LINEHAN: My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent 39th Legislative District, I serve as Chair of this committee. The committee will take up 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. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit handouts. This is an important-- this is important to note. If you are unable to attend a public hearing and would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 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 to become part of the permanent record. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. 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 both your first and last name for the record. Please be concise. It is my request that you limit your testimony. We're going to go three minutes today, so you will have-- is it two on green and then one on yellow? So you got two minutes on green light and then you'll have one minute on yellow and then you will need to wrap up. If your remarks were reflected in previous testimony, or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room 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. I would like to first introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kate Bergquist. At the end of the table is committee clerk, Grant Latimer. Now I would like the senators introduce themselves, starting with Senator Pahls.

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

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

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

BRIESE: Tom Briese, District 41.

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

LINEHAN: Our pages today are-- if you'd stand up. Kennedy, who is at UNL studying political science, and Ritsa, who's at UNL studying political science and economics. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices that distribute information. Therefore, you may see committee members re-- 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 will open on LR272CA. Welcome.

PAHLS: Thank you, Chair. Good afternoon, Chair Linehan, and the members of the committee. My name is Rich Pahls, R-i-c-h P-a-h-l-s, and I represent District 31, southwest Omaha. You know, you've heard me enough, I'm all about balancing. It seems to me that the property valuation between residential and ag land are significantly out of balance. The acceptable valuation range for agriculture and horticultural land is 69 to 75 percent. What's the acceptable range for residential? It's 92 to 100 percent. Now, to me, does that seem like balance to you? We know ag land values and residential values are both shooting up. What's the difference? Why does ag land value get relief when nobody else does, as it appears, even though people living in the cities are dealing with higher property taxes, as we all know. The Legislature has the flexibility to deal with ag land differently, so when the ag land prices skyrocket, it is, we do have the ability to adjust the compensation. This constitutional amendment would simply grant the Legislature the ability to treat residential real property the same as we do ag and horticulture land for the sake of taxation as a separate class. As I said, both have been hit hard. I'm asking that we discuss whether the Legislature should look into the body as having the same flexibility to bring relief to residential taxpayers as it does with agriculture. It's basically pretty simple. We're trying to make this a separate class, as the ag land is. Thank you.

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

FLOOD: Senator Pahls, they're-- people don't live in their homes, they don't use that asset to make money. They have to have a dwelling. Would you agree there's a pretty big difference between residential and ground and ag ground?

PAHLS: Yes.

FLOOD: OK. So are you aware that farmers that live on their land, that their house is parceled off for purposes of property tax?

PAHLS: Yes.

FLOOD: So even they pay the 92 to 94 percent.

PAHLS: Right, I understand that.

FLOOD: Doesn't that make it equal for everyone if it's at 92 to 94 percent when you have to have a place to live? I mean, I guess I'm having trouble understand. I understand the difference for ag land in Nebraska, which is in our constitution, but your justification is that we should be able to manipulate the values for purposes of taxation for residential as well.

PAHLS: Right. That would be a separate class. We can treat it as we do ag land if we chose as a body.

FLOOD: And the people endorsed it through a ballot process.

PAHLS: No, that's my second. This is-- oh yes, you're right. I'm sorry.

FLOOD: This is the constitutional.

PAHLS: Yes, it's right. I was thinking that, yes, the people would have to make that decision.

FLOOD: And then your LB860, is that a companion bill to this?

PAHLS: Well, it's similar. I mean, it's not a-- same concept you might say,

FLOOD: OK. How did you come up with this concept? What prompted you to do this?

PAHLS: Well, I've been listening, and it seems like all we talk about are-- would be the ag land, the property tax on that. So I got to thinking and I started to analyzing, most of the property tax comes from the residential areas in Omaha, Lancaster, the larger counties. That's where your biggest property tax comes. That's where the most income tax comes from, most of the sales tax. So I'm just sort of taking a look, let's take a look at all of them eventually.

FLOOD: None of the property taxes collected in Douglas County really affect or providing these services in Custer County, for instance.

PAHLS: Right.

FLOOD: So it's really a Douglas County local tax ecosystem that you're affecting. And do you have-- do you realize that if we drop this valuation to-- I don't know what is ag land now, 70 percent?

LINEHAN: Seventy-five.

FLOOD: Yeah, 75 percent, you'd be reducing greatly the amount of money that would go into Millard Public Schools.

PAHLS: So then TEEOSA would factor in, because we're always talking about more state aid.

FLOOD: So do you want to put more burden on the income taxpayers and the sales taxpayers?

PAHLS: We keep talking about making education more-- the state supporting it, and this would be one way of doing it. We're saying we have too much property tax on this school since you brought that up, it's on the property taxpayer. Well, this would ensure that the state-- the school systems would be receiving more aid.

FLOOD: If this were to pass at the ballot, the result would be-- would-- we'd have to find-- we'd have to have more income tax and sales tax revenue to make up the gap in property taxes across the state. What if this necessitated another $2 billion in income and sales tax increases? Would that be a fair trade for lowering the property tax valuation?

PAHLS: I keep hearing that everything is local and let the voter decide. I'm assuming if this would go out, the voter-- the people on both sides would say this causes this. This is not just the deciding vote. There would be a lot of discussion.

FLOOD: What if this caused one city one school district?

PAHLS: If that's what the voter said, is that what we're here for is-- I've heard on the floor within the last few days, why are we the great saviors of the world, the 49 of us? Maybe we ought to allow the local people to make that decision. I'm just saying that's what I'm hearing.

FLOOD: Thank you, Senator.

LINEHAN: Thank you, Senator Flood. Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. Since you've been here, we've talked about property taxes, but what have we accomplished for ag land that we haven't done for everyone?

PAHLS: Well, that needs-- as I look at property tax credits, if I own a house, $100,000, of that I get $107. If I own ag land of that $100,000, I get $129.

FRIESEN: Not-- not in the LB1107, which is what we did. That-- that fund was there long before I even got here.

PAHLS: Well, I'm just saying, that-- this is from September fund.

FRIESEN: Well, how about LB1107 then?

PAHLS: That I haven't analyzed.

FRIESEN: I mean, that just goes out to who pays the most. Yeah. So I mean, isn't there an easier way to get to where you're going? I mean, if we'd fund schools differently, would that solve your problem?

PAHLS: Maybe that's what this is all about.

FRIESEN: OK.

PAHLS: Trying to get some discussion of this-- just.

FRIESEN: I mean, who-- who do you feel should pay more for schools in our education system? Do you think it should be commercial property, ag land or residential? Is there one of them should pay more?

PAHLS: I don't think anybody should pay more. I think just make a balance. This is not-- this just takes in residential in this particular, that's the reason why I had to go to the--

FRIESEN: But isn't residential treated the same all across the state, whether it's a farm house or a city house?

PAHLS: Oh, don't get me into that. A house, I mean, I haven't-- I don't have it with me, but we've checked every county the amount of property tax, sales tax, all that. And you can have a $400,000 house in, let's say, in one county and a $400,000 house and they're not taxed the same.

FRIESEN: Because you have different taxing entities.

PAHLS: They're not taxed the same.

FRIESEN: They're valued the same.

PAHLS: Right.

FRIESEN: Market value.

PAHLS: I'm not arguing the market value.

FRIESEN: I mean, there's communities out there that pride themselves on holding down property taxes, so they should have a lower value. Aurora, now they've publicly advertised, they have low property tax rate and they do a good job holding it down so they-- they will have a lower rate then Lincoln or Omaha. So shouldn't they have a lower tax?

PAHLS: I can't argue that because I don't have those facts in front of me. I'm just saying taking a look throughout the state, you're going to see there's a very-- if you, as some of us probably around, you have a house of that, let's say $700,000. I'm sure that there's at least somebody in this room has that. It depends where that $700,000 house is sitting.

FRIESEN: That's what makes it a $700,000 house. So that if I showed you data that showed that Lincoln or Omaha houses were undervalued by 30 percent, would you say we should take that?

PAHLS: Well, I don't know if they're undervalued by 30 percent.

FRIESEN: I can show that data.

PAHLS: Well, that-- that could be an argument.

FRIESEN: Thank you, Senator Pahls.

LINEHAN: Thank you, Senator Friesen. I have a question. You're-- so this is just residential, so you would leave commercial property at 92 to 100 percent?

PAHLS: Yeah, I would not-- this only deals with residential.

LINEHAN: So just-- something I think you-- we should think about, that would put apartments in commercial, right? And then-- anyhow just thought that maybe we want to think about it.

PAHLS: Yes.

LINEHAN: OK. Any other-- I'm sorry.

PAHLS: Well, this-- this is the purpose of this is to start thinking.

LINEHAN: OK. Thank you.

PAHLS: It's not finished.

LINEHAN: Are there questions from the committee? Thank you very much. First proponent? Do we have any proponents? Do we have any opponents? Do we have anybody wanting to testify in a neutral position? Would you like to close, Senator Pahls? Thank you. With that we'll open on LB860.

PAHLS: Good afternoon again, Chair Linehan, and members of the committee. My name is Rich Pahls, R-i-c-h P-a-h-l-s. I represent District 31, and I'd just like to add that they didn't build Rome in a day, $30 billion with a B. Does that sound like a big number to you? It seems like a big number to me. It's a good number, though. That's the value of all real property classified as agriculture and horticultural land that is exempt from property tax. Now we like that. Ag property owners deserve that relief. I say, but doesn't everyone else deserve some relief also? That's the intent of LB860 which would bring some of that relief to everybody else. LB860 changes the valuation for real property, excluding agriculture and horticulture land to 90 percent of the actual value. The acceptable range of such property would be amended to 82 to 90 percent of its actual value. Agricultural or horticultural land are a separate class and not at all affected by this bill. As an example, agriculture and residential land are both valued about the same in Nebraska before you remove the $30 billion. Both of them are right out about 117 billion, but ag land value is valued at 69 incentive, 5 percent of its actual value, or everyone else is valued at 92,100 percent. So if we take the top end of the range if ag land property owners are paying tax on $88.3 billion property value where residential property value owners pay on the whole 117 billion. And I-- as was stated earlier, don't want to forget that we have plenty of property owners in the rural area who are involved with the-- in the area of agriculture. Now there's 50.4 billion hanging out there for industrial and commercial property and a railroad, and a few other things that round out that total property value. That is evaluated at 90 to 100 percent to make around 171 billion. But since residential and ag land are valued so close, let's think apples to apples. And it shows us that the lion's share of our property tax are paying the full cost of the valuation while the ag land actually are getting a break. That's what I'm trying to say, let's give everybody a break. Now there's a large fiscal note attached to the bill. I'd be remiss if I didn't bring it up, about 138 million in the years 2023-2024, and 145 million in the year 2024-2025. Now, while that is a lot of money, it only makes up a decent sized chunk of the total valuation exempted for agriculture. So its valuation for the purpose of property tax would be 90 percent at the top for everybody else compared to keep ag land at 75. It's actually basically about a 10 percent difference. I'm just looking for balance, so all I would really be thinking right now. The residential homeowners and the commercial industrial property owners along with everybody else was getting, I think, maybe a little bit a short end of the stick. So let's talk about it. Now, I do know this bill because I've already-- several people talked to me there-- there will be opposition from I know several counties and even some from the Farm Bureau and city of Lincoln. They've already talked to me and I think that's OK. I said the primary purpose of this bill is to start a conversation on equity and land valuation. But it's OK because no matter how much opposition this bill would bring, I know I have-- I have a lot of supporters. The whole darn lobby could come out and oppose it. And if we ever would turn this into a more serious bill, they would. But, between residents and homeowners, there are 844,278 housing units in Nebraska, and that's according to the 2020 census. Now that's not even counting commercial and industrial property owners. I believe those are my proponents. Now, it's hard to believe that there are more than 844,278, plus one, opponents to this bill. And-- and I will take any questions.

LINEHAN: Thank you, Senator Pahls. Are there questions from the committee? So this just does the same thing, it's by statute, not by constitutionally.

PAHLS: By statute, including residential and commercial into it. That way, we don't have to go because it's not a separate class. Do the other route, goes separate class.

LINEHAN: OK, got it. That makes sense.

PAHLS: And Chair, I hope that-- I'm trying to stimulate some conversation here is what I'm trying to do.

LINEHAN: You will. You have. Good, we're good about hearing the conversation.

PAHLS: Remember, I have a lot of proponents. (LAUGHTER)

LINEHAN: Yes. OK, first proponent? Is there any proponents? Opponents? Go ahead.

JON CANNON: Good afternoon, Chair Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials. Every once in a while, you'll hear me call it NACO. I'm here to testify in opposition to LB860. First, I do want to thank Senator Pahls, however, for bringing this bill. I think it's important that we have these conversations from time to time when we talk about valuation and the effects that it actually has in each of our communities across Nebraska, Senator Pahls had said he wanted to have a philosophical discussion and we take him at his word. And so what I wanted to do-- oh, I forgot to give you my handout. I'm so-- I'm so sorry. I have-- I never give you guys a handout. You can tell I'm nervous because I've never prepared a handout for the Revenue Committee before. Ordinarily, I would tell you that NACO is allergic to anything which would affect the tax base, and that is true. When you impair the tax base, you impair the ability to raise the necessary revenues to fund government and the government services that we expect. However, the other reason that we wanted to come in in opposition and provide this handout is because we don't think this really accomplishes what the bill purports to do. And frankly, it's not going to make much of a difference to residential land owners in Douglas County, in our opinion. So what I've handed out to you is a spreadsheet which took 2020 values from the Department of Revenue. They have an amazing website, which has a lot of great information. The property tax administrator and her staff do a wonderful job of pulling together all this information. And so I'll go through what each of these spreadsheets report to say, so I've got a cross-section of a bunch of counties in Nebraska, Adams, Boone, Clay, Dakota, Hall, to name a few. That first column that we have is each sector that we have that generates value in each county. The second column would be the 2020 values as certified by the Department of Revenue or by the assessors to the Department of Revenue. And what I did was I took-- I summed that total to come up with a total county value, and I took the existing property tax levy as certified to the assessor or by the assessor, to the department, and I divided and I came up with a rate and that rate matches what is reflected in the Department of Revenue's records. I took that rate. I multiplied it by each of those values, and this is the third column to come up with the county tax for each sector in 2020. Then what I did is in the fourth column for all the nonag sectors, I multiplied those values by 90 percent and I came up with each of the values that you have under the column that's labeled adjusted value. I assumed the same levy, the same property tax levy divided by that new adjusted value sum, I came up with a new rate. I applied that new rate in the next column, which says adjusted tax, and you can see what the tax treatment would be for each of those sectors as a result. And in the last column, it shows you what the difference is. And so if you look at Adams County, you'll see exactly what this does. This shifts the tax burden to the agricultural sector, and it shows you what the amount of relief that each individual sector would receive. Since we're talking about Douglas County, I'll flip over to the Douglas County page and you will notice that in Douglas County, countywide, and these are just the county levies, by the way. But you'll notice in Douglas County that what happens is residential property will save a sum total of $69,000 countywide. That's-- that's the entire county. And so when you divide that amongst all the residential taxpayers, that is how much they are going to save in property taxes in Douglas County. So anyway, I'm out of time, I'd be happy to take any questions.

LINEHAN: Thank you, Mr. Cannon. Are there questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Mr. Cannon, could you just take a minute to continue your thought on the spreadsheet?

JON CANNON: Yes, sir. Thank you very much. So when you look at where the shifts occur, you'll see that obviously the shift is going to occur toward ag. Ag is going to pick up more of the burden and you'll get a shift away from all the nonag properties, commercial, residential, primarily. But that includes railroads, public service entities, commercial industrial equipment. But the thing is, is that in your more populated counties such as Douglas, Sarpy, Lancaster, when you don't have as much of a ag base, there's nowhere else to go. So if you lower both classes of property to 90 percent, you're not going to see the savings that you might expect. And so this spreadsheet is just an illustration of what the effects would be across a cross-section of counties across our state. It's no surprise the majority of the counties that I have here are the counties that are represented by the members of the Revenue Committee. So you can see what-- what is happening in the counties that you live in.

BOSTAR: Thank you.

JON CANNON: Thank you, sir.

LINEHAN: Thank you, Senator Bostar. Other questions from the committee? I was going to ask a question off of it, but I'm not going to do.

JON CANNON: Yes, ma'am.

LINEHAN: Thank you.

JON CANNON: Yes, ma'am. Thank you.

LINEHAN: Other opponents?

JACK MOLES: Good afternoon, Senator Linehan, and distinguished members of the Revenue Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the director-- executive director of the Nebraska Rural Community Schools Association, also referred to as NRCSA. Today, I'm also testifying on behalf of Schools Taking Action for Nebraska Children's Education, also known as STANCE. On behalf of NRCSA and STANCE, I'd like to testify in our position to LB860. Both organizations are in favor of property tax relief, but isolated attempts such as LB860 most often have unintended or unforeseen consequences. It is our belief that property tax relief needs to be part of a more comprehensive solution. If LB860 were to be enacted, we believe that ag land owners in rural districts would be negatively affected. If valuations were to be dropped on residential properties and more of the load of financing rural schools would be pushed toward the ag land owners, and we believe that those ag land owners already feel that load. Department of Education's analysis shows an estimated additional requirement of-- to TEEOSA, of 138 million in 2023-24 and 145 million in 2024-25. It is our belief that this bill could be-- it could be adopted and not properly address the problem of Nebraska's overreliance on property taxes to fund our schools when so many of those school districts receive such a small amount of state funding as it-- as it is now. In closing, we are opposed to the-- to the bill. Again, we are certainly sympathetic to the overreliance on property taxes and the current school funding structure, but do not see this as a realistic remedy and we would encourage you not to advance it.

