. Thank you very much.

**J. CAVANAUGH:** Thank you.

**LINEHAN:** I'm sorry, Senator Bostar--

**BOSTAR:** No, no, thank you. I'm good.

**LINEHAN:** That will bring the hearing on. LB351 to a close. And then we-- our last hearing of the day. Good afternoon, Senator Brandt, how are you today? Welcome.

**BRANDT:** Are you ready? Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. I am Senator Tom Brandt, T-o-m B-r-a-n-d-t. I represent District 32, Fillmore, Thayer, Jefferson, Saline and southwestern Lancaster Counties. Today, I'm introducing LB1103, which updates state statutes to the Nebraska Next Gen program to assist beginning farmers and ranchers by modernizing the requirements to qualify for the program for the purpose of encouraging more beginning farmers and ranchers. LB1103 does three things. First, it increases the maximum net worth for beginning farmers from \$200,000 to one million. Second, it removes pensions and other retirement from funds from the net worth calculation. And finally, it removes the 10-acre minimum acreage requirement in the definition of a farm. The reason I am introducing LB1103 is to allow more beginning farmers to be qualified for the Next Gen program. Nebraska's Next Gen program, Beginning Farmer and Rancher program, began in 2001. Since that time, the program has helped 546 beginning farmers and ranchers and granted 14.9 million in tax credits. Over the last five years, on average, there have been 75 applications, with an annual tax credit of 1.3 million, with an average of \$5,200 in tax credits per owner. To qualify for the program, the beginning farmer or rancher must be a resident of Nebraska, having net worth of less than 200,000, which is quite restrictive when retirement funds are included, and have farm or ranch for less than 10 of the last 15 years, provide the majority of the day-to-day physical labor and management, plan to farm a ranch full-time and have farming and ranching experience or education, and have participated in-- in an approved financial management course. Beginning farmers and ranchers who qualify for the program will receive a three-year lease rather than a year-to-year lease, up to a \$500 tax credit reimbursement for an approved financial management course and can apply for a personal property tax exemption. In 2021, the Legislature passed LB432, which in part extended the sunset date

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of Nebraska's Next Gen program to December 31, 2025. At the hearing, there was discussion on ways the program could be improved to benefit more beginning farmers and ranchers, but no decisions were made. LB1103 is a way to improve it. And with that, I would be happy to try and answer any questions that you may have.

**LINEHAN:** Thank you, Senator Brandt. Are there questions from the committee? Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. Thank you, Senator Brandt. Can you tell me a little bit more about the reason for striking the 10-acre requirement?

**BRANDT:** Yeah, that's pretty-- pretty simple. Most pivot corners are like six acres and a lot of our beginning farmers and ranchers may have an opportunity-- like with a chicken house or a hog house, there's integrators out there. It's a way to bring a young person back to the farm. So if you're going to make a million dollar investment in-- in some hog houses or chicken houses, typically they go on pivot corners. And so that was just sort of an arbitrary restriction. So in working with Farm Bureau, we decided to strike that.

**BOSTAR:** Do you see any risks with not having any minimum requirement whatsoever?

**BRANDT:** No.

**BOSTAR:** Thank you.

**LINEHAN:** Thank you, Senator Bostar. Just for the record, you want to explain what a pivot corner is.

**BRANDT:** Oh, OK, yeah, that's-- thank you, Chairwoman Linehan. So typically when we think of a quarter section of farm ground, it's 160 acres. The easiest way to explain what an acre of farm ground is, it is a football field without the end zones. OK. So when you have a circle or a pivot on a quarter section, it typically covers about 130 irrigated acres. So each of the corners is-- is quite often a dry land or a dead corner. And you can obtain more value in agriculture by converting that to improvements in hog houses, chicken houses, feedlots, machine sheds, houses, whatever. Typically, that's where you put that.

**LINEHAN:** Thank you. Senator Albrecht.



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**ALBRECHT:** Thank you, Chair Linehan, and thanks for being here with this bill today, Senator Brandt. Tell me a little bit more about the course. Is it an online course that they take?

**BRANDT:** I think there will be some people after me that have participated in this that can probably explain that better.

**ALBRECHT:** OK, and then the personal property, they can explain that too?

**BRANDT:** Yeah, what the-- I can tell you what the personal property is. If a young producer doesn't qualify necessarily on a lease, let's say somebody isn't leasing them ground and I'll use my son as an example. He is a custom farm operator, so he has a list of equipment. He gets some exemption on his personal property tax up to a finite amount for three years. And it helps. I mean, it's-- it's-- every little bit helps.