LINEHAN: Thank you, Mr. Moles. Are there questions from the committee? The 138 million and the 145 million it would increase, would mostly go to GNSA schools wouldn't it?

JACK MOLES: Equalized schools. So I mean, yeah, the GNSA schools would see that, but there are also some NRCSA schools, some STANCE schools. I think STANCE is about half and half; equalized, not that high of a percent in NRCSA.

LINEHAN: OK. All right. Thank you for being here.

JACK MOLES: Thank you.

LINEHAN: Next opponent?

TIFFANY FRIESEN MILONE: Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e. I'm the editorial director at OpenSky Policy Institute. We're here in opposition to LB860 because we have concerns about shifting the way it is paying for schools and other local services from different types of property on to others. Whenever any type of property value is reduced or excluded from the property tax, the remaining types must carry a greater portion of the responsibility for paying for services. In this case, both residential and commercial property would be taxed at 90 percent of value, which would do two things: One, shift the way of paying for local governments back on to agricultural property owners in those local government jurisdictions with much ag land; two, it would create shortfalls for those local governments that are at or near their levy limits. In urban areas and school districts which don't have a significant amount of ag land, the shift would be more subtle, but would trigger an increase of state aid, which may not be enough to make them whole. School districts already at their maximum levy would be forced to make cuts while others would see their levies increase. Urban cities and counties wouldn't receive additional funds from state aid and would be forced to choose between cuts to services and levy increases. In rural areas with significant amounts of agricultural land, school districts and other local governments will likely have to raise their levies significantly and will have large tax shifts to agricultural land, but they likely have room under their levy limits to do so and may be able to avoid cuts. In those districts with a mix of all three property types, school districts and other local governments may be able to offset some or all of the revenue lost by raising their levies to the maximum amount, although some districts are not likely to be made whole. School districts will likely receive some state aid to offset some, but not all of the revenue loss. Agricultural land will see significant tax increases. We're basing our testimony on modeling of these types of proposals in past years, but we haven't had a chance to model this exact proposal yet. However, if Senator Pahls and the committee is interested, we'd be happy to model it and work with them. Thank you for your time, and I'm happy to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Other opponents?

TERRY JESSEN: Thank you, Revenue Committee, I was not intending to testify on this bill, but sitting here I did have an idea. And I want to thank Senator Pahls for what he said that his bill is to create discussion. So--

LINEHAN: Oh, I'm sorry, I forgot to ask your name.

TERRY JESSEN: My-- I'm sorry, Terry Jessen, T-e-r-r-y J-e-s-s-e-n. I've testified before this committee many times, and I apologize for forgetting that. So I have an idea how you-- I think everyone can agree for the most part that we have a tax problem in Nebraska when it comes to real estate taxes. That's why there's so many proposals. So here's my idea. I'm not opposed to changing the valuation of real estate and personal property in Nebraska, and feel free to laugh at this, in all cases moving it to zero. So the assessed value being at zero. That would solve the real estate tax problem that we have in Nebraska, and that goes hand in hand with other proposals. That's really the only comment I had.

LINEHAN: Thank you, Mr. Jessen. Are there other-- are there any questions from the committee? Thank you for being here.

TERRY JESSEN: Thank you.

LINEHAN: Appreciate it. Are there other opponents? Thank you.

TERRY KEEBLER: Senator Linehan, Revenue Committee, my name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. I am the Johnson County Assessor here, also with NACO just to register our opposition to this shift and it would create in even the smaller counties some shift to ag land and which in the end result-- just results in an increase in the levy and really doesn't change any of the numbers at the end of the day. I didn't figure out what percentage we are for ag land versus residential and others, but I think we're about 80 percent ag. Hopefully, no one quotes me on that because I don't have that perfect, but-- so, just as opposition to the-- the policy as presented. Thank you.

LINEHAN: Thank you, Mr. Keebler. Are there questions from the committee? Thank you for being here. Other opponents? Are there any other opponents? Anyone wanting to testify in the neutral position? OK. Senator Pahls, would you like to close?

PAHLS: Thank you, Chair, and I knew the reception would be probably the way it is, I understand that. I still say there are 80-some-- 800-some thousand people out there who probably would like to have us take a look at that. And what I find quite ironic, and I understand why a culture would have some hesitancy about this bill because they say you're putting the tax, you're shifting the taxes. I lay odds when it came the time for the agricultural land to be lowered, people are saying, well, you're shifting those taxes on the homeowners because somebody is paying the taxes. You do-- you shift one way or the other, and I'm not trying to take anything away from agriculture at all, but to say we're going to shift them to agriculture, well, somehow that shift had to come from someplace else and that would be the other two groups that are involved in this. It's just something to think about. Again, that was my whole idea was to have us do some talking about that and to see who would be concerned about that. And I really find it ironic, and I can't argue with the data that the counties can find that only $60,000 would be saved in-- in one county. My county is 60-70,000, you know.

LINEHAN: Counties usually have pretty low levies.

PAHLS: Yeah, I know, but I mean, just-- just totally.

LINEHAN: It's not the total.

PAHLS: Yeah, but I understand. But anyway, I thank you for the time because I know that-- state that, but it sounds like one of the individuals came up here it sounds like EPIC tax is the way to go. That's the way it sounds to me.

LINEHAN: Do we have any questions from the committee?

PAHLS: Thank you.

LINEHAN: Seeing none, thank you very much. We did have letters for the record. We had 0 proponents, 4 opponents and no one in a neutral position. With that we'll close on LB860 and go to LR283CA. Senator Bostar.

BOSTAR: I think this is my first time on this side of the Revenue table.

LINEHAN: Really? I think you were here once last year.

BOSTAR: With that, good afternoon, Chair Linehan, and fellow members of the Revenue Committee, I am Eliot Bostar, E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29. I'm here to present for your consideration today, LR283CA, a constitutional amendment to provide Nebraska's nine commercial passenger service airports with a tool to allow them to remain competitive within the modern air travel industry and to provide for future development and expansion of air service critical to the state's economic success. Access to air travel across the country and around the globe is essential for Nebraska to maintain economic viability. One common industry standard practice used nationwide to attract airline service to a community is through the utilization of minimum revenue guarantee contracts. These agreements represent a partnership of mutual benefit between an airport, the community in which the airport is located, and an airline. As testifiers behind me will attest, minimum revenue guarantees offered to airlines during the first months of new or expanded service helps to assure an airline that the effort they are making and investing in the community is being met with a commitment from the airport and the community it serves. Unfortunately, airports in Nebraska are currently unable to utilize their own revenue for this purpose due to provisions in our state's constitution. In 2019, with the assistance of now Speaker, Mike Hilgers, an Attorney General's opinion was obtained that explained that a Nebraska airport could not offer a minimum revenue guarantee without a change to the state's constitution. AG opinion 20-001 made clear that if our state is to remain competitive, we have no other option than to let voters consider a constitutional amendment. LR283CA would permit the voters to determine if airports and communities in Nebraska should be equipped with this important tool to compete for air service in our modern market environment. The reality of the air travel industry in 2022 is that airports across the country compete to attract and develop commercial air service. To remain competitive, our communities and small to medium-sized airports will need access to this near universally utilized tool. LR283CA represents a narrowly tailored solution to the aforementioned problem. It is limited in scope to apply only to the state's nine commercial air service airports. The nine airports referenced are identified on the map I have distributed to the committee, which was sourced from an economic impact report completed by the Nebraska Department of Transportation in 2019. The language of the amendment would allow political subdivisions operating an airport the ability to execute a minimum revenue guarantee agreement in partnership with an airline if necessary, and if they believe it is in the best interest of the community they serve. It's important to note that the approval by the Legislature and approval by the voters does not mean that all of the state's commercial service airports will use this tool. Not only does it have to make sense for the airport and the airline, but the minimum revenue guarantees and the service sought to be expanded or provided must be vetted by the local governing body and the Nebraskans they represent. Following me are testifiers that will explain in more detail the modern market for air service, the technical aspects of the constitutional issues at play, and a diverse coalition of business organizations who support this effort. Considering the robust bipartisan support for this measure, I am hopeful that you will agree that Nebraska voters deserve the chance to vote for this measure on their ballot in November. LR283CA simply ask the voters to equip Nebraska's airports with what they need to compete for economically essential service for our communities. Thank you for your time and consideration. I'm happy to answer any questions you might have.

LINEHAN: Thank you, Senator Bostar. Are there any questions from the committee? Seeing none, thanks very much. Proponents? Good afternoon.

DAVID HARING: Good afternoon, Chair Linehan, and members of the committee, my name is David Haring, D-a-v-i-d H-a-r-i-n-g. I'm the executive director for the Lincoln Airport Authority, and I appear before you today to testify in support of LR283CA. The last two decades have dramatically altered the landscape of air service development at U.S. airports. As a result of widespread consolidation four air carriers now control 80 percent of the total passenger market. Well, this has obviously impacted everybody. It has had a profound impact on smaller regional airports as the reduction of providers has resulted in fierce competition for those that remain. Unlike decades past, carriers now fully expect airports in the communities they represent to share in the startup costs, as well as-- as well as have some stake in the risk of performance during the first years of service. Well, there are a variety of ways that this has been done-- has been fulfilled in the past, the most common to use today is that of minimum revenue guarantee or MRG. MRG is an agreement between the carrier and the market sponsor that guarantees the receipt of a minimum amount of revenue over a defined period of time. Simply stated, if the revenue received by the carrier falls short of projection, the sponsor agrees to make up the difference. Now, it's important to draw a distinction between a subsidy and an incentive, like an MRG. The nine commercial service airports in the state of Nebraska are, with the exception of Lincoln and Omaha, all receive an annual ongoing subsidy from the federal Essential Air Service Program or EAS. EAS was created in the wake of deregulation in 1978 to guarantee smaller communities had a minimal amount of access to schedule passenger service. These subsidies are paid per completed flight in accordance with contracts with the federal government. They are designed specifically to be perpetually sustaining as opposed to an MRG, which is designed only to provide risk mitigation during the initial startup period until the service becomes self-sustaining, which is typically about 12 to 24 months. The challenge for airports from contemplating use of an MRG is that there's very few financial resources that can be used for this purpose. Federally funded airports, a category that includes all of Nebraska's commercial service airports, have to agree to a number of operational requirements. Among other provisions, they state that traditional airport revenue must be used towards the operation of the airport, cannot be used for general economic development and specifically cannot be used for air service to subsidize air carriers. That leaves private contribution, specific grant funding and the limited revenue outside of the federal policy is the only resources available to incentivize new air service. The all-encompassing nature of these restrictions has actually resulted in efforts by airports across the country to attempt to loosen these restrictions with the federal government. However, realistically, any of these efforts would not benefit Nebraska's airports because our state constitution specifically prohibits the use of public money for purposes such as MRGs. This places our commercial service airports at a significant competitive disadvantage, as not only do many states not have similar prohibitions, many states specifically fund air service initiatives as an acknowledgment of the commercial-- of the benefit that Commercial

Air Service provides. The report that was referenced by the senator at the start of this actually shows that in Nebraska, airports provide just shy of $6.2 billion annually to the state's economy with the nine commercial service airports representing 94 percent of that value. Additionally, this constitutional prohibition affords no protection or flexibility for EAS airports that I referenced earlier. Due to the age, the EAS program is always under scrutiny regardless of the party in office, and if a restructuring of that part-- of that program--

LINEHAN: Somebody will need to ask you questions.

DAVID HARING: OK, sorry, my apologies. I'll stop there.

LINEHAN: Senator Flood.

FLOOD: Would you like to finish your comments?

DAVID HARING: I would, just-- just a few more moments. But if there was ever-- thank you for the opportunity. If there was ever a restructuring of that program that caused the seven-- any of the seven communities to lose air service as a result of subsidy cessation, neither the state nor any of the municipalities could fill the gap even temporarily if maintaining service in those areas was deemed critical. So I do urge your support of LR283CA. The changes contemplated by the amendment will simply allow for the consideration of tools and resources vital to not only keep the airports-- Nebraska's airports competitive when attempting to recruit service, but also protect the ability of public entities to step in, if necessary, to protect existing services.

LINEHAN: Thank you. Thank you, Senator Flood. Are there other questions from the committee? So you-- can you-- so you get federal funding from the-- I can't remember which federal agencies, but-- so can you use that, those funds to help incentivize the-- I missed that. I couldn't follow that.

DAVID HARING: Senator-- the-- the-- any money that an airport receives from the federal government, unless it's specific for that purpose, so in Lincoln's case, as an example, we received a grant specifically for the purpose of utilizing it for an MRG. Outside of that, any money that we receive is specifically prohibited from being used for the purposes of an MRG.

LINEHAN: OK. And so your point here is you have money, but you can't use it.

DAVID HARING: That is correct.

LINEHAN: So is this-- involve a tax increase, a levy increase?

DAVID HARING: At this point, it's any revenue that the airport would have access to outside of that federal prohibition. And so it could include any-- I mean, it's fairly limited at this point, but it would be any revenue that we have access to.

LINEHAN: OK, thank you. Any questions? Seeing none, thank you for being here. Next proponent?

BILL AUSTIN: Chairman Linehan, and members of the committee, good afternoon. I'm Bill Austin. I am the former general counsel for the Lincoln Airport Authority and I'm here to testify in favor of LR283CA. As the previous speaker, Mr. Haring has described, the airport industry has changed considerably over the past few decades. Because of consolidation, airlines now can make economic demands on smaller airports as a condition of providing new or additional service. Minimum revenue guarantees are essentially the soup du jour that must be served by small airports if they have any hope of luring an airline to the table. However, there are two roadblocks preventing Nebraska airports from offering minimum revenue guarantees. The first effects federally obligated airports everywhere. The Federal Aviation Administration's policy and procedures regarding the use of airport revenues found at 64 Federal Register 7696 is commonly known as the Revenue Diversion Policy. With very limited exceptions, this policy prohibits the use of airport revenue for the subsidization of airlines. The term airport revenues is virtually all encompassing. It includes flowage fees, landing fees, parking revenues, rents, concession revenues, profits from the sale of land, basically anything that is generated by airport operations. So we have to set aside the idea of utilizing airport revenues per se for these minimum revenue guarantees because the revenue diversion policy simply prohibits it. We looked at the use of other public funds, but then we run into the second roadblock, which is Article 13, Section 3, of the Nebraska Constitution and judicial pronouncements such as Haman vs. Marsh, which prohibit the giving or loaning of the credit of the state or otherwise using public funds to subsidize private business. We attempted to test-- to test this constitutional premise in 2020, when-- 2019, when Senator Hilgers introduced a bill to-- to broaden the city's Airport Authorities Act to allow the use of public funds for minimum revenue guarantees. To determine the constitutional viability of that proposed legislation, an Attorney General's opinion was requested and received. Opinion No. 20-001 was issued in February of 2020. The short and not so sweet answer that was received was this legislation would be unconstitutional. So here we are. Under the current legal and constitutional framework, Nebraska airports find themselves at a distinct competitive advantage vis-a-vis airports in other states when attempting to negotiate for new or expanded airline service. Constitutional amendment is needed to correct the situation. Thus, we ask for your support by moving this bill out of committee and hopefully on to the voters.

LINEHAN: Thank you.

BILL AUSTIN: Thank you.

LINEHAN: Thank you, Mr. Austin. Is there any-- are there-- are there any questions from the committee? Seeing none, thank you very much.

BILL AUSTIN: Thank you.

LINEHAN: Next proponent.

BRUCE BOHRER: Good afternoon, Chair Linehan, and members of the Revenue Committee. My name is Bruce Bohrer. For the record, B-r-u-c-e B-o-h-r-e-r. I'm the executive VP and lobbyist for the Lincoln Chamber of Commerce, whom I'm testifying on behalf of, as well as the Nebraska Chamber of Commerce and Industry is on this testimony as well. The Lincoln and Nebraska Chamber of Commerce support LR283CA. This change to the language in the state constitution will help our efforts in attracting air service, which is an important component, of course, for business and community development. In Lincoln, particularly as you've heard from prior testifiers, this has been a challenge and the fund use restrictions have been an impediment. Lack of air service options impairs entrepreneurship and economic development in our community. Expanding air service is one of Lincoln Chamber's highest priorities as an important means to attract and retain new businesses, talent, and visitors to our community. As you just heard, we are at a distinct competitive disadvantage vis-a-vis other states. The Lincoln Chamber has worked closely with the Lincoln Airport Authority and others over several years to find solutions. Some of the Federal Air Service grants have been helpful, and we appreciate-- appreciate our federal officeholders for their efforts. This is distinct from the air service subsidies that you just heard about versus MRG, but these grants are not reliable resources. The Lincoln Chamber also has segregated funds within our Chamber Foundation. To support this cause, we've set aside a quarter of a million dollars for the broader and-- and-- but still need broader and more reliable solutions. Usually, the grants require a public support match, and so that's-- that's the set aside within our foundation. But we could also set aside for minimum revenue guarantees as well. Lincoln-- Lincoln Chamber and Nebraska Chamber thank Senator Bostar and co-sponsors for bringing this resolution forward, and we urge your support as well. Thank you for listening. That concludes my remarks, unless you would have any questions for me.

LINEHAN: Thank you very much, Mr. Bohrer. Senator Flood.

FLOOD: Thank you, Chair Linehan. Thank you, Mr. Bohrer, for being here. On a scale of one to 10, zero being not important at all and 10 being very important, where would you rank for economic development prospects the need for-- or the attractiveness of consistent service in and out of the Lincoln Airport?

BRUCE BOHRER: Yeah. Well, I thank you for the question. I actually have some stats that I can pull out. We do business recruitment and expansion interviews through our L-fed office. This is consistently a top priority for businesses in Lincoln, saying we need to improve this. I would say it's very close to a 10 and we've got workforce issues as well. But yes, this is very high priority.

FLOOD: Would you say this is the highest priority of the business community this session?

BRUCE BOHRER: Be pretty close. Workforce is definitely a big issue, as you, I'm sure have heard.

FLOOD: That's also my feeling.

BRUCE BOHRER: Yes.

FLOOD: Thank you. Appreciate that.

LINEHAN: Thanks, Senator Flood. Are there other questions from the committee? Seeing none, thank you.

BRUCE BOHRER: Very good. Thank you, Senators.

LINEHAN: Are there other proponents?

BUD SYNHORST: Good afternoon, Chair Linehan, and members of the Revenue Committee. Thank you for allowing me to be here today. My name is Bud Synhorst, B-u-d S-y-n-h-o-r-s-t. I am the president and CEO of the Lincoln Independent Business Association, representing over a 1,000 members from Lincoln and Lancaster County in our small business community. I'm here on behalf of LIBA in support of LR283CA. This constitutional amendment gives airports the freedom to use their revenue for developing commercial passenger service. While this would apply to all airports across Nebraska, I can't help but champion the impact it will have on our Lincoln Airport and the business community here in Lincoln. The current statutes are restrictive in how our airport reinvest profits into growth. At LIBA we have been champions continually of government entities and political subdivisions to work under a growth mindset. Restricting the investment of resources generated by the airport is the opposite of this mindset. Airports are an economic driver for communities and Lincoln is no different. It is important for our airport to be competitive for flight services, for businesses and the people of Lincoln. Over the course of the past two years, our airports experienced significant setbacks, as many businesses have because of the pandemic, causing more strains on business and air travelers who use the Lincoln Airport for their business and leisure travels. Last year, the Lincoln Airport Authority made a long-term commitment to upgrade and enhance the airport with a $56 million investment. This investment aims to increase the number of gates and capacity of the airport. The upgrades, along with direct federal stimulus allocations from the city of Lincoln and Lancaster County and the flexibility this amendments provides, puts the airport in a good position to help grow Lincoln. LR283CA would allow airports to reinvest these profits within the guidelines of the federal government and to grow our travel offerings, which in turn will spur economic growth here in Lincoln in our area. The increase of business and leisure travel opportunities for Lincoln will provide economic activity for our citizens and allow our airport to be more competitive in its offerings. Just going to skip over some of the things that many of the others have said, but I think from our perspective, this is a good way to help grow economic development in our area. It's good for business. We have a lot of businesses who are sending people to the east on a daily and weekly basis to travel, costing them time, human resources, and also resources with mileage and those types of things. So the more we can do to help our airport, we believe, is a good investment in our community, and I would answer any questions you might have.

LINEHAN: Thank you very much, Mr. Synhorst. Are there any questions from the committee? Seeing none.

BUD SYNHORST: Thank you very much.

LINEHAN: Nest proponent.

ERIC GERRARD: Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Eric Gerrard. That is E-r-i- c, last name is G-e-r-r-a-r-d, and I am here on behalf of the City of Lincoln in support of LR283CA . First of all, thank you to Senator Bostar for bringing this constitutional amendment. Thank you to Senator Linehan and Senator Flood for co-sponsoring the constitutional amendment. I won't be repetitive, but in the city of Lincoln, we think this is both economic development as you've heard from both LIBA. Lincoln Chamber and the Lincoln Airport Authority, but also quality of life issue for a number of our residents the Lincoln Airport is certainly the most convenient option, and I think this is just another tool in the toolbox to help airports across the state, but in particular the-- the Lincoln Airport. Again, it's somewhat rare that you hear such a unified voice from city of Lincoln, Lincoln Chamber, LIBA, and Lincoln Airport authorities. I think that speaks to the-- the nature of this constitutional amendment and the importance. So with that, I will close my remarks and thank Senator Bostar again.

LINEHAN: Thank you very much, Mr. Gerrard. Any questions from the committee? Seeing none, thank you very much.

JOE KOHOUT: Hello, Chairwoman Linehan, members of the Revenue Committee. My name is Joe Kohout, K-o-h-o-u-t, registered lobbyist, appearing today on behalf of our client, the Lancaster County Board of Commissioners. I am passing around a letter under the signature of our Board Chair, Commissioner Deb Shore. The commissioners took action this morning on LR283CA and I think the letter speaks for itself, their level of support for Senator Bostar's constitutional amendment, and we appreciate its introduction and ask the committee to advance it. Thank you very much.

LINEHAN: Thank you, Mr. Kohout. Are there questions from the committee? Seeing none, thank you very much. Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator Bostar, would you like to close?

BOSTAR: Thank you, Chair Linehan, and Revenue Committee members, and thank you to everyone who contributed to the discussion. I appreciate everyone's attention to this. This is a-- this is a top priority, obviously, for the city of Lincoln. But the benefits, as you can see by the map, extend far across the state and so I didn't want that message to get lost here. With that, I'm happy to answer any final questions. Also, just thank-you to the other co-sponsors. Senator Linehan and Senator Flood were mentioned, but also Senator Aguilar, Geist and Stinner for their assistance with this legislation-- with this amendment. Thank you.

LINEHAN: Thank you. Are there questions? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So when we-- when we look at this map, some of the airports are treated differently under the FAA than-- than the Lincoln airports and the Omaha airports, is that correct? They're more of an essential air service.

BOSTAR: Yes, I believe all of them, except for Lincoln and Omaha, fall under that category under the FAA where they receive specific funding subsidies

FRIESEN: Because they're so small-- so they're they're treated differently?

BOSTAR: Yes, in some ways they are.

FRIESEN: This would give them opportunity, though, if they ever needed that.

BOSTAR: Yes. So those, you know, those subsidies aren't-- they can't be used for, you know, a minimum revenue guarantee. If they wanted to attract, you know, if-- if the alliance wanted to negotiate the development of air service with an airline, you know, the EAS money isn't going to-- isn't going to do it. So this would give them that same tool to compete on the level playing field that basically everyone around us is using.

FRIESEN: OK, thank you.

BOSTAR: Thank you.

LINEHAN: Thank you, Senator Friesen. Are there any other questions from the committee? Seeing none. Do we have letters for the record?

There are no letters for the record, so that closes our bearing on LR283CA.

BOSTAR: Thank you.

LINEHAN: Thank you. We will go to LR264CA. So we open the hearing on-- didn't I just say that? It's a little distracting that. Senator Erdman, oh, there you are. Hello. If you'd like to start. Good afternoon.

ERDMAN: Good afternoon, Senator Linehan, and Revenue Committee. Thank you for the opportunity to be here today. My name is Steve Erdman. I represent District 47, which now has nine counties in the Panhandle-- used to be 10. Spell my name, S-t-e-v-e E-r-d-m-a-n. I'm here today to present to you, LR264CA. It is a constitutional amendment to eliminate inheritance tax, sales tax, corporate and individual income tax, and personal and real property tax. Replaced with a one flat consumption tax that will be revenue neutral and will provide the same revenue that we currently collect in the state of Nebraska and all those taxes that we're going to eliminate. I had a conversation with Senator Flood. He asked me this week, earlier this week, and it was a correct question. It was appropriate. He said, you had LR11CA on General File from last year, why did you just not reprioritize that and move on instead of reintroducing it? And Senator Flood, that was a good question. There's a couple of answers, I think are appropriate. First of all, we've changed the wording on the constitutional amendment to include the excise tax on gas tax and alcohol and tobacco to stay in place. We didn't have that in the other constitutional amendment. The other reason that's just as important as that, and maybe more so, is that when we had introduced this a couple of years ago, there was a group of us had gotten together and thought that this was the solution to our broken tax system, but because we weren't expert in taxes and we weren't expert in much of anything that we were talking about until we had made contact with a gentleman named Stephen Moore. And he then in turn, put us in contact with the gentleman named Art Laffer. Art Laffer is probably the most renowned economist in the nation. Art Laffer was the author of Prop 13 in California in the '70s when they fixed their property tax issue. He was an adviser to President Ronald Reagan when he made the tax cuts that he made. He also was an adviser to Donald Trump. And so when-- he came into our office last May, we had an opportunity to share with him what we were trying to do and accomplish with the consumption tax. His opinion was, at that time, we're on the right track. And Stephen Moore and him concurred that we are going to fix our tax system once and for all. And so after having that information, I asked Art Laffer if he would do a dynamic study for us to prove the economic advantage of a flat consumption tax. He said that his organization was out a year and a half, maybe two years out to do a dynamic study. We had, prior to that, the year before done a static study through the Beacon Hill Institute. Art Laffer knows those people at the Beacon Hill Institute, and he recommended that we check with them to see if they could do the dynamic study. We did and the Beacon Hill Institute completed that study last year before we introduced the consumption tax proposal from last year. So to answer Flood-- Senator Flood's question, the reason we introduced it this year is because we had that confirmation from those two gentlemen, but more importantly, we have the dynamic study. And I'm going to do some highlights in the dynamic study today and--

LINEHAN: Can I just-- everybody that's in here, we really need-- yeah. Between the hall and then this is-- OK, is there a line coming to get in?

FLOOD: So I think there's a number of people that are here to support your bill, Senator Erdman. Maybe you could go in and welcome them in. I don't know that they know they're welcome to come in. There's plenty of seats for them. I think they're just kind of waiting to come in. Yeah. That way they can hear everything.

LINEHAN: Right, thank you. Thank you for your red coat services.

ERDMAN: Sorry about that.

LINEHAN: No, no, that's fine.

ERDMAN: OK. So where I was at on this, Senator Flood, you may have missed this, but the reason for this reintroduction is I want an opportunity-- I need an opportunity for you as a committee as well as everybody else to have a look at the dynamic study and the information that was presented to us that we didn't have last year. So I didn't do this to waste your time. I know you're a busy committee, you have a lot of things to do, and I didn't do it just to take up your time. I did it because I think it's important. So I passed out a sheet of paper with the United States on it. It's red and partially green. What I want to bring your attention to is, this slide came directly from Art Laffer after he visited with us here in the state, and he said, I'm going to do some research for you. I can't do a dynamic study, but I'm going to try to analyze your tax system compared to the other tax systems across the nation to see where you fall, to see where you fit.

As you'll see in the middle of that-- in the middle of that map, Nebraska is white. OK, the red states represent those states that are gaining population from Nebraska. People are leaving Nebraska to move to those states that are red. The green states are the states that people are moving from that state to Nebraska. And Senator Sanders is from Hawaii. And if you'll notice at the bottom of your page, that is green. As Senator Sanders says, the only reason that's green is because she moved from Hawaii to Nebraska, and that very well could be true because people aren't moving here because our tax system is broken. And so I don't have to tell you, as a committee, I think everyone in this room on this committee would agree that we have a broken-- broken tax system. I've been here a little over five years and the people in this room, that I see in this room that have worked on property tax, Senator Friesen, Senator Linehan, Senator Briese, Senator Groene, several have worked on property tax relief ever since I came. I've been working on it as well for five years. Two years ago, we had a petition drive that was going to lower property tax 35 percent. So what I want to tell you about that petition drive, if we would have been successful-- if we would have been successful and we accomplished that and got it on the ballot and it passed, that would have moved us down in the ranking of property tax in the United States of America, it would have put us at 29th instead of 45th. The bad news is, we would have moved ahead of none of our neighbors. Not one state that adjoins us would we have been better off than them, even if we reduced our property tax by 35 percent. So when I first came, I was convinced, Senator Briese, that property tax was the number one issue that had to deal with property tax. But as I begin to understand the regressiveness of all these other taxes, income tax and especially inheritance tax, I began to understand that our whole system is broken. And so what we have tried to do with the consumption tax and with your help, we get it to the floor, we get 30 votes, we get it on the ballot is to fix our broken tax system since we've been functioning under this since 1967. Now people say, well, wait a minute. If you change the way we tax people, we may be in jeopardy of not getting the revenue that we normally have to be taxed revenue neutral. Well, I can tell you, I know people who circulated the petition back in 1966 to eliminate the property tax that the state used to collect, and if you remember, and some of you are not old enough to remember 1966, but in '66, that was the only form of revenue the state of Nebraska had was property tax. And I talked to a gentleman that circulated that petition and he said, here's what they said. The sky is going to fall. The schools are going to close. We will have no roads. Nebraska will cease to exist if we eliminate property tax because they don't have a source of funding. Well, guess what? In '67, they implemented sales and income tax. The reason they implemented sales and income tax was because they were going to try to lower property tax because it was too high. Imagine that. So that's 50-some years ago, we were talking about lowering property tax. So our system is broken. It's an opportunity for us to fix it once and for all. And we have been debating bills, and Senator Hunt and Senator Wayne have said we're moving way too fast, we accomplished way too much, we passed too many bills. Well, I checked this morning. We passed one bill so far-- one. And so I asked Senator Wayne, how much slower can we go? We can't. So what-- what the situation is, we're talking eight hours on Senator Briese's bill. What is it about? Property tax. How long did we debate LB1107 last year? What was it about? Property tax. If we pass the consumption tax and fix our broken tax system, we can eliminate half of the bills that we talk about and maybe we can go to every other year. That'd be a phenomenal thought. So what I'd like to do is move to the dynamic study. I want to present some of those things that are there because I think our focus needs to be today and-- and I've had numerous questions about how is it going to be implemented? How is it going to be distributed? All of those questions I've had. When we get the consumption tax constitutional amendment passed, some of you in the room here will be there in '24, '23 whenever it happens and we'll figure it out. But I have some ideas on those as well, but I want to go through the dynamic study with you and-- and just share some of those things that you may not have seen if you haven't seen it. Seldom do people go and take a look at what the dynamic study has to say. I think it's a very, very vital piece of information for you to understand what we're trying to accomplish. It's an easy read. It's about 28 pages, 27 pages. It's footnoted. They put in the information how they got the information they did. But one of the things they said in the introduction, they said our analysis finds a result of replacement of current sales and local taxes by the state consumption tax, the increase in-- the after tax reward for savings would rise. Motivating investment in economic growth, these effects would be largely driven by the fact that the consumption tax would eliminate the existing double taxation-- double taxation. You ever hear that? Double taxation. You buy a piece of property. You make the mortgage payment with what? After tax dollars, right? You take your money and put into savings, what did you have to do before you put your money in savings? Pay the taxes. Then you make a gain on your savings and when you take it out, what do you do? Pay the taxes. So it eliminates that factor. That will encourage savings. So a future current law-- current laws are affected-- affect the savings. All leading economic indicators, investment, real disposable income and employment would increase significantly under the tax-- under this tax change. The Economic-- EPIC Consumption Tax Act offers a rare policy reform that is beneficial to all Nebraskans-- all Nebraskans. And what I've heard recently is people say it is a regressive tax and it's going to be regressive for the low-income people. That is never, never the truth. And they-- what it shows me when people say that it's a regressive tax, they haven't read the dynamic study. The dynamic study explains that we're going to have a prebate equal to the poverty level, times the consumption tax rate for every person in the state of Nebraska, according to their filing status. All right. So some people assume that only low-income people are going to get the consumption tax prebate. And so I would like to call it the Husker bucks. We'll give you a smart card with "Little Red" on it and it'll be Husker bucks. At the beginning of each month, we're going to contribute to that smart card, Senator Pahls, $98 as a single person, $98 of your money spent however you want. You have that money on there to make up for what consumables you'd buy after the poverty level, no matter what your level is. So there's no cliff effect. People don't make-- if you make-- pass the poverty level, you don't lose your Husker bucks. So those people that say it's regressive, that's an incorrect statement. So they go on to say in their introduction that the sustainability of a strong overall position going forward is not certain-- is not certain in its ability to compete. But Nebraska's ability to compete and globally for the Talon investment is not assured. Today, the consensus is emerging that Nebraska's current tax code is obsolete and needs improving, and it will improve the business climate. Nebraska could benefit from improving its tax competitiveness. Are we competitive? I showed you on the map, we're not competitive with any of our current states around us. We're not competitive hardly with anybody. So what do we do? The state of Nebraska, what do we do? We want a business to come here, what do we do? Give them tax incentives. Nebraska ImagiNE Act, Nebraska Advantage Act, LB775, we do all these things. We have TIF financing. We have LB840 money. Why do we do that? It's because our taxes are too high. And so we're not competitive and we can't get competitive by doing the things that we've been doing. A viable state system must be reliable and raise the revenue and the Governor needs to-- in order to provide public services while imposing the smallest possible burden on work, savings, and investment. The balancing act between the taxation and spending becomes more difficult if the other taxes provide more. Other states provide more competitive tax system. Offsetting its natural advantages. Nebraska levies high marginal personal income tax rates. In addition, the corporate tax in