**ALBRECHT:** And that's for how long?

**BRANDT:** I believe it was three years. But here again, I think there'll be some people after me that can give you definite. And unfortunately, Farm Bureau, who we worked with, has their young beginning farmer rancher conference in Kearney today, so most of the people that would have testified on this bill are not in the building, so.

**LINEHAN:** Yes, thank you, Senator Albrecht. Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. Senator Brandt, last year we-- I'm trying to remember. We had a bill that came through the Revenue Committee related to the beginning farmer program that I believe extended the sunset.

**BRANDT:** Right. That's LB432, and it did extend the sunset to December 31 of 2025.

**BOSTAR:** And I-- trying to recall, and I think that was a Williams bill.

**BRANDT:** Yes, it was.

**BOSTAR:** And that was to line it up with the audit performance audit system. So when is the next-- we're making adjustments to it, did we just have a performance audit done? Is that-- is that why this is coming out of this because it's a result of?

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**BRANDT:** No, I think it's more-- they have talked about changes last year and these are just-- just some in the community, just some changes they would like to see happen.

**BOSTAR:** Do you know when the next performance audit will occur for this program?

**BRANDT:** I do not, but we'll find out and get back to you.

**BOSTAR:** Thank you.

**LINEHAN:** Thank you, Senator Brandt. Are there any questions? I think we did change some of the-- previously you couldn't. Nobody in the family, extended family could have ever used the program before. And now I think you-- if you have a cousin or brother--

**BRANDT:** Well, I think originally the program was set up that way. I don't think what we did last year did that. But yeah, subsequently, for example, used to be a grandfather couldn't rent to his grandson, and I know that kind of relationship was allowed to happen. Anecdotally, I can tell you, I served nine years on the Co-op board at Dorchester Co-op. We had guys in their high 80s and 90s still farming, and this is the type of program we need to encourage those gentlemen to retire and ladies to retire and give it to the next generation. The average age of a farmer in Nebraska is 58, so you know, I've got to go another 30 years here.

**LINEHAN:** Thank you. And you'll stay to close?

**BRANDT:** Yes, I will.

**LINEHAN:** OK, first proponent, please.

**HEATH SNODGRASS:** Chairman Linehan, and the members of the Revenue Committee members. Hello. My name is Heath Snodgrass, spelled H-e-a-t-h S-n-o-d-g-r-a-s-s. I am a fifth generation dairy farmer from Orchard, Nebraska and a member of the Nebraska State Dairy Association. I am here on behalf of the Ag Leaders Working Group, which consists of elected leaders from Nebraska State Dairy Association, Nebraska Cattlemen, Nebraska Corn Growers Operation, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Association and the Nebraska Wheat Growers Association. I am testifying in support of LB1103, Senator Brandt's bill to improve qualification requirements for the Next Gen program. Someone who is currently going through a transition process so it is first-- I know firsthand how difficult the process can be and how important this is

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to a young farmer. Programs like Next Gen are vital to assisting and encouraging family farms to begin the transition process. LB1103 updates qualifa-- qualification metrics to the Next Gen program will bring them to a lower, modern market condition. Three things LB1103 updates in the Next Gen program and net worth holding increases from 200,000 to a million, which brings Nebraska in line with states with similar programs, and also recommends that capital intensity required to be successful in agriculture and give them a greater profitability to be successful. Two, eliminating retirement funds from the net worth calculator whose assets are not eligible to be used as collateral to obtain a loan and should not be used to disqualify a person from the Next Gen program. These assets are liquid, and many times they are not accessible for the farm transition or persons there without payment penalties, taxes and interest. Three, finally removing the 10 acre minimum-- 10 acre minimum in which the requirement, which creates more inclusive programs for the-- for variety ag sectors such as produce and inner city growers. Also pivot corners are technically around five acres. And if a livestock producer would like to utilize them for more confinement facilities, they are excluded from this program. Making these changes will provide a more modern and inclusive program for ag producers from all over the state. The Ag Working Group would like to thank-- thank Senator Brandt for Champion LB1103, and we encourage members of this committee to move this bill forward. Thank you. I'll be happy to answer any of your questions.

**LINEHAN:** Thank you very much. Are there any questions from the committee? Seeing none, thank you for being here today. Appreciate it. Next proponent.