Nebraska is among the steepest in the nation. Finally, local property tax in Nebraska rank among the highest in the nation. The consumption tax that replaces all state and local taxes is one way to correct the competitive tax disadvantage-- disadvantage that Nebraska faces today. When Laffer was here, I was asking him, how do we rank in your opinion on the other states? And he said, if you continue with the current system you have, you will become the next West Virginia. And he said it's not good in West Virginia. So where are people moving? Where do they move to today-- Tennessee, Texas, Florida, Nevada, Wyoming. Why do they move there? Arizona? You know what those states all have in common? They have no income tax. None. That's why I ask-- I asked those guys-- I asked them the other day, I said, so is there any other state that has a consumption tax? And they said the closest you can come to that are those states that don't have any income tax. They work just fine. And consequently, they're not taxing everything twice when they get ready to put it into savings and they're not taxing when they take it out. So if we want to see what other states do that have a form of consumption tax, just look at those states that don't have an income tax. So what taxes are we going to replace? Here's what-- here's what the Beacon Hill study revealed on the taxes collected. Now they projected it for 2024. They projected this wouldn't go into effect until '24, so these are the taxes they think would be projected to be collected. In '24, the individual income tax they're projecting at 3 billion, 12-- 12 million. The corporate income tax, 626 million. Local property tax-- listen to this. Local property tax in '24, if we continue on the same rate we're going now, it's going to be 5 million-- 5 billion, 84 million. All right. So we can continue to put a few dollars in the Property Tax Credit Fund and do those things that we do now and we're not going to catch up with the property tax. Sales and use taxes in '24, they're estimated to be two billion, two hundred and seven million. That is a total of 10 billion, 930 million and in the 10 billion, 930 million, they also included the Husker bucks. It's already included in-- the Husker bucks are included in the 10.9 billion. So we will have an opportunity to decide what taxes you pay and when you pay them because today, and maybe you listened when I was speaking on the floor, I know Senator-- Senator Pahls was listening. Our focus the last couple of days, the total focus in our conversation about Senator Briese's bill was on those who collect and spend the taxes, those who collect and spend the taxes. Someone else decides how much taxes you pay and when you pay them. You never got a note from your treasurer asking you to pay more. They just send you the notice, so you pay more. No one ever asked if you can. And so the focus is wrong, and we're focused on those who collect and spend the taxes because those who collect property tax know that if I don't pay my property tax, someone's willing to step up and pay them and they get 14 percent interest. So they're very-- very sure they're going to get all the taxes they've always got. And so the focus needs to change on those who pay the taxes. And when you do that, then we have a fair tax system. And I asked Laffer, I said when he was in my office, I said, how much of a dollar, if one dollar is all the taxes are collected, every dollar, we get them all. How much do we get? I thought the number would be 80 cents. He said 60 cents. He said they spend billions of dollars annually not paying taxes, how to figure out how to pay them. He said the most simple tax system in the world that's fair and people understand, they will think it's less cumbersome, cost less money to pay the tax than it does to avoid the tax. And so that-- that was the impression that he had. The reduction in the current state taxes would provide a boost to the state's private economy, leading to an increase in private employment and develop-- and develop income and investment like never before. So, and you've probably heard this comment, Senator Halloran says, because we'd be so popular to create a business and live here, that we would have to build a wall around the state and Colorado will pay for it. And if you don't believe me, think about this for a second. If I go to Colorado, I'm a business, and I say to Colorado, what do you offer? What do you offer me to come to your state? And they say, well, we'll give you 15 years property tax relief, or maybe we won't charge any income tax or we'll give you an income tax credit. And the person says, well, how does that compare to zero? That's what Nebraska does. They have zero. There's no way to compete with zero. And Laffer also said if we're the first state to do it, we won't be the only one. If we're the first state to do a consumption tax, we will not be the only one. And I always get that question when asked, does zero state do this and then I ask a question, which other state has a Unicameral? And the answer is one-- us. And so we can-- we can afford to be different. So it goes on to say in the conclusion of the report, and I think this is important that we see what they've come to the conclusion of, is the public finance economists recognize that taxes impose on that-- taxes impose an excess burden or dead weight or a loss in the economy. Any move toward a tax reform must consider the fact that high tax rates reduce the tax base and increase debt loss. Increasing the rate, the percentage in taxes, does not get more money. Broadening the base brings in more money. Ronald Reagan made that so when he made the tax cuts that he made, we actually collected more tax at a lesser percentage. The goal of a viable tax system should be to ensure that not only fairness, but it's also very efficient. The argument that a consumption tax is superior to an income tax has long-- has long-- is long in history, and we understand that. The reason that an income tax saving-- the reason that an income tax-- tax is savings twice, once when the income is earned, once when the income tax-- when the taxpayer takes the money out and has to be taxed again. It eliminates the savings desire because it's taxed twice. So replacing the state income tax-- replacing taxes on state income tax, including-- also including inheritance tax, the state sales tax use and all local property tax with a revenue neutral-- a revenue neutral consumption tax would generate billions of dollars investment, a real disposable incomes and the state domestic-- state gross domestic product would grow like never before. Moreover, the consumption tax would pay tens of thousands of new jobs, including-- including in the prebate in Nebraskan consumption tax rate. If you didn't have a consumption tax rate, listen to this. If we didn't have the consumption tax rate would be 7.4. But I don't-- I don't think there's any way that we could put the burden on the low-income or middle-income people by not having the Husker bucks of prebate. The consumption tax exemption on used goods will also affect and be a positive thing for low-income people because they purchase a lot of used items. There'll be no income tax-- there'll be no consumption tax on used items. You buy a new item, consumption tax. If you buy a used item, no consumption tax. There will be no business, a business transaction consumption tax. You buy something for your business, a computer, whatever you may buy for your business, there'll be no consumption tax. So I want to leave you. I want to pass out these fliers right here. Last week, we had a gentleman in town by the name of Dan Pilla. Dan Pilla is a tax expert that defends people. If you could pass this out.

LINEHAN: I just need this. Appreciate it.

ERDMAN: Defends people against the IRS. He's an attorney that does that, and if you could pass those out, I'd like one-- each one of you to have those. You can go to the website epictax.org and see a presentation done by Dan Pilla. So that is the analysis of what we're trying to do. Fix our broken tax system. We've been here before. You've been very gracious before to vote it out, and I appreciate that and I hope you do the same thing this time. So I would-- I would stop there and ask if you had any questions.

LINEHAN: Thank you. Are there any questions for the committee? Senator Pahls. We got a lot here for you.

PAHLS: I know-- I gave you one fast question. You know, I support what you're doing. I do think it's a change because I came up with a couple of issues earlier today and they were pooh-poohed, which I understand. It is time to make a massive change to what we're doing. And you know, I support you.

ERDMAN: Thank you. Appreciate it.

LINEHAN: Any other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Erdman, and I absolutely will recognize that you've put an incredible amount of effort and time into this issue. Trying to be brief. So I understand that the-- the intent is to have a revenue neutral reform to our taxes, but can you briefly tell me which Nebraskans, roughly how would you categorize, who will end up paying more and who will end up paying less?

ERDMAN: OK, Senator Bostar, that's a very good question. We've had that question numerous times. Everybody gets to pay some. So let me explain how this works now. So let's say you own a home and you're paying property tax and you're paying state income tax. And generally, those people that do the calculator, if you go to the website, there's a calculator. You can put in your numbers and you get the results. It's about a 70 percent savings. So let's say you're paying 10,000 in property tax and income tax. So we're going to reduce that to 3,000. Who pays the 7,000? All right. Who pays the 7,000? Currently, when someone buys something and pays sales tax or income tax, none of that money, unless you're a school that gets state aid, none of that money goes to doing anything or paying for anything your property tax or your income tax pays for. Under the consumption tax model, anybody who buys something, part of that consumable consumption tax money will go to filling in the gap that you left by not paying those. Everybody gets to pay some. The good news is those people that come from a faraway country like Iowa, when they come here to shop, they get to pay 8.97. We give them no prebate. They don't get any Husker bucks. And people say, well, 8.97 is pretty high. Well, the point is this. Their sales tax is probably seven. All right. So if you think about that for a second, there are other states who have way higher sales tax than 8.7, and the Beacon Hill study addressed that. It's not a significant increase over other states. So the hole will be filled in by those people who do a lot of cash business who pay no taxes, they'll get to pay taxes. And also those people who visit our state will get to pay taxes.

BOSTAR: Thank you very much.

ERDMAN: Yeah.

LINEHAN: Thank you, Senator Bostar. Any other questions? Seeing none, thank you very much.

ERDMAN: Thank you.

LINEHAN: First proponent. And I think many of you weren't here when I opened, so it is three minutes each. It's two minutes on green, one minute on yellow and when it's red, you need to stop.

ROB ROHRBOUGH: All right. Thank you, Senator Linehan. Good afternoon, senators. Thank you for having us here and extending your time. My name is Rob Rohrbough. I live at 8515 South 105th Street, La Vista, Nebraska, 68128.

LINEHAN: Can you spell your name?

ROB ROHRBOUGH: R-o-h-r-b-- thank you. R-o-h-r-b-o-u-g-h. As I think some of you know, I've been advocating for a consumption taxes for sometime. Like most of us, I got my first paycheck and it was less than my stated salary. That started the ball rolling. Then when I bought my first house, I discovered that not only was I paying house payments to repay my loan, there was an escrow account for insurance, understandable, and something called real estate taxes. When I finished paying on my house, those real estate taxes were more than on an annual basis than I was paying for my entire house payment. So I concluded that I'm not paying taxes, I'm paying rent on my house and to prove that if I don't pay it for three years, guess who owns my house? It's not me. So in effect, I'm paying rent for a house I thought was mine. Consumption tax does not take one dime of my income, nor does it make me pay for the use of my own house, business, farm or ranch. Nothing is taxed. So what the epic tax proposes is to eliminate property, income and corporate, that is business taxes, and replace the sales tax with a consumption tax on new goods and services above the poverty line. LR264 sets the stage by putting language on the ballot, prohibiting the real estate tax and the state income and related taxes, and calling for the consumption tax and excise taxes. Our current study uses a dynamic model. I've attached a copy here. Senator Erdman referred to it for a little bit. If you look on page 7, you can see how that we fully fund the current projected to 20-- 2020 $4, $10.9 billion required by all operations. It's very simple, and if you have any questions about it at any time reading the study, please feel free to ask me about it. We're happy that other organizations have moved toward a consumption tax with a couple of bills on the floor this year, eliminating income tax for seniors and veterans. It's a good thing, but they still treat people unequally, and they're a small tax shift. And those small tax shifts sometimes produce unwanted results because they take from one pocket and put it instead of the other pocket. We keep the government's hands out of both pockets. People pay the tax only at the cash register. It is my hope that when you look at the--

LINEHAN: Mr. Rohrbough.

ROB ROHRBOUGH: --that all of this, that you will appreciate it and-- or my colleagues will present some more of those principles. Thank you very much.

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

ROB ROHRBOUGH: Thank you.

LINEHAN: Next proponent?

MIKE MEYER: Hello. Thank you for having me. My name is Mike Meyer. I'm from Kearney, Nebraska. Six Canal Heights in Kearney, Nebraska.

LINEHAN: Just spell your name.

MIKE MEYER: M-e-y-e-r.

LINEHAN: Thank you.

MIKE MEYER: I'm going to probably help reclaim some time for people. I'm going to be quick. There's a couple of things I'd like to address. One, this form of taxation is the most equitable. It allows everybody to participate equally in our society. And when people participate in society, they're better citizens. They're going to be more concerned with what you all are doing here in Lincoln. They're going to be more concerned on how things-- tax dollars are spent. When you have a subclass of people that just taking and are given stuff, it degrades them. It's not fair to them, quite frankly, because they don't feel like full citizens, I do believe. That-- this consumption tax also avoids gains and corruption when the base is broad and everything is taxed with the same allotment or amount there's no way to diddle and say, well, we'll leave this out and that out. And when stuff starts being left out, stuff can be bought and corruption can happen. So this saves that. More importantly, this will save the family farm. I mean, I'm sure you all are aware we have problems with our tax situation, and that's why we're even having this committee meeting and hearing this. The family farm is just a few generations away from nonexistent because they're being taxed into oblivion, and this will very much save that. And lastly, taxation should be about revenue generation for the government, not social engineering and this takes all of that diddling away. It allows-- it frees you up to-- to garner bills and to do legislation that actually matters to you and isn't encumbered by the corruption, the taxation. Thank you so much.

LINEHAN: Thank you very much, Mr. Meyer, for being here. Good afternoon.

DOUG LANE: Hello. I'm Doug Lane, D-o-u-g L-a-n-e, and I live in Omaha, Nebraska.

LINEHAN: I just need your name. First, spell it first and last. We don't need to know your address here.

DOUG LANE: OK, good.

LINEHAN: OK, thank you.

DOUG LANE: Doug Lane, D-o-u-g, Lane, L-a-n-e. I'm here to testify in favor of LR264. The primary reason I support EPIC is the stability and predictability and fairness. Now as a little personal story, 20-years ago, my wife and I set out to build a new home for our growing family-- four-- four little kids, a larger home in the Benson area, which is an older part of Omaha. We had a construction loan of $150,000, and that was our budget to build the home. When we were almost done, the county assessed it at $265,000. It's hard to explain how upset I was. Today, we are assessed at $411,300 with no end in sight. I am paying two to three times what most of my neighbors pay in an older part of Omaha known as Benson. I have fought the assessed value in the past with little luck. I had one county assessor tell me that if I can't afford, I should sell, and that's not very healthy to go through that. Anyway, in almost 40 years of construction work, I have had two major falls put me out of work for a little while. During that time, we were able to cut back on everything except property taxes. There will not be one brick less, says the county. I am asking you today to pass LR264. Thank you.

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

DOUG LANE: Thank you.

LINEHAN: Thank you. Next proponent. Good afternoon.

IRIS DUTTON: Good afternoon. I'm Iris Dutton, I-r-i-s D-u-t-t-o-n, from Ponca, Nebraska. After spending most of my life as a military wife, I was blessed to have an opportunity to return to Nebraska, first near Offutt Air Force Base and then to my family farm in Ponca. And we do live the good life. My great-grandfather, Eli Lincoln Heidi, homesteaded in Dickson County in 1876, and I inherited that farm along with part of my family farm. So I'm living the dream in Nebraska, in Ponca. Perhaps the biggest change I have seen since returning to Nebraska is the loss of the family farms, influence of socialism in our schools, and the movement of farm families to neighboring South Dakota to avoid our high taxes. And this includes Pioneer Farms. And many of you have worked tirelessly for years, and I appreciate your efforts to change our tax systems-- system. Taxes are a burden, a big-- the biggest burden in our lives as a military retired family. When we moved to Colorado Springs-- from Colorado Springs to Nebraska, my husband worked at Offutt Air Force Base as a contractor. In Colorado, we had a $240,000 home about 10 years ago, sold it to pay-- to pay off the debt and paid cash for a modest home in Plattsmouth, Nebraska. We had a home one-half the size and cost and paid twice the taxes that we paid in Colorado. Ten years ago, we moved to Ponca. Growing up in Nebraska, I had a strong work ethic. I am very concerned that the inheritance taxes, along with other taxes, will continue to burden our citizens. I know of a family, since I'm close to South Dakota, I attend a prayer meeting there, that lost their farm to inheritance tax before they had reforms in South Dakota. I attended a meeting where Kristi Noem spoke years ago and that she got involved in politics because her family spent 10 years paying the inheritance taxes on their ranch, and she was determined to change that. And I think we can do that too. The consumption tax is a bold measure to accomplish this. I urge municipalities, counties, and you, our state legislators, to unite and work together and finally change the current system of our beloved state. A fair disbursement will be key to this process. Thank you for the opportunity to speak and come to Ponca and enjoy our beautiful state park and our small town is a very good life.

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

FLOOD: Thank you for your service, or your family service in the military. Are you aware that-- what we've done with military retirement income?

IRIS DUTTON: Yes, Senator Gragert, I believe, has helped with that, hasn't he?

FLOOD: Yes, he has.

IRIS DUTTON: Yes, we appreciate that. Thank you very much.

FLOOD: Thank you for coming.

IRIS DUTTON: Yes, thank you.

LINEHAN: Are there questions? Thank you for being here.

IRIS DUTTON: You're welcome.

LINEHAN: Next proponent. Good afternoon.

MARVION REICHERT: Good afternoon. My name is Marvion Reichert, M-a-r-v-i-o-n R-e-i-c-h-e-r-t. I live in Elm Creek, a small town west of Kearney, in tax district number 41. I'm here to urge you to vote to pass this on to the floor for debate. There are many reasons why this bill provides for a more equitable imposition of taxation on the people of this great state, and I'd like to address three today. First, by taxing all retail goods and services, the bill fairly broadens the tax base thereby reducing the tax rate for everyone. To this point, I'd like to give you an example. Several years ago, we passed a school bond in my community. A teacher in the school had three children in the same grade as my three. She lived in a house that was comparable to the one that we lived in. The following year, the bond passage-- the following year, after the bond passage, my home taxes increased approximately $50, as did her, but my land taxes increased three-- about $3,000. So for $50, her kids got the same education as mine did, for the cost of $3,050. When I pointed this out to her, she replied, but you own land. I told her that was true, but during those tough times my family was only one-- a couple of mistakes away from losing it all. I told her that if I had to pay for the privilege to farm, then I thought it was only equitable for her to pay a tax on her teaching degree. I'm sure you all know what she thought of that. Secondly, the bill would eliminate property assessment divisions and part of Nebraska department dealing with solely with property and income taxes, which should also reduce rates. It would also eliminate the need for refundable income tax credits on property taxes paid to schools-- schools, excuse me. Finally, the property taxes have gotten completely out of control. As a farmer, I have to pay in property taxes close to $100 an acre just for the privilege to farm and own it. On top of that, I have to pay taxes on equipment to farm it, and then I am taxed on any income that I make. And finally, I am taxed on the land when I sell it. As a farmer, I take all the risks of the weather, the economy, production and regardless of any success before I fart-- before I start, I have to pay taxes for that opportunity. As success-- any successes that I might bring after that subject me to another round of taxation. Please vote to move this forward and to address the fears. My mother and father moved into a care facility approximately a year ago. On Thanksgiving Day, my mother passed away from COVID. Eight months later, my dad passed away after his-- eight days after his 91st birthday. His biggest concern was that the property taxes that he paid, his rent was $96,000-- or $92,000, and his property taxes were $32,000. That left $60,000. It cost $72,000 a year to stay in the facility, so he had to supplement that with the money out of his savings. If he didn't have any money-- he was fortunate he had a small amount of money and he only lived for eight months, but if he wouldn't have had any money, family would have been required to fill him in, or he would have had to. Thank you. I appreciate the opportunity.

LINEHAN: Thank you. Are there any questions? Seeing none, thank you very much for being here, sir. Next proponent. Good afternoon.

LAURA RAUSCHER: Hello. I'm Laura Rauscher, that's L-a-u-r-a R-a-u-s-c-h-e-r. My husband is still working. However, we have been discussing a move upon retirement to find a state with more equitable tax laws. Here in Nebraska, we carry an unusually high rate of taxes with little visible benefit. We are blessed to own our own home. It took sacrifice to pay off the mortgage in a timely manner, but we now pay the same rate in taxes as our monthly bank mortgage was and will continue to do so until we pass it on to others. Basically, we truly never own anything in this state. We simply transfer ownership to the state of Nebraska. We have taken the time to educate ourselves about this EPIC Consumption Tax and find it is good for everyone in our state. We have grandchildren who are considered low-income as they begin their adulting, and we would not want to burden anyone else with taxes to make our lives easier. This bill does not. That is the beauty of this bill. Your only tax on what you choose to consume, low-income individuals will have a prebate allowance that will cover necessities. No taxes on used goods, and like I said, we have several grandchildren and buying used cars is vogue for them, and they wouldn't have to pay the tax on those cars. We see it as a win-win for business and can see how it will help with our economic growth. This is good for all Nebraskans, from city dwellers to ranchers. I pray you will vote yes on Senator Erdman's LR264CA bill to move it out of committee. I truly respect all of you and I thank you for your time.

LINEHAN: Thank you very much.

LAURA RAUSCHER: Are there questions?

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much. Next proponent.

ROBERTA KLEVER: Good afternoon. My name is Roberta, R-o-b-e-r-t-a, Klever, K-l-e-v-e-r, and I'm here to testify in favor of LR264CA, the EPIC Consumption Tax reform. And the primary reason I'm testifying in support of this is because it simplifies everything and it's equitable for everyone. Just a little side note. Our property taxes alone went up a $1,000 from 2020 to 2021, from $3,900 to $4,900. So every year you get to pay more for a home. I mean, our house is paid for, but we're still paying for it. I want to share some key points from the book that you all were handed by Dan Pilla. The ten principles of taxation, the first one. The first principle is simplicity. The Supreme Court, in its 1926 decision, Connally v. General Construction Company, recognized a fundamental right to know what legislation means, especially legislation that creates an affirmative duty to act. The majority wrote: Quote, a statute which either forbids or requires the doing of an act and termed so vague that men of common intelligence must necessarily guess at its meaning and differ as to its application violates the first essential of due process of law. That's according to our constitution. The current tax code represents precisely the opposite of the constitutional standard for understandable legislation. The federal tax code is so complex that it is challenging just to count the words. The closest we were able to get is an estimate produced by the National Taxpayer Advocate in her 2008 annual report to Congress of-- get this, 3.7 million words. The tax code has grown considerably since then. So how many words are there now? Former IRS Commissioner Shirley Peterson testified to Congress nearly 20 years ago in 1992. A good part of what we call noncompliance with the tax laws is caused by taxpayers lack of understanding of what is required in the first place. Many taxpayers fail to comply because they are unaware of the requirements of the law or because they cannot easily understand what they're supposed to do.

When people do not know how to comply, they cannot be expected to comply. Lawmakers owe citizens and businesses a simple and understandable tax code. And that's what this EPIC tax is. More than any other area of law, tax law touches and affects Americans with a growing list of affirmative duties. Given this, the constitutional guarantee of due process mandates a simple tax code that people can understand. I thank you for your time.

LINEHAN: Thank you for your time. Are there any questions from the committee? Seeing none, thank you very much, Ms. Klever. Next proponent.

DAN HAZUKA: Good afternoon.

LINEHAN: Good afternoon.

DAN HAZUKA: My name is Dan Hazuka, and I live in Omaha, Nebraska. I'm here to testify in favor of LR264CA, EPIC Consumption Tax reform.

LINEHAN: I need you to spell your name, Dan. Spell your name.

DAN HAZUKA: D-a-n H-a-z-u-k-a.

LINEHAN: Thank you.

DAN HAZUKA: The primary reason that I support EPIC is because it will eliminate burdensome property taxes. I was in the sandwich business for over 27 years. Some years I had good profit, some years when the expenses were too much, like all the trucks that I had and they'd break down, you know, there were no profits. That made the property taxes a real, painful experience. I have inserted my personal state taxes that I have paid into EPIC's savings calculator, and it showed that I would have saved $10,000 a year. That is it now, I'm retired. Ten years in total savings is $100,000, which is a lot of money for my grandchildren in higher education. Now, I want to share some key points from Dan Pilla's book called, The Ten Principles of Taxation. Principle Number Five is most Americans do not know that the total dollars of taxes they paid. About 85 percent of the income earners in America do not write a check to the government for their taxes. Since the tax is taken out of their paycheck by their employers, they do not even see the money. Social Security taxes are particularly invisible to taxpayers. The employer is responsible to deduct the Social Security tax from the gross pay on each paycheck. The employee never sees their money leaving their checkbook. We need to admit that our current tax-- Nebraska tax system is broken and violates the Principle

Number Five visibility. The good news is the EPIC-- EPIC Consumption Tax is (INAUDIBLE) visible. You decide when you want to pay it and when you decide to buy and retake-- buy any retail product or service. Each person will know exactly how much consumption tax they paid when they receive their cash register receipt. Please vote-- please vote yes to move this resolution out of committee on to the floor for the three rounds of floor debate.

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

DAN HAZUKA: Thank you.

LINEHAN: Next proponent. Do you have a green sheet?

JULIE FREDRICKSON: I do not.

LINEHAN: OK. Can you-- you need to get a green sheet and fill it out and let somebody else go?

JULIE FREDRICKSON: OK.

LINEHAN: She's got it right back there in the corner. So next proponent. Don't be shy. Good afternoon.

CHRIS ABBOTT: Chris Abbott, C-h-r-i-s A-b-b-o-t-t. Good afternoon. I want to thank the Revenue Committee for giving me the opportunity to testify in favor of LR264CA, EPIC Consumption Tax reform. I represent my family as the fifth generation to carry on the cattle ranching business in the Sandhills of Cherry County, Nebraska. Cherry County is the largest cow-calf producing county not only in Nebraska, but the entire nation. I'm also a founding manner-- member of the Independent Cattlemen of Nebraska. ICON was formed back in 2005 to mainly represent the cow- calf producing sector of Nebraska's cattle beef industry. When organized in '05, property taxes were the main issue of concern. 17 years later, it is still the main issue of concern because so many of our neighbors have been forced to sell out due to lack of profit. In my generation or a span of 30 years, the cattle market prices doubled at best. Our property taxes have risen, in some instances tenfold. Input costs on equipment, fuel, fencing materials, etcetera, have doubled due to the rate of inflation. We've lost hundreds of fellow cattle producers who could not make financial ends meet. Adding insult to injury, it is a challenge to compete with fellow cattlemen in surrounding states as they're relieved of the heavy burden of paying ever-increasing property taxes. The main concern I hear coming from the opposition is the health insurance premium issue. LR264CA will break the insurance companies in Nebraska, they say. Abbott Cattle Company, the name of our now sixth generation family business, cannot afford to pay or to buy health insurance at a benefit to our family members or employees. We have to pay a competitive wage to our employees. We ask our employees and we help them provide their own insurance, and we add that to their competitive wage. Now is the time for the elected leaders in Nebraska to step up. A yes vote for LR264CA gives the citizens in your respective districts a choice to vote yes or no on EPIC Consumption Tax. A no vote in the Revenue Committee to this resolution holds the constituents in your respective districts as hostage to our present tax structure. Be the legislative body after so many decades to finally leave a legacy of complete tax reform. Do not let the fear of loss replace the anticipation of gain. Thank you.

LINEHAN: Thank you, Mr. Abbott. Are there any questions from the committee? Seeing none, thank you very much for being here, sir. Next proponent. Good afternoon.

JILL JOHNSON: Good afternoon. My name is Jill Johnson, J-i-l-l J-o-h-n-s-o-n. Dear Senators, please vote to put LR264CA on the ballot. Nebraska is one of the worst and most oppressive states for high property taxes. I have a friend who cash rents farms in both Missouri and Nebraska. He goes to numerous farm equipment auctions and chit-chats with people who attend. Nebraska's property taxes are always a topic of conversation as to how outrageously high they are and how farmers can even turn a profit because of high property taxes. He lives just across the state line in Missouri. He has a $350,000 home, 350 acres of farmland, farm-- farm equipment, trucks, cattle, drainage taxes, etcetera, and his total taxes, personal, property and farm is under $7,000. I own 40 acres with a very modest older home on. My property taxes alone are over $8,000. This is a ridiculous comparison. Please stand up farmers from Missouri so they can see you. Here are a couple of stories from my personal experience. I own a small acreage just outside of Lincoln. Very rarely did we ever make enough profit on our crops to even cover input expenses, plus property tax-- plus property expense-- property tax expenses. Therefore, every year that I can remember, except for one, we had to cover property taxes out of what we made in our small business, except that we didn't make a profit in our small business due to the various recurring taxes we had every year. Not only business property taxes, but taxes on every year on all the equipment my husband needed to run his business. The saws, the large sanders, forklifts, hinge machines, transport trailers, etcetera. The consumption tax would eliminate both the property tax and the equipment tax so that a small business person can actually make a living instead of treading water or getting behind every year. I have $40,000 in credit card debt because I had to borrow-- have had to borrow every single year just to keep my property. Only $10,000 of this debt was because my furnace went out and I had to replace it. None of this debt is for frivolous purchases. It's all to keep my property. My husband died ten years ago. I believe working so hard to pay taxes on our farm and his business property contributed to his passing so young. Attached to this thing that you got, is the receipt I got from the state when I paid back-- when I paid back property taxes on his business property so that it would not be sold for back taxes. So this is, you know, the credit card debt from the-- for the business, not-- not just the farm. Attached also is my-- this January credit card bill for what I borrowed. I originally borrowed $8,000. The bill is now $9,139 because I'm unable to pay it down much because the interest keeps growing. Yes, at age 69, I am able to get the Homestead Exemption for which I am grateful, but it does not help with the farm property that my house is on. Because my neighbors all around have sold property for a lot, it has affected the value of my ground.

LINEHAN: Time.

JILL JOHNSON: That's my testimony. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Thank you for being here. Appreciate it.

JILL JOHNSON: Thank you.

LINEHAN: Next proponent. Good afternoon.

JULIE FREDRICKSON: Thank you for seeing us. Part of a learning experience. I'm actually on the ballot right now to be representing my district in Nebraska as a senator in the Unicameral.

LINEHAN: You have to say your name and spell it.

JULIE FREDRICKSON: Julie Fredrickson, F-r-e-d-r-i-c-k-s-o-n. Thank you very much for listening to us. I'm a proponent of LR264. I own a small real estate company. I'm a broker. I've been an agent for 25 years. And when it said, people you represent on the bottom, I represent the voters in my district. I've been going door to door. The taxation that they're feeling is devastating. COVID has been rough for everybody.

The medical community hasn't hurt. The insurance company hasn't hurt. The people that pay their taxes have been hurting. This is an option for us to consider. I'd like to see it move forward so we can put it on the ballot for the people to vote on in November. And I will tell you that I have probably thousands of stories to share of the effect of the taxation in Nebraska, retirees that have moved out of the state because they can no longer afford to live here, parents that have to sell their homes to afford to send their kids to private school because they're not happy with what's going on in the schools. I see young couples. I have a young couple that bought a house in 2019 for $450,000 in the suburbs. I warned them about the taxes. They're now paying $14,062 a year for taxes. They have three little boys to raise, so they called me up when they got their tax statement and they said, in tears, we may have to sell our home. It's devastating for people. The other thing that I think that's really important that you need to consider for us is that this is an economic issue. Housing [RECORDER MALFUNCTION] issue. When we see a movement, when these taxes are eliminated, we'll see a movement. New construction will start. People will move to houses that they'd like to live in because there's more room. That'll leave up smaller houses for people in the first-time buyer market. So this is an issue that's going to have an economic impact on Nebraska and the housing industry, and I can speak for that as a small business owner. Thank you for your time.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Next proponent. Good afternoon.

LEE TODD: Good afternoon, Senator Linehan. My name is Lee Todd. I live in Lincoln, Nebraska, have lived here since 1981. I was born and raised in Nebraska, grew up in Antelope County in northern Nebraska, but I've lived in Lincoln since 1981. I have a young daughter who is 13. I have a son who's 11, who are actively involved with me, as well as my wife in our real estate business. I represent a group of real estate investors as well as myself, called Archimedes One. It is disgusting, I'm going right to the point. I know we're under a limited time, but it is disgusting and alarming that we pay for property taxes in the state compared to other states, and I think that should be a viable metric. We really need to look at that. I am. And I'll get to that in a moment. I know because after 40 years of testifying at this Legislature, assisting in property tax referendums, writing op ed pieces for the Journal Star, doing considerable research and comparisons, and talking and meeting with many of you senators here today, I am calling it quits for the state of Nebraska, where I've lived here and invested since 1981. As an investor, I own property in

Iowa, Kansas, Virginia, Arizona and Missouri. I also own virtually all classes of real estate, so I'm very familiar with it. It's how I make my living. It's how I survive. It's their sustenance: medical office, commercial ground, farm ground, residential. Consider three examples, and I think these are somewhat telling and I'm doing like-kind exchanges. We're cashing out of Lincoln, Nebraska, as we speak. Example number one, Mesa, Arizona. I own property in the Fountain of the Sun development is currently valued at $232,700. I pay property taxes on that property of $1,969 per year. If that property were in Lincoln, it would be $4,654 or double. This-- these are actual numbers. Example number two, I just purchased a property in Lake of the Ozarks, $845,000 for which the property taxes are, get this, $2,575. You look at that property in the state of Nebraska in Lincoln, you're looking at 16,900 bucks and I can get that property on my account for four-- or for $2,575 at six and a half times what I'm paying in Lincoln, Nebraska. Example number three, I have another property under contract in Camdenton, Missouri, $640,000 for which the property taxes on that are $2,370. If it were in Lincoln, we would be $12,800, again, 5.4 times. These are real numbers. Conclusion: You never own your property in Lincoln, Nebraska, or in Nebraska. You're always paying for it again and again and again and again. It's crazy, and as investor, it's detrimental to the balance sheet. You cannot survive with those kinds of horrific tax rates. Why would I want to stay in Nebraska? Better question, why would anybody want to live here in Nebraska? Home ownership, as the last lady said, is exemplary, an attribute--

LINEHAN: Mr. Todd--

LEE TODD: --one's commission. Decisions to stay here in the state. And yet homeownership--

LINEHAN: OK. I got to be rough.

LEE TODD: I understand.

LINEHAN: Yes.

LEE TODD: OK.

LINEHAN: Those were excellent examples. I appreciate that very much.

LEE TODD: Thank you for your time.

LINEHAN: Are there any questions from the committee? Seeing none, thank you very much for being here, Mr. Todd. Good afternoon.