**JOHN HANSEN:** Chairman Linehan, members of the Revenue Committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. Nebraska Farmers Union is in support of this bill and is in support of the amendments and the changes. We are an historical supporter of beginning farmer programs. If you want the next folks to be able to take over, you need to do some things to actually make that happen. Hoping is not a plan. You need policy and you need incentives. And so as you look at what's going on in agriculture today, do we need to raise the limits? I have to tell you that the-- the inputs for agriculture, the amount of money that we tie up in a crop today is breathtaking compared to what it was 20 years ago. And so if you look at ag land values, yeah, the handful of small number of folks who have a lot of money are able to use the-- the margin that they have in their operations to go out and buy that one additional piece of land which Senator Linehan and I discussed in education the other day. And it distorts the commercial value of our ag land properties. And so

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you-- you couldn't possibly go out and pay the going rate for land in my neighborhood and have a cash flow if it is a standalone operation. It just doesn't work. And so in my area of northeast Nebraska, western Madison County, I've got a bunch of stuff that has sold for right south of me in Platte County for \$13,000 an acre. I've gotten stuff in my neighborhood that's anywhere from 10,000 to 12,000 an acre. So if you do the math that a million dollars doesn't quite get you to \$10,000 an acre to a quarter of land, does it? And so looking at the levels that USDA has raised their lending levels, and so we need to try to reflect the fact that it just costs a lot more money to get started in agriculture. And it behooves us as a state for our rural communities and our state's economy to do what we can that is within the realm of the possible to try to help the next generation get their feet on the ground and get going. And I'm involved in several different efforts right now in my family to do this. So any and all things that we can do are appreciated and are needed, and we work all the time on this issue. Our organization and our foundation, along with the Nebraska Department of Agriculture and the Mediation Program, as well as Nebraska Rural Response Hotline and Rural Reponse Council, along with other support or sponsor workshops on beginning farmer and intergenerational transfer, these are always well-attended. There's a lot of folks out there that have a lot of questions and all of the things that come in through that hotline, inter-generational questions and-- and the programs about this program, as well as any and all other kinds of things, are very much in play. And so for the folks that are getting to the-- toward the end of their farming lives and have been able to accept the idea generally, which in my family has been very difficult historically to convince the older generation that there is a fairly good chance based on statistical probability that they might in fact die someday, and that if they're going to die, they maybe ought to do something about it before they're dead in order to make sure that their wishes are realized. And while I make fun of that, it's-- it's really not a joke. It really is a problem and that we have folks that are farming well into their 80s who still think that they're not going to die yet. In fact, my father, I think his-- his view generally was that you shouldn't be really ready to go because if you are, it would increase the chances that you would in fact go then. So-- so with that, I would end my testimony, be glad to answer any questions and urge the committee to support this bill, if you would kindly.

**LINEHAN:** Thank you, Mr. Hansen. Are there any questions? Senator Friesen.

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**FRIESEN:** Thank you, Chairwoman Linehan. So I'm going to be one of those retiring farmers. Why should the state or why should tax credits help me transition it to my kids? I mean, what-- what responsibility there is mine?

**JOHN HANSEN:** Senator, I remember the discussion we've had on this issue before. And so you're-- you're not only dealing with family members, but you're also dealing with young farmers who have to compete with the really big farmers to be able to have access to land at all. And so they're usually going to start out renting, they're usually going to start out small. And so any little thing that you can do to try to, for me, to level that playing field between what the-- what the richest guy from Humphrey or in the neighborhood can pay.

**FRIESEN:** This doesn't really target those people, because I mean, what if I was a large landowner I'd still-- Say I own 10,000 acres and wanted to pass it on to my kids, I could use this tax credit. It's not restricted to a certain income level or size.

**JOHN HANSEN:** Right.

**FRIESEN:** Again, I go back to the definition when it was started. I mean, it was not meant for family members to start another family member. It was to start that kid that dreamt of farming and never had that opportunity. And-- and if you look at it from that standpoint, then this isn't even near enough. But when you look at it from me starting a family member, then it's too much. So I mean, we've changed this definition. That's where I have this problem. Sometimes this is a-- there comes a responsibility that's mine and not really the taxpayer.

**JOHN HANSEN:** Well, I would say that there's a responsibility for all of us to try to help, and--

**FRIESEN:** It will transition in one way or another because you said our probabilities are pretty good.

**JOHN HANSEN:** Yeah, there's a-- there's a fairly good chance we're going to die. At least most of us are.

**FRIESEN:** Thank you.

**JOHN HANSEN:** But I do-- I do think that that the administration of the program and based who's involved in it, and I think one of the reasons that it moved is that the folks wanted to be able to make the program work and you had a-- based on who was actually out there, it's-- it's

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extremely difficult for anybody to get started in agriculture today. But if you don't have a family member who's willing to step up and help you do that, then it's just overwhelmingly difficult. And so the folks who are wanting to need and use the program were relatives of some sort or another. And so I have three kids. None of them want to farm, but I've got a nephew that does.