JIM DINKLAGE: Good afternoon. Jim Dinklage, D-i-n-k-l-a-g-e. Senators, I'm here to support legislation bill LR264CA. No matter where you go in Nebraska, taxes are a big issue. Nebraskans pay some of the highest taxes compared to other states in our nation. My wife and I have joint ownership in farm ground in western Iowa. This land is comparable to farmland production in assessed value in eastern Nebraska. The taxes in Iowa are 50 percent less to-- compared to farmland and assessed value in eastern Nebraska. My wife asked, why did I ever come to Nebraska? I said water, grass, and tall cowboys. As another example, I have a friend who moved from Omaha to Florida. His Florida home is twice the value of the home he sold in Omaha. The taxes on his Florida home are 80 percent less than the taxes he paid in Omaha. Legislative bill LR264CA would be a tax by choice. Your purchase-- you purchase an item, you pay a tax. It would be a one-time tax on that owned. You have a service done, you pay a tax. This bill gets rid of tax exemptions and broadens the tax base. There will be no need for tax increment financing or TIF because this bill-- bill eliminates all real estate taxes. LR64 [SIC LR264CA] would promote free market capitalism throughout the state. Housing rental rates would be competitive due to the lack of property taxes. New home buildings would be encouraged to do to one-time sales tax and no annual property tax. No property or sales tax on an old-- older home would motivate families to update. Vehicle sales would increase due to one-time tax on new and no tax on used vehicles. When property taxes are eliminated, state and county governments would save money by not needing as many personnel, no arguments about property values or no need for TERC commissions. Inheritance taxes are discriminatory and would be eliminated. Children of deceased parents pay 1 percent inheritance tax, while nieces and nephews of aunts and uncles with no children pay a 13 percent inheritance tax. As a side note, this happened-- just happened to my family, my aunt and uncle had no children. They were the last of the family to pass away. If my-- and all the rest of our parents were gone. If my uncle would have known he could have adopted us, he could have saved himself a million dollars. I don't know if that would have been legal, but he would have liked to have tried it. I could go on and on about problems with our present tax systems. LR64 [SIC LR264CA] would be a fair tax law for every Nebraskan, regardless of financial means. Please support this bill and pass it through the Legislature. Let your constituents decide what is best for them through the voting ballot process. Thank you.

LINEHAN: Thank you, Mr. Dinklage. Did you spell your name?

________________: He did.

JIM DINKLAGE: D-i-n-k-l-a-g-e.

LINEHAN: All right. You did spell it. OK, thank you very much. Thank you for being here.

JIM DINKLAGE: Thank you.

LINEHAN: Appreciate it. Next proponent.

KIRBY WILSON: Thank you very much. My name is Kirby Wilson, K-i-r-b-y W-i-l-s-o-n. The foundation of this country is-- and its constitution is the Declaration of Independence. The second paragraph of the Declaration starts, "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.--That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed,--That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it and institute new Government, laying its foundations on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness." Samuel Adams, since speaking about government, said that it "was originally designed for the preservation of the inalienable rights of nature." Another way our founders stated the pursuit of happiness was saying the pursuit of property. With this in mind, we are now in a situation in Nebraska where the government has become destructive of these ends because the citizens of this state no longer are allowed to own property, but rather we lease it from the government. If you don't think this is true, try not paying your lease payment, known as property tax, and you'll see very quickly who owns it. Here's the 2021 delinquent tax list, Buffalo County Treasurer's Office, Kearney, Nebraska. It is nine pages. Multiply that by 93 counties in this state, and the number is probably in the thousands of property owners at risk of losing their paid-for property because they didn't or couldn't pay their lease payment or property tax. The EPIC tax is one way to end at least one of the destructions of government failing to protect the pursuit of happiness or pursuit of property. In Federalist Paper Number 21, Alexander Hamilton stated, "Imposts, excises, and, in general, all duties upon articles of consumption, may be compared to a fluid, which will, in time, find its level with the means of paying them. The amount to be contributed by each citizen will in a degree be at his own option, and can be regulated by an attention to his resources. The rich may be extravagant, the poor can be frugal; and private oppression may always be avoided by a judicious selection of objects proper for such impositions." In Federalist Paper 12, Hamilton said, "The pockets of the farmers, on the other hand, will reluctantly yield but scanty supplies, in the unwelcome shape of impositions on their houses and lands;...personal property is too precarious and invisible a fund to be laid hold of in any other way than by the imperceptible agency of taxes on consumption." I believe a broad-based retail consumption tax would bring simplicity, visibility, equality, efficiency, stability, neutrality, responsibility and constitutionality back to the process of collecting the much needed funding of our governments in the state while being less invasive and encouraging of economic growth. Thank you for your time and your service to the people of this state.

LINEHAN: Thank you very much, Mr. Wilson. Are there questions from the committee? Seeing none, thank you, Mr. Wilson. Next proponent.

SKYLER WILSON: Hello. Thank you for allowing us all to be here. My name is Skyler Wilson, S-k-y-l-e-r W-i-l-s-o-n, from Kearney, Nebraska, and I am for the EPIC consumption tax system. There are numerous reasons to change our current tax system to that of the EPIC consumption tax. A couple of these reasons are: It will make many Nebraskans much more content due to the fact that the EPIC tax will eliminate certain taxes inclusive of the income tax, which is extremely intrusive into the private lives of citizens, considering how deep the government must dig to find out how much income a person earns. It will also give the government just as much, if not more, revenue from its citizens as the EPIC tax will broaden the tax base to more citizens, making sure that more individuals pay tax on what each one buys. The EPIC consumption tax will eliminate the property tax, income tax, and corporate tax. This will obviously make Nebraskans happy and the government will not go unfunded by the implementation of this system. While most citizens pay less, more citizens will be paying into the government fund. The sales tax is currently at 5.5 percent, and the EPIC consumption tax would raise this percentage to eight points-- 8.97 percent. In other words, the EPIC consumption tax adds a 3.47 percent to the current sales tax. However, the sales tax is on every new item people buy and would soon equalize out the loss from the property and income tax. Nine point two percent of Nebraska citizens claim to be in poverty. There is a prebate for those in the poverty level, but low enough to encourage them to work themselves out of poverty. And in doing so, they will improve their lifestyle and have more money to give back to the community and the government. Also, by using a broader tax base, everyone is treated fairly and everyone gets to decide how much they want to be taxed. If a citizen does not want to pay tax on a car, then they may decide to go buy a used one, which does not require tax. The idea behind this EPIC consumption tax illustrates a very simple but intelligent truth. The bigger the base, the easier the load and the farther it gets. For example, let's say the large block of iron needs to be carried by hand from point A to point B. If two people are carrying it, they will quickly get weary and the block will not go far. However, if 10 people carry it, then the block will go much farther and the people carrying it will not get as weary. The same is true for tax systems, the tax dollars being the block of iron and Nebraskans being the people carrying it. The more people that pay taxes, the lighter the burden on each citizen and the more money the government will get. Simply put, this genius tax system will benefit everybody, and I am happy to voice my support of this tax system being implemented. Please do what is right for Nebraska, and I would suggest praying about your decision if you are unsure what to do. Thank you very much.

LINEHAN: Thank you very much. Mr. Wilson. Are there questions from the committee? Thank you for being here, Mr. Wilson.

STUART "CHIP" SMITH: Hello.

LINEHAN: Hi.

STUART "CHIP" SMITH: Hello.

LINEHAN: HI.

STUART "CHIP" SMITH: I'm Chip Smith. I'm from Omaha, Nebraska. I want to thank you, Senators, for allowing me to speak to you today. And--and--

LINEHAN: Chip

STUART "CHIP" SMITH: Chip Stuart Smith, also Stuart is my legal, Chip is my nickname.

LINEHAN: OK, just spell your name.

STUART "CHIP" SMITH: S-t-u-a-r-t, Chip, C-h-i-p, Smith, S-m-i-t-h.

LINEHAN: Thank you.

STUART "CHIP" SMITH: Yeah. And I want to thank everyone showing up today on this cold winter day in Nebraska. We've got high taxes. This isn't Arizona, Florida, or Texas, right? This is not warm beach weather and we're paying high tax. I'm a real estate agent of 31 years in Omaha, and I've had the unfortunate phone call from folks telling me, Chip, we got to sell. We got to downsize. It's our taxes, our real estate taxes are too high. We got to move into a smaller home or move out of the state. These are native Nebraskans that have invested over years. I was born and raised here and seen this over years. I've seen companies not come to Nebraska due to the expense of the tax base here and in every which way. We've hurt our state. This is a theft as well. We are-- this-- this is overreach by our state and taking from people and unfairly not being equal and allowing people to have equity and ownership in their home. They're renting. They're serfs. They're renting the land. This is not right and this is on it-- this is a train going off the tracks. Our-- our-- we were founded to have the right to pursue happiness. And this really infringes on it. Wouldn't you have to all agree with that? Seriously, this is not a left or right issue. This is-- this is an infringement upon your living in this state, whether you're left or right. We need a Unicameral and unite and be that one state to make that difference. We're different. We're salt of the Earth people. And I really believe that this in the end, as the gentleman before me stated, that this will be a great way to carry the load and make our state grow in so many different wonderful ways. I'm a Christian and I believe in the Ten Commandments. I believe that many of you do too. This is theft. Thou shall not steal. And we should be-- we are the Republic. We are the people and we will be accountable to our-- to our maker for what we have done to the people. We need to make it easy and right for the people. I suggest looking at the page 23 in the booklet, the ten principles. Number 10 is very important about the constitutionality of this and the unconstitutionality of things that-- what have been going on for several years that have really hurt our state. Let's bring some difference here. And I am for LR264. And let's move this forward, and I'm so grateful again for being here. Also classic--

LINEHAN: Thank you.

STUART "CHIP" SMITH: Yes. Thank you very much.

LINEHAN: You're welcome. Are there any questions from the committee? Thank you very much for being here, Mr. Smith.

STUART "CHIP" SMITH: You bet. Thank you.

LINEHAN: Appreciate it. Good afternoon.

AMY WILSON: Good afternoon. My name is Amy Wilson, A-m-y W-i-l-s-o-n. I'm from Kearney, Nebraska, I am in support of EPIC consumption tax. Our home was built in 1978. The floors are peeling, the countertops and cabinets are shot, the plumbing is backwards, breakers are going off constantly, and the area that we live in was actually built on a land that was naturally flooded. We moved to our home 11 years ago. The taxes were around $3,000. This year they are over $6,000. We have less than one acre. Our house is an older style split home. New homes that are being built are on six acres and are larger than ours are paying $4,000. Buffalo County says our house is worth $400,000. The realtor says we'd be lucky to get $280,000. Every year we go and protest our taxes. It doesn't matter. They don't go down. And if we have a new appliance, they go up even more. We have not had a new appliance in our home in 10 years. With a consumption tax, we all pay the same tax across the board. It doesn't favor the rich, doesn't favor the poor. It's a tax you choose on how much you want to pay. If you want to pay less taxes, you consume less. If you don't mind paying more taxes, you consume more. It's a fair tax. I am asking you to take the tax system in Nebraska and scrap it and take on the EPIC consumption tax, or at least let the people vote on it and make it a fair tax for everyone. Our Founding Fathers meant for us to own private property and land. This is because they believed in a God-given rights and God's laws. I live my life by God's laws, and this-- and this country was built on God's laws. So I decided to look in the Bible for answers to ownership of land. Where in the Bible-- where in the Bible does it give government the right to possess land, which is what government is doing by forcing citizens to pay property tax? God gave the land to his people to possess. In Genesis 1:26, it says, Man shall have dominion over the Earth. Notice it didn't say government. Everywhere I looked in the Bible, it said that God gave the land to his people as an inheritance to possess, not government. It's time to obey God's laws and give the land back to his people to own and to take care of. Numbers 33:53, take possession of the land and settle in it for I have given it to you, to-- the land to possess. Numbers 14:8, If the Lord is pleased with us, he will lead us into the land, a land flowing with milk and honey and will give it to us. Jeremiah 25:5, Now each of you from-- turn from your evil ways and your evil practices and you can stay in the land the Lord has given you and your ancestors forever and ever. I have given you 44 more references from the Bible on God's land, whom he gave it to you. I am sure you can find another hundred verses in the Bible. Thank you.

LINEHAN: Thank you very much. [APPLAUSE] No, guys, I will-- I will clear the room. Can't do that.

ROBERT BORER: Robert Borer, R-o-b-e-r-t B-o-r-e-r. I was just going to step up and say that you've heard lots of great testimony and I'm just adding my name to the list by being here. But the gentleman that started out by reading the-- the Declaration of Independence gave me an idea. So I love reading our founding documents, especially the Declaration of Independence. But I'm going to read from the Nebraska State Constitution Article I, Section 1 and Article II-- Article I, Section 2: Statement of rights. All persons are by nature free and independent, and have certain inherent and inalienable rights; among these are life, liberty, and the pursuit of happiness, the right to keep and bear arms for security or defense of self, family, home, and others, and for lawful common defense, hunting, recreational use, and all other lawful purposes, such as rights-- and such rights shall not be denied or infringed by the state or any subdivision thereof. To secure these rights, the protection of property, the protection of property. The government exists for the protection of property, not for the theft of property. I don't-- I don't own any property because I have to pay rent on it every year. I could own it because it's paid for, but that-- that sizable tax payment that I have to make, property tax payment that I have to make every year precludes me from calling it property. So we've really reinvented the word property. And then it goes on to say: governments are instituted among people, deprived-- deriving their just powers from the consent of the governed, the consent. We forget that the we the people are-- are the governors and our public servants gain their power from the consent of we, the people. And those powers can be just or unjust, but we only grant just powers. So real quickly to Article I, Section 2: There shall be neither slavery nor involuntary servitude in this state. Property taxes are slavery. I don't care whether other states are paying less than we are. I don't care if it's a small property tax or a large property tax. It's all bad. We have a right to freedom. And how can we have freedom if we don't have a place to live that's secure and exempt from government theft? Thank you.

LINEHAN: Thank you very much for being here, sir. Good afternoon.

WALTER FREDRICKSON: Good afternoon, thank you. I'm a Nebraskan just like all of you, and we all pay that same tax. So Walter Fredrickson, F-r-e-d-r-i-c-k-s-o-n, Omaha. So why I'm here, just to maybe even answer some questions for you guys. I work in the new construction side of things, with new people moving in Omaha on a daily basis. What we see is pretty interesting because I get to meet people from every state in the Union. It's amazing. There is one of the people coming from Hawaii, by the way, here coming up, what really surprises me too. But one of the things that I have to run into is I have to give them a payment and I have to show them how much taxes are going to be on those said properties. Now the people moving from states here, from places like California, Texas even, and other high, where they made a lot of money on their house, they tend to be, wow, that's a lot of taxes. But then they say, well, you know, we're putting down $250,000 so it doesn't really matter because their tax is still going to be their tax. But what I do definitely see people deciding whether or not they want to stay here. I have all, even just this week I had somebody who was deciding whether they're going to move out of state in retirement or stay here. And they just called me literally last night saying, we've decided we're going to go ahead and move because the income-- the property tax is just too high on a house they've had, and I pay that same thing. But-- and also a lot of them are in what we call Move East Mode, where, OK, they had it like me. That's what happened to us. I was living at 168th and Q Street and I had to move my wife because I'll be dying from a transplant problem, from a kidney problem, and I had to make sure she could afford a house. So we now live in a townhome near middle of Center Street, 132nd and Center Street. But those taxes are 11, what is it about, oh, about $700 a month versus what it was about $1,500 a month. So that's one of the things. But as far as the new construction site goes, it is pretty amazing when I do those for these people coming in town and they do see taxes are going to run $4,000, $5,000, $6,000. So just wanted to let you guys know that does affect us when people move from out of state and they see that. And sometimes they don't have a choice. Companies move them here, that's it. But the ones that are here just deciding, that really has an influence, whether they're going to stay here and it'll definitely stay here for the long run. So thank you very much.

LINEHAN: Thank you very much, Mr. Fredrickson. Wait. Do we have any questions? I don't see any. Thank you very much. OK.

GEORGE DAVIS: Senators, my name is George Davis, D-a-v-i-s. I'm a small business owner in Omaha. I own a company by the name of Ollie the Trolley. It's a transportation company. It's-- we consider ourselves as being a-- an Omaha tradition. This last year has been very difficult because of pandemic, and as a result, we had to borrow more money, $150,000. I had my debt almost damn near down. I had to borrow that type of money just to stay afloat. Taxes is one of the elements that will make or break a business, property taxes in particular. Did you know that if I bought something brand new, $290,000 for brand new [INAUDIBLE] Now I know good and well that I can't pay that, don't want to. A used one is still yet $160,000. That's what I probably can, don't want to either. But I think that the consumption tax, LR264, a replacement, an alternative to property taxes, other income tax, other confiscatory taxes and corporate taxes, there is a way to get around it. You, as being senators on this committee, need to convince the other senators that there is an alternative that still yet will generate enough money to meet the needs of all the other subdivisions of government, and you know what they are, and give us a chance to survive. One of the ways, you turn it back to the people. You ask them. I already know what I'm going to vote., I want to get rid of it, period. A friend of mine that recently passed, a general, some of you may have heard my story before, a two star Army General. He was black, by the way, told me, he said, now son, if you're in a boat and the boat-- and everyone starts to rock the boat, sometimes you got to turn the boat all the way over and make everybody swim. [LAUGHTER] That's my story, I'm sticking with it.

LINEHAN: Thank you very much, Mr. Davis. Next proponent. Next proponent.

JEANNE GREISEN: Hello. My name is Jeanne Greisen. It's J-e-a-n-n-e G-r-e-i-s-e-n. I'm here to support and ask you to support the LR264CA. I would like to touch on three items regarding the taxation. It's become-- become unsustainable for the citizens and an overhaul is critical. The first thing I want to talk about is property tax like everyone else. So the property tax on my house in Lincoln in 2015 was $1,444. The taxes on the House in 2021 is $3,267. That's a 126 percent increase in six years. Even though this is outrageous, it would be even worse had I not filed an appeal of the assessed value of the house that was imposed. It's a vicious cycle of deceit. Assessing home values higher only to collect more taxes, followed up by the Governor saying he reduced property taxes, there is really no property tax relief. There is no decrease in my property tax burden and by my numbers, the burden actually went higher. The next thing is vehicle tax. So I lived in California for four years. We-- I pulled out the other night, I was looking for some DMV registration documents and believe that I had them yet from 2011, the cost of license our two vehicles in California in 2011 was $325. And then these, both of these vehicles, they were newer vehicles, I licensed them in Nebraska when we moved here. We got to move back. In 2012, the cost was $711.20. That's 118 percent higher. So don't get me wrong, California has their issues, but tax burdens on licensing vehicles is not one of them. Nebraska has that issue. And retiring in Nebraska, my husband and I are planning for a time when we retire and where that place might be. Even though we grew up here and our family is here, there are many other places we are looking at instead of Nebraska. The tax burden is too high. We can go across the state border to the north and get a big bump in our retirement income in South Dakota. Or we can go in tech-- go to Texas, which we've lived there twice before and enjoyed the nice no state income tax benefit. And as everybody's talking about Dan Pilla, his best-- went to listen to him this week and I thought my take away his best comment was quote, It's time to take a bulldozer to the tax system and start over. He was referencing the IRS, but the same applies to Nebraska. Start the bulldozer. Thank you.

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

KATHY HOLKEBOER: Hi. My name is Kathy Holkeboer, plain old K-a-t-h-y H-o-l-k-e-b-o-e-r. I live in Bellevue. The United States Air Force decided we would move to Nebraska. When my husband retired in 1994, we chose to remain residents. It was not because of the tax code. Besides being geographically between our parents in Michigan and Montana, we greatly appreciated the general value of the work ethic that seemed normal in Nebraska's society. As years have gone by, with growing awareness of how politics works in Nebraska, we began to understand how the taxes issue came to be and how many failures to repair the shortcomings have happened. There's a basic principle that whenever government, whatever government taxes will decrease. Tax income, motivation to create income decreases. Taxing property that is not currently income earning will sometimes force people off their property. Ask a few farmers. Tax inheritance, especially when it's on property that is not income earning, and the property may be sold to someone out of state. Ask a few farmers' children. By that logic, would taxing consumption decrease do goods consumption? Yes, it might especially decreasing the cost of living for those who know how to use thrift stores and buy used cars. What an advantage that may be to decrease the need for the state's contribution to Medicaid, for example. Meanwhile, income tax loophole users, legal and illegal, who may have significant income and do significant spending could now contribute to the state's revenue when they make regular purchases. Some of those who simply have not been caught not paying income tax would now be sharing the load. Something of this magnitude should be decided by the taxpayers, not by a small group of legislators. At least get it out of committee so more of the people's representatives can do their due diligence to send it along to the people to decide. As former Governor Dave Heineman said recently, Would you run your business on 1967 technology? All the tax fixes on walls and ceilings like caps on spending, for example, have not repaired a failed foundation. This EPIC tax idea would establish a simple, noninvasive, stable foundation of revenue, which could stimulate economic growth.

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

TERRY JESSEN: Good afternoon, Revenue Committee. My name is Terry, T-e-r-r-y, last name Jessen, J-e-s-s-e-n. I'm a Nebraska taxpayer, a Nebraska voter, and a lifelong Nebraska resident. I strongly support this resolution. The Nebraska Constitution says in Article VII-1, "The Legislature shall provide for the free instruction in the common schools of this state..." That has never been done. It's not being done. The majority of school funding comes from county real estate taxes, with a small amount from the TEEOSA formula. Nebraska is ranked at least 45th highest in the nation in real estate taxes. Seven states do not have a state income tax. Most states do not have a state inheritance tax. So question for each of you to think about: If you were a person who had just graduated from a Nebraska school and you were born and raised in Nebraska, would you want to find a job in a state with the taxes like Nebraska or would you look for a more tax friendly state? Same second question: If you were going to retire, you live in another state or even if you live in Nebraska, would you choose to move or stay in Nebraska? Or would you go to a state with a more friendly tax system? We see the answers to those questions all the time. Consumption tax is a fair tax, broad based, simple, and a stable tax system, and it's what we need to do. This resolution would pave the way towards the Nebraska consumption tax system. It is way past time for Nebraska to totally simplify our tax system. Get rid of our current, outdated, and unfair system of taxing real estate, personal income, inheritance, and personal property. The taxpayers of this state would greatly benefit by the elimination of the assessment office division of the Nebraska Department of Revenue; removal of the filing and auditing of personal and corporate income tax returns; elimination of TERC; elimination of 93 assessors' offices and staff; a huge reduction in the Nebraska laws and regulations for the assessment and collection of real estate taxes; and a huge reduction in time spent by county commissioners in valuation protests; a saving in court cases over real estate valuation issues. I urge the Revenue Committee to vote this LR out of committee to allow it to go to the full floor of the Legislature for debate and voting. Make Nebraska a leader in taxation policy. By the time I get home, I drove 800 miles to be here today and I spent five days to be here today. This three minutes is very important to me. Thank you.

LINEHAN: Thank you, Mr. Jessen. Are there questions from the committee? Seeing none, thank you very much for being here. Next proponent. Any other proponents?

WARD GREISEN: Good afternoon. My name is Ward Greisen, W-a-r-d G-r-e-i-s-e-n, and I'm in here in support of LR264CA. First, I want to talk about the need for change. So Nebraska tax laws need to be overhauled. The tax burden on Nebraskans is significant and unjustly distributed and administered. In the last 30 years, I've lived in six different states. Even though I was born and raised in Nebraska, I've traveled around quite a bit. I've lived in Missouri, Kansas, California, Texas, Minnesota, and Nebraska, so I feel I'm well versed on the differences in state taxes and what works and what doesn't. What isn't working is Nebraska's out-of-control increases in property taxes. In the last five years alone, my property taxes have gone up over 20 percent. At present, they make my-- they make up my largest expenditures each year, an expenditure I have no control over. In the middle of last year, '21, I lost my job due to some organizational restructuring within the company that I had worked for. So my ability to control expenditures right now is very important to me and my family. And no one should be put in a position of selling their home because property taxes are out of control. As much as we hear about California taxes being high, I can tell you my property taxes were less in California than Nebraska. So living in Texas, what is it, you know, what does work? A state with no income tax, state income tax. I lived in Texas on two separate occasions. Texas is a state with no income tax and one that it was very easy to move to and extremely difficult to move out of. Why? Because as soon as my address read Texas, I immediately saw an increase in my take-home pay, an increase that was impactful. And yes, sales tax in Texas is more. However, the burden it placed on me was significantly less than taking money out of my paycheck every two months or two weeks, I should say. And moving out of Texas is difficult. Both times I moved out of there, it was with a promotion. However, my take-home pay was less. It made me really question why I'm moving out of a state and taking less money. One of the reasons was, was to try to get back to Nebraska where our family is. So why consumption tax? Consumption tax works. They are fair. They fairly distribute the tax burden across all economic classes of people. It gives individuals control of their tax burden. So in tough times, they don't have to worry whether they can keep their home or not. It draws businesses and individuals to the state. And again, look at Texas, one of the fastest growing states, and Nebraska could do even better by eliminating all other state taxes. It simplifies the tax process so people know exactly what they'll be paying. It eliminates loopholes for those trying to avoid taxes. Most importantly, it's tax revenue neutral. No state program would need to be cut. So in closing, I feel I'm well-positioned to say that Nebraska's needs this LR264CA. And I'm asking each of you to support this very important piece of legislation by voting it out of committee. Thank you.

LINEHAN: Thank you, Mr. Greisen. Are there any questions from the committee? Seeing none, thank you very much. Next proponent. How many more proponents do we have? If you're in the back, why don't you move up so we can-- it's fair to the other people. We've got another hearing after this. Go ahead. Good afternoon, sir.

DON CAIN: Good afternoon, Chairman, Senators. Thank you for having me here. Don Cain, D-o-n C-a-i-n. I'm here to request a vote to advance this to the floor, and I'm here to request your support of LR264CA. Quit kicking the can down the road. We've heard that statement before. I'm here as a poster child of what's happened in the last 10 years of getting my can kicked down the road. In 2011, I wasn't a vehement anti or pro property tax person, but in 2012, when the county rose my property taxes 280 percent and the Supreme Court of Nebraska then determined that that was a grossly excessive value and a result of arbitrary and unreasonable action-- that's in the record on the county level for my property taxes-- I decided I better do something or I'm going to go broke. Janet Yellen made the suggestion years ago that we should go ahead and tax investments on their unrealized capital gains. Everybody was against that. Think about it. In Nebraska, we are taxed on our unrealized capital gains of our real estate investments. And then that gets added to our base every year and then we get taxed again on the base and the unrealized capital gains of that investment. You guys are way ahead of the rest of the country and we're paying for it. Over the last 10 years, I've had three visits to Nebraska Supreme Court, successfully; two visits to Nebraska District Court successfully; and 10 years of getting my can kicked down the road. So let's kick that can directly to 2022. Where are we at right now? Well, I finally got my refund for my 2012 property taxes in September of 2021. I then requested a formal hearing from TERC for 2013 and was denied. I then sent my witnesses, me, to Lincoln in January of this year to have an informal hearing in front of two commissioners, and they called us at 6:30 in the morning and said, we've got some COVID-like symptoms. We're going to cancel the thing. What I'm getting to is that this property tax system in Nebraska is not fair and equalized as all those kicking the can down the road would say, the Governor, the locals. It is a broken system. It's a system of stalling, entitlement, justifications, and exemptions. So please let this body quit kicking the can down the road and let the voters have a chance at it. Thank you.

LINEHAN: Thank you, Mr. Cain. Are there questions from the committee? Seeing none, thank you very much for being here. Next proponent.

DAVID WRIGHT: Don't hit start yet, just wait.

LINEHAN: Good afternoon.

DAVID WRIGHT: Thank you, Madam Chairman, committee members. My name is David Wright, D-a-v-i-d W-r-i-g-h-t. I come here to talk in support of this, but, you know, we could talk about the fact that I'm a fourth generation rancher and my wife and I owned the Neligh newspaper from 2003 to 2019, where the news-- where the ranch paid 20 percent of its gross income in real estate taxes, and the newspaper paid .0012 percent. We could also talk about the fact that 70 percent of my ranch taxes went to the school system, and I did serve on THE Neligh-Oakdale School Board for four years as president. And then I found out 80 percent of the salary or the budget is salaries. So therefore, 10 percent of my gross income goes to pay the salaries in the school, but I don't want to talk about that. We could talk about, Senator Pahls, who's going to pay and who's not going to pay. Well, we've had about 30 years' worth of shifts, that dirty word, let's shift it, you know. If you get a chance, read Tony Fulton. Several years ago, he did a report on-- on exemptions, deductions, and credits for income tax, sales tax, and property tax. There's a lot of money out there being left on the table. I mean, billions. That's who's going to pay for it. We could, but, you know, let's not talk about that. Maybe we could talk about the fact that Chris Abbott alluded to earlier that in 2012, Independent Cattlemen in Nebraska approached Ernie Goss to do a study for us about going to the real estate, just the-- just the sales tax. I'm sorry. He could get it down to 3 percent. But Ernie made a great comment. He said, you know, my own accountant has advised me, the economist for Creighton University, to take up residency in Florida for one year and a day. I said, Ernie, can you not see a problem here?

But let's not talk about that either. What I would like to talk about though is some of you may remember Cap Dierks. Cap Dierks was a good friend of mine. Him and I would go to different things and I'd talk about ranching and agriculture. And I'd always say, OK, OK, after every statement. And Cap said to me, stop saying OK. Trust the people to listen to what you say. Trust them to understand. Now I happen to really like the Unicameral. I think it's one of the most efficient systems I've ever seen in my life. But let the second house carry this burden for you. Just let it go to vote. It's not your burden. And then when you're in the Legislature, after you do pass it out of committee, convince your senators it's not their burden. Let it go. Let it go to a vote. Let the people decide. And you can just relax because it's not your burden. It's the people behind us. It's their burden. Thank you.

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

DAVID WRIGHT: Thank you.

LINEHAN: Next proponent. Are there other proponents? Yes, come on, you've been up here.

BRENDA BANKS: Hello. Let's not all jump up at once, right?

LINEHAN: Let's do actually. Yes.

BRENDA BANKS: My name is Brenda Banks, B-r-e-n-d-a, Banks, B-a-n-k-s, and I am here to support LR264. I'm a mom. I'm a grandma. I'm a homeowner. I'm a business owner. I own four businesses, have owned others in the past that I've sold. I just inherited some rental property from my dad, who passed away this last year. So I get the all time one thing in my life I don't want to do, and that's pay inheritance tax. My dad worked his fingers to the bone all of his life. We lived here, were raised here in Nebraska, love it. He owns rental property. So not only did he, I remember growing up hearing him talk about taxes all the time, how he was not going to pay taxes, how he was going to try to save and on and on. But then ultimately that burden comes to us. But really what I want to talk to you about today is one thing that I do every day and that's help the poor. I own a-- run a ministry called Cross Training Center. We do vocational training for people who want to get out of poverty. We work with people who have been incarcerated, homeless, live in poverty for a lot of reasons. The biggest challenge they have to go to work every day once they receive a job is transportation. Now think about that poor person who is trying to make ends meet and the tax burden that's on them. We give out bus tickets left and right because they cannot afford to purchase a vehicle. That's something that we haven't talked about today. A vehicle is a very important part of getting out of poverty. And if we could just make that change, it would make a change throughout Nebraska. Now we hit a list, Nebraska did, that we don't want to be on. And that's Kiplinger's list of the most-- the 10 least tax friendly states for the middle-class family. Guess where we hit in 2021? Number 9. The least tax friendly for who? The middle-class family. We need to change that and we can do that one step at a time. And I think that is first by bringing this out of the committee and letting more people talk about it and get to be a part of the discussion. So thanks for listening today.

LINEHAN: Thank you. Were there questions from the committee? Seeing none, thank you very much. Good afternoon.

_______________: Do you have a green sheet?

CHARYL LENTZ: I don't.

LINEHAN: All right.

CHARYL LENTZ: I'm sorry.

LINEHAN: That's OK.

CHARYL LENTZ: Do I have a green sheet?

LINEHAN: I'm going to make an exception. I'm going to let you-- well, yes, you need a green sheet and it's fine because it's a long day. So if you don't have a green sheet and you want to testify on this hearing or the next hearing, you need to fill out a green sheet.

CHARYL LENTZ: Yeah.

LINEHAN: But we're going to let you go ahead and they're going to hold you right over there when you finish it after you finish your testimony.

CHARYL LENTZ: Yeah. Not a problem.

LINEHAN: OK, so go ahead.

CHARYL LENTZ: I was so focused on the 13 pages of my copy. OK, my name is Charyl Lentz and I'm from Lincoln, originally born and raised in Omaha. That's C-h-a-r-y-l L-e-n-t-z. I would like to start by saying thank you to the committee members of being present to hear our testimony from we the people. Government spending is at an all-time high and taxation of the people is out of control. One of the most important responsibilities by lawmakers when setting policy is collect tax money in the least damaging fashion. Obviously, you want to spend the money in the most beneficial fashion. The rightful role of government is to be responsible, period. Experts on-- on tax laws say the lowest possible tax rate on the broadest possible tax base is one of the strategies. This creates prosperity. You can't take an economy-- you can't tax an economy into prosperity. A poor person cannot spend himself into wealth. Here is a quote from Dr. Art Laffer, a national expert on tax laws. Whenever you distribute income, you always reduce total income. The more you redistribute, the more you reduce total income. If you were able to redistribute all income and everyone came out exactly the same, there would be no income whatsoever. In addition, he supports the idea that tax law ought to be neutral, which is widely recognized as an essential element of sound tax policy. The tax code should be used to raise revenue to run the government while doing the least possible damage to the economy. This means leaving individuals free to make decisions and to set priorities based on economic reality. The result of the biases and distortions in the current system is to make the market less free, the system less fair, and families less financially secure. If taxes are both reduced and reformed, the economy would be larger, government would be smaller, and everyone would be better off. Within the Declaration of Independence, all men are created equal that everyone stands equal before the law. Our American liberty is undermined by the tax code with the vast array of arbitrary rules. What I'd like to do is just make a quick personal note. Back in 2015, after our second home purchase, we were able to upgrade and 13 years prior, raise a family of four children and we had to sell. Six years ago, we went from homeownership to rental. Nothing I'm proud about, but I know that the property taxes of a home within the $200,000 range was over and above what we could afford, year after year, seeing the increase. So I would like you to all to consider, you know, supporting this out of committee and get it on to the floor as well as let the people vote--

LINEHAN: Thank you.

CHARYL LENTZ: --for this.