**FRIESEN:** I mean, I'll clarify it by saying to that my dad started five of us farming and didn't use any of these tax credits and got it done. So thank you.

**LINEHAN:** OK, thank you, both.

**JOHN HANSEN:** Thank you and next time, I want his dad for my--

**LINEHAN:** OK. OK. Next proponent. Next proponent. Is there any opponents? Neutral? Come forward.

**BRADLEY LUBBEN:** OK, as that's being distributed, Chairman Linehan, and members of the Revenue Committee, thank you for the opportunity to appear before you this afternoon. I'm Bradley Lubben. That's B-r-a-d-l-e-y, Lubben is L-u-b-b-e-n. I'm the Chair and the academic representative on the Nebraska Beginning Farmer Board. I'm an extension associate professor in Agricultural Economics at the University of Nebraska-Lincoln, but I'm here before you today not as a representative of the University of Nebraska, but as Chair of the board to testify in this neutral capacity on LB1103. I do have additional documentation that's now been distributed and I ask that it be placed in the record for this bill. The board is responsible for administering the Beginning Farmer Tax Credit Act. We approve or deny applications based upon applicants meeting criteria set forth in the act. Relevant to this proposal, the Board is denied applications from beginning farmers and ranchers whose net worth exceeds 200,000, as is currently prescribed in statute. There are currently four other states that have similar programs in Nebraska's. They include the following: Kentucky, where the program is on ag land sales only. There is no net worth requirement attached to that program. Pennsylvania, which has a similar program with no net worth requirement. Iowa, which has been mentioned but has a program where the net worth requirement is currently 7-- less than \$737,000, and Minnesota, where the net worth requirement is currently less than \$862,000. We will say it is difficult to determine how many potential applicants have not applied to the program due to the current net worth requirement level. According to the 2017 United States Census of Agriculture, and we did attach two tables of that report in your materials. There were 16,740

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new and beginning producers in Nebraska as of the 2017 census. Those producers were operating on 11,718 farms, of which more than 5,500 of those operations had lease arrangements. For the agricultural census, a new and beginning farmers defined as producers operating on any operation for 10 years or less. So that's the definition they use. While not all beginning farmers and ranchers are likely candidates for the program, several thousand could be potential applicants. Given that several hundred have already utilized the program under the current eligibility restrictions, passage of LB1103 would expand eligibility and would be expected to increase beginning farmer and rancher opportunities and enrollment. Higher enrollment would place greater demands on administering the program and could potentially require additional staff and financial resources. The board house within the Nebraska Department of Agriculture for Administrative and Budgetary Purposes, will continue to administer the program to the best of our ability, and we will be prepared to adjust as appropriate. Thank you for your time. I would be happy to answer any questions you may have.

**LINEHAN:** Thank you very much. Are there any questions from the committee? So since Senator Friesen is not going to ask him, I'm going to ask him, should there be some limit somewhere like we see other incentive programs where the very, very wealthy get wealthier.

**BRADLEY LUBBEN:** Understood. From from the perspective of this program, as I said, the theoretically 16,740 is the-- is the universe of beginning farmers. That number was as of 2017.

**LINEHAN:** I'm not so much worried about increasing their value, what they can own.

**BRADLEY LUBBEN:** Right.

**LINEHAN:** I'm more addressing, you've got-- well, people rightfully take advantage of tax breaks that they rightfully do. So what if you do have, let's say, an agricultural producers that has \$300 million, but the land--

**BRADLEY LUBBEN:** Right.

**LINEHAN:** Should his only son or only daughter be able to use this program?

**BRADLEY LUBBEN:** It's-- that's a-- that's a question, a debate that I would not want to answer in a neutral capacity. Our jobs-- our job is to administer whatever you legislate.

**LINEHAN:** But it's--

**BRADLEY LUBBEN:** Just a second. As an example, Iowa does have a program with some limits. They have a legislated limit on the total appropriations that can be committed to credits. You could also consider limits on either the amount of total dollars of credit that one individual could receive or limits on the total dollars of any one application. So it's possible to limit it, but it's a--

**LINEHAN:** There's no limit on this program. If we had like \$20 million come in and credits and you approved them, we'd have appropriate it.

**BRADLEY LUBBEN:** If they were eligible under the criterion, there would be an open-ended obligation here.

**LINEHAN:** That's why we have exec committee. OK, any other questions from the committee?

**ALBRECHT:** Can I just ask a quick question?

**LINEHAN:** Yes.

**ALBRECHT:** Thank you. So this course that they take is that through UNL or--

**BRADLEY LUBBEN:** Senators, I heard you ask that question before. You're right, I'm happy to have an opportunity to to answer. We require a financial training course or completion of a course as evidence that they're prepared to be good financial and farm managers. They may complete that-- they may have completed that course by virtue of their academic training at the University of Nebraska or elsewhere. Or they may complete that training requirement through a number of approved programs, some of which are offered by Nebraska extension, some of which are, for example, a-- an online self-pay study course.

**ALBRECHT:** OK. And how long once they get into this program, can they stay on it?

**BRADLEY LUBBEN:** Any one application is for three years only.

**ALBRECHT:** Just three years, OK.

**BRADLEY LUBBEN:** For us-- but I do-- but I do want to clarify a producer is eligible as long as they meet the definition of a beginning farmer and rancher and meet that net worth requirement. So a producer could apply an additional time on a different tract of land.



**ALBRECHT:** OK.

**BRADLEY LUBBEN:** But there is ultimately a limit on how long they are eligible.

**ALBRECHT:** And the personal property, that's another just three years.

**BRADLEY LUBBEN:** The personal property would be-- they can earn an exemption, and I'm thankful to [INAUDIBLE] the administrator of the program, who reminds me of these details as I need them. They can earn an exemption on up to \$100,000 of value of personal property, and that exemption is for a limit of three years.

**ALBRECHT:** OK. Thank you.

**BRADLEY LUBBEN:** And if we understand the statistics, \$100,000 of property might mean an exemption on approximately a thousand to \$2,000 of actual local personal property taxes.

**LINEHAN:** Thank you, Senator Albrecht. Any other questions? Seeing none, thank you very much for being here today.

**BRADLEY LUBBEN:** Thank you, Senator, for the time.

**LINEHAN:** Anyone else wanting to testify in the neutral position? Senator Brandt, would you like to close? Oh, letters. Thank you. There are no letters, OK.

**BRANDT:** The one point nobody discussed was on the pensions, and I just want to touch on that real quick and I use my own personal life as an example. When I graduated from the university where I earned a degree in agriculture in 1982, the farm economy was just starting to crater. And so instead of going forward in my degree, which would have been to test tractors for IH or Allis Chalmers, which were soon bankrupt, I just took a job anywhere I could find one. I ended up being an engineer in meatpacking for eight years. I also got a very good 401k out of that. And when I went home to farm in 1990, had I been-- had this program been around and I had qualified, I-- I would have probably been ineligible because I had that background. But a lot of people that come home to farm have worked, maybe they were a schoolteacher or, in my case, an engineer or some other occupation, and it sort of unfairly counts against them because I can tell you we have not contributed to our 401k since 1990. So but it's really nice to have that when I retire from farming at age 90. So anyway, I would-- [LAUGHTER]

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**LINEHAN:** We're going to make you start taking it before-- just so you know.

**BRANDT:** You might. Yeah, the 401k from this job is outstanding. So I would take any questions anybody has got.

**LINEHAN:** I think I just want to, because I think the committee is going to be very interested in these answers. What's the maximum credit they can get of it? Usually there's some maximum and then usually it's-- there's some cap on this. I can't believe we have a program where there's no caps.

**BRANDT:** Yeah, I was a little surprised at that too. And I've got a worksheet here. And when you look at like Iowa, their program is capped at \$12 million a year; in Minnesota it's \$15 million a year. And it doesn't list what some of the individual caps are. So, yeah--

**LINEHAN:** Right now, we don't-- I mean, no--it's, my brain's not working fully. So is there any limit like I don't know what it could be.

**BRANDT:** So what you're what you're saying--so if some if some young producer came in and wanted to rent 20,000 acres or something like that? I don't know. I can't answer that question for you. The people that probably could aren't here today, but we can get back to you on that.

**LINEHAN:** And that might be in this thing you handed out, solve it. But yeah, those would be questions we'll probably have.

**BRANDT:** Yeah, there needs to be if there isn't. Yeah.

**LINEHAN:** Right. OK. Anything else from the committee? OK, thank you. Have a good weekend.

**BRANDT:** You too.

**LINEHAN:** Thank you all for being here.