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

MARK BONKIEWICZ: Good afternoon, Senators. My name is Mark Bonkiewicz, M-a-r-k B-o-n-k-i-e-w-i-c-z. I'm originally a wheat farmer from Sidney, Nebraska. That was the first 30 years of my life. The last 40 have been in metropolitan Omaha. I'm here to talk to you about two different sides of Nebraska life because I have lived both of them. I'll start off with the rural perspective first, because that was my roots. I have a brother-in-law that ranches 20 or 45 miles south and west of O'Neill, Nebraska. He has a beautiful ranch. He's a year younger than I am. When he started ranching with his dad, he was paying $17,000 a year property taxes. Today, they pay $51,000 a year in property taxes. That $36,000-- $34,000 difference is what he used to raise his family on. And when I talk to him. Jim, what are you going to do with your ranch? Are you going to get one of your sons or are you going to get your daughter to move back here? He says, Mark, how can I? There's no money to raise a family on out here, and it's a nice size ranch, a real problem that needs to be solved and we got to get rid of the property taxes. The second story is the one that I drive by all the time. For those of you familiar with Omaha, this is from 120th and L Street straight north, Mary Our Queen Parish is about a half a mile north and a block east. OK. The people who live in these homes built these homes back in the late '50s, early '60s. They were-- they built them for $30,000, maybe $35,000, $40,000 a year. They were paying $30 a month, $40 a month in their payment. Today, these homes have rallied to where they are worth $125,000, $130,000. They are paying $400 or $250, $300, in some cases $400 a month for property taxes to be able to live in their own home that has been paid off for years and years and years. You talk to them and it takes a third, maybe 50 percent of their Social Security check just to pay their taxes for the privilege of living in their house that's been paid for, for 20 or 30 years. OK? We've got to eliminate these property taxes. This EPIC consumption tax is a great way to go. Everybody's going to have a chance to pay a little bit instead of a few of us paying a lot. So thank you very much for this opportunity to present to you today.

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

KELLEY HASENAUER: My name is Kelley Hasenauer, K-e-l-l-e-y H-a-s-e-n-a-u-e-r. Thank you for allowing me to speak in favor of LR264CA. I'm not a tax expert. I'm a nurse practitioner in North Platte, where I live with my husband, Matt. We have two college-age children. Matt and I are both small business owners. Between the two of us, we hire 13 employees in the healthcare and agriculture industries. As small business owners, Nebraska's current tax structure is an incredible burden. It limits the ability for us to save for the future, grow our businesses, support our employees. Administratively, it costs us thousands a year in accounting and payroll expenses. Our property tax bill in 2021 is over $46,000 and went up by $11,000 from 2020. The valuation system is unfair. There's no accountability on the part of the government to value our property fairly; for if the property was truly worth what they value it, that they should be more than willing to buy it from us at 90 percent of that amount and earn-- and turn an easy 10 percent profit. Nebraskans want a government that is fiscally responsive, nonintrusive, and operationally efficient. I've read numerous economists who speak to the lower administrative and economic costs for our state if they would implement consumption over income and property taxes. Consumption taxes avoid double taxation of saving and investment and actually encourage citizens to save more money for future needs and spending. This savings is then taxed when people spend it, much like a traditional IRA, which some savings experts say is the best way to save money for the future. I realize that every person in this room is burdened by Nebraska's current tax system. The proposed consumption and excise tax or constitutional amendment can truly make a difference. There is no doubt that taxes would be fairer across the board, saving would increase, and the long-term economic boost for families and businesses would be astounding. Our state is in a great position right now fiscally to be able to implement these changes. Please allow this proposed amendment to be sent to the floor for debate. Ultimately, the issue should be on the state ballot, leaving the final decision to the voters who are the taxpayers of Nebraska. Do you have any questions?

LINEHAN: Thank you.

KELLEY HASENAUER: Thank you.

LINEHAN: Are there any questions from the committee? Seeing none, thank you. Are there any other proponents? Good afternoon.

WALTER GALL: Good afternoon. My name is Walter Gall, and I'm here to talk about the EPIC consumption tax.

LINEHAN: Can you spell your name for me, sir, please?

WALTER GALL: Walter, W-a-l-t-e-r G-a-l-l.

LINEHAN: Thank you.

WALTER GALL: But I just want to make some points about what you know, the situation between the two comparisons. The consumption tax would be a tax that would-- that would then tax all of the citizens of the Nebraska and, excuse me, ma'am. I'm not able to do this.

LINEHAN: That's OK.

WALTER GALL: I don't want--

LINEHAN: You handed it out. We got it. That's good.

WALTER GALL: OK.

LINEHAN: Oh, thank you very much for being here. Appreciate it very much. Are there any other proponents? OK, are there any opponents?

TIFFANY FRIESEN MILONE: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n, M-i-l-o-n-e, editorial director for OpenSky Policy Institute. I'm testifying today in opposition to LR264CA for several reasons. It would require a much higher rate than 10.64 to be revenue neutral; mandate that all schools and local governments turn to the state for funding; fall disproportionately on middle-income Nebraskans; and undermine the long-term stability and predictability of state and local revenues. First, the Institute on Taxation and Economic Policy has estimated that a consumption tax in Nebraska would need to be at least 20 percent in order to be revenue neutral. This is consistent with the findings of President George W. Bush's Advisory Panel on Federal Tax Reform, which in 2005 considered a national consumption tax but strongly rejected it partially due to the high tax rate required to achieve revenue neutrality, which they estimated would need to be 11 percent higher than proponents claimed. Similar results have been found in other states. Even with substantial rate increases, independent analyses of proposals elsewhere have found the proposed rates weren't enough to replace the revenue lost from the repealed taxes. For example, a proposed fair tax in Michigan would have raised the sales tax from 6 percent to 9.75 percent on a broadened base and would have still fallen $2.5 billion short of revenue neutrality, according to the state's Department of Treasury. Second, LR264CA would severely limit local control, leaving schools and local governments entirely reliant on the state for funding. Under the companion bill, LB133, political subdivisions would have to submit annual budget requests to the Governor and the Appropriations Committee, but the bill leaves it up to the state-- up to state leaders to decide how such requests would be approved. If the state doesn't meet the revenue needs, these entities would be able to apply to the Legislature to enact their own consumption tax. But that, too, would require approval at the state level. It would also mean residents would be subject to an even higher consumption tax. Third, as also noted by the Federal Advisory Panel, a consumption tax would be extremely regressive as our lowest earning families already pay a greater share of their income in sales taxes than those earning more. LB133 proposed monthly allowance to protect those at the bottom of the income spectrum. The tax would then, however, fall hardest on middle-income families, as the wealthy aren't likely to spend enough to offset what they had been paying in income and property taxes. Seniors and retirees across all incomes would also be hit hard as they pay income taxes throughout their lives, only to suddenly be taxed at a higher rate on their consumption, including nursing home care, doctors visits, and prescription medications. I have a wee bit more, but I'm going to count, sum it up, this is long.

LINEHAN: That's OK.

TIFFANY FRIESEN MILONE: So for those reasons, we oppose LR264 and encourage the committee not to advance it. Thanks for your time, and I'm happy to answer any questions.

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

TIFFANY FRIESEN MILONE: Thank you.

LINEHAN: Next opponent. Good afternoon.

BRYAN SLONE: Good afternoon, Chair Linehan and members of the committee. Thank you very much. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I'm here on behalf-- I'm the president of the Nebraska Chamber of Commerce and Industry, and I'm here on behalf of the Nebraska Chamber, the Greater Omaha Chamber, and the Lincoln Chamber testifying in opposition to this resolution. There was a theme in the proponents today, which is a valid theme, which is our property or our tax system is broken. Our property taxes and our income taxes are much higher and not competitive. The question is not that. The question is, is this the solution? If-- if I simply looked at the pamphlets and the books of the proponents, you can understand why you might think it was a solution, but I'll-- I'll take us through the basics here. To raise the amount of revenue to replace the revenue lost from all the taxes that would be repealed would end up being about $124,000 per household in Nebraska. The only problem with that is the average income of average households in Nebraska is $60,000 to $70,000, which means there is no way that this works simply on taxing personal consumptions of the households in Nebraska. There has to be other taxpayers for about half of the revenues, which means it would tax everybody else who has, quote unquote retail sales, which is undefined at this point. Primarily, that would have to come from government sales, business sales, education sales of goods and services, and nonprofit sales of goods and services. If you look at our entire, the tax base they're talking about is for this tax is about $124 billion. Our entire GDP in this state is just over $130 billion. So you're basically talking taxing 90 percent of the GDP, which means you have to get to these other-- these other entities, which means education costs would go up by whatever the rate was. Similarly, there are-- when you start taxing government, there are constitutional and practical limitations. A good example is healthcare, which is a huge part of personal consumption. To the extent that that's paid by Medicare and Medicaid, they will likely, these consumption taxes would not be reimbursed by the federal government would either be borne by the service providers or the people that were-- were provided the service. As a practical matter, it will also fall-- fall hard on young people and at precisely the time we need to attract 18- to 34-year-olds. They're-- they're at the point where it is-- they would bear the heaviest burden associated with this tax and at a 15 to 20 percent rate, which I think would be minimum. It would drive all our retail businesses to neighboring states. And with 45 percent of our economy with an easy drive from state borders, this would be an economic development act for Council Bluffs, North Sioux City, and other communities on our border. With that, I'd be happy to take any questions.

LINEHAN: Thank you, Mr. Slone. Are there any questions from the committee? Seeing none, thank you. Oh, I'm sorry.

FRIESEN: Thank you, Chairwoman Linehan. So you've sat here the whole afternoon listening to testimony. What is our biggest issue? Is it taxes? Are we too high a tax state? Do we spend too much? Or what would be your solution?

BRYAN SLONE: So I think we've-- I've testified many times for four years, and you can probably stand here at this point. There is no tax-only solution. There has to be a spending solution as well when you get to property taxes, and I think we've demonstrated that over the last 25 years. Shifting taxes, and I think it was mentioned by one of the proponents, we've been shifting taxes for 20 or 30 years and we have not solved the property tax issue nor the income tax issue. Ultimately, we're going to have to create some economic growth in our rural communities and in our urban centers to create a larger tax base. And ultimately, we're going to have to-- to look at spending and manage those process. Ultimately, economic growth has to exceed spending growth in order to reduce taxes, and that's-- that's just the plain facts. And so, Senator, I think moving to a tax modernization where clearly we reduce income taxes and property taxes, but also look at spending is probably the answer, and we've been pretty consistent on that for the last two or three years.

FRIESEN: Thank you, Mr. Slone.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? Thank you for being here.

BRYAN SLONE: Thank you very much.

LINEHAN: Good afternoon.

ANDY HALE: Good afternoon. Chairman Linehan, members of the Revenue Committee, my name is Andy Hale, A-n-d-y H-a-l-e, and I am vice president of advocacy for the Nebraska Hospital Association. And I'm here to testify-- testify in opposition to LR264CA. The NHA understands that one of the number one priorities for Nebraska politicians and its citizens is tax relief. However, we anticipate that LR264CA will be at a great-- too, too great of an expense to the budget and cripple the state government and the citizens it serves. A consumption tax model could discourage consumer spending, which would then create domino effects of negatively impacting the economy, business, revenue, and potentially jobs. This amendment could distrib-- disrupt funding that pays for transportation, corrections, education and healthcare for children, the disabled, and the elderly. As everyone knows, we are currently facing difficult economic times, especially with the COVID pandemic still going on, and now is not the time to switch the current tax structure. We appreciate Senator Erdman already delivering tax relief to many of Nebraskans, and we appreciate the support he gives to the hospitals across the state. But at this time, we ask that you not advance LR264CA out of committee.

LINEHAN: Thank you. Are there questions for Mr. Hale? Seeing none, thank you very much for being here.

ANDY HALE: Thank you, Senator.

ROBERT M. BELL: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Robert M. Bell, last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation. I am testifying today in opposition to LR264CA. I've also been authorized to testify on behalf of Nebraska Insurance Information Service, the local trade association of property casualty insurance companies who sell in Nebraska. And for once, I get to testify with the hospitals, so I felt it would be a little bit ironic if I testified right after them. The Nebraska Insurance Federation is the primary trade association of insurers domiciled in or with a significant economic presence in Nebraska. Currently, the federation consists of 31 member companies and 8 associate members, representing a spectrum of insurers from small insurers to Fortune 500 companies. Members write all lines of insurance. One of the goals of the federation is to promote the concepts of importance of insurance products to policymakers and public. Nebraska insurers provide high-value, quality insurance products to Nebraskans to help Nebraskans during difficult times. Additionally, members of the Nebraska Insurance Federation provide nearly 14,000 jobs to the Nebraska economy. And you have my testimony and some information behind there, just kind of on the impact that this proposal would have on the domestic Nebraska industry-- insurance industry. And I certainly want to commend Senator Erdman for his passion and commitment on the idea of consumption tax and his willingness to sit down with and hear the concerns of the industry over the summer. But the insurance companies of Nebraska must continue to oppose any attempt to eliminate the current insurance premium tax structure and replace it with the consumption tax. Kind of two things. One, obviously that, well, the premium tax is currently at 1 percent for most lines of insurance. If this increased to, say, 10 percent, that would obviously have an impact on anybody that paid insurance policies, insurance premium in the state of Nebraska. And an important thing to remember with that is that also for whatever service we're paying for, if that service is also taxed, it could be actually more than 9 percent in the premium. So-- but most importantly, it explains this ad nauseum in my testimony, there is a retaliatory tax system in the United States related to insurance premiums. So the tax rate on insurance products in Nebraska affects the tax rate of insurance products sold by Nebraska companies in other states, and those states keep that money. They retaliate on Nebraska companies for an increased tax rate when they sell their products here. And so-- and that is really what causes the most distress of the insurance industry related to a consumption tax proposal is our ability to competitively sell our products in other states where many of our consumers live. And so with that and for those reasons, the Insurance Federation opposes this proposal. Thank you for the opportunity to testify.

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

ROBERT M. BELL: You're welcome.

JOHN HANSEN: Good afternoon, Chairman Linehan, members of the Revenue Committee. For the record, my name is John Hansen, J-o-h-n Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union. We are familiar with this issue. We have been dealing with this issue within our organization for a very long time. We've called it different things at different times. We've called it the transaction tax. We've called it the fair tax. And so now it's EPIC. And so as we have had a lot of member engagement, we have engaged the-- with members of the Revenue Committee, the former revenue staff, to take a look at the logistics of how it actually works in the particulars and what revenue rate do you actually need to generate in order to come up with the replacement money? And their findings were similar with the findings of a retired economist from the University of Nebraska that we hired to take a look at it. And that is that the rate that it actually takes to generate the replacement revenue is usually about twice what the-- the-- the announced or proposed rate actually is. And that if you look at the logistics of who has how much money in order to be able to help fund goods and services in the state, you have to raise the rate high enough on the consumption of goods. And it is regressive in that, as you-- rich people can only consume so much stuff. There's-- there is-- there is a limit to how much they can consume. And so as you spread the load around, I was taken by Bryan Slone's comments and I-- they-- they mirrored kind of our ballpark assessment of it. So what we've heard today is a compelling case for a number of bills that have been before this committee in the past, including Senator Briese's bills. And they all make the same basic case and that is that our tax system is broken. We have altogether too much reliance on property taxes. If we thought that this particular fix, when we look at the logistics of it. would fix the tax problem, we'd be in support of it. But when we look at the logistics, our honest assessment is it doesn't work quite the way it's-- it's proposed. And the last thing I'll say is that whoever controls the checkbook has the control. And so when you collect all of this money across the state of Nebraska and you send it down to Lincoln and you're a small rural governmental entity in rural Nebraska, and you need money back to operate goods and services and provide services to your people, you're going to be looking to Lincoln with hopeful eyes and hoping that somehow Lincoln is going to remember you and you're going to get the money that you need when you need it in order to put out fires, grade roads, and provide other services.

LINEHAN: Thank you.

JOHN HANSEN: Thank you very much. I'll be glad to answer any questions if you have any.

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

JOHN HANSEN: Thank you, and good luck.

LINEHAN: Thank you. Other opponents?

ANSLEY FELLERS: Hi. Thank you, Chairwoman Linehan and members of the committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here on behalf of the Nebraska Grocery Industry Association, the Nebraska Retail Federation, and the Nebraska Hospitality Association, testifying in opposition to LR264CA. It's probably not a surprise that our members representing those who have retail goods and services are opposed to shifting our state tax burden entirely to the purchase of services and new goods. In addition to concerns about the regressivity of taxing necessities like food and clothing at such a high rate, we believe this proposal fails to recognize how much tax avoidance would take place, especially along our state border-- borders and how damaging that would be to businesses in those cities and counties. We understand Senator Erdman acknowledges this issue, but it's important to highlight given all the uncertainty about how this would be implemented. You've heard previously that even small increases on everyday products or various services tend to drive folks right along the border, say those who live in Omaha but next to Council Bluffs, to shop in another state. But some estimates indicate that under this proposal the state sales tax rate would need to be 20 percent or more. I'm not sure how far people would drive to find better rates at that point, but I'm guessing it's quite a ways. This uncertainty creates a vicious cycle. It'd be difficult to calculate what rate would be necessary to generate enough revenue to fund government services.

While the higher and more variable the rate is, the more difficult it will be on businesses and the economy, leading to more volatility and so on and so on. Thank you to Senator Erdman and the committee for your continued efforts on tax reform. Our organizations represent businesses who have been impacted in a variety of ways by recent economic unpredictability, and we wanted-- and we want to be part of responsible solutions. We just don't believe this proposal is the direction to go. With that, I'd be happy to answer any questions.

FLOOD: Are there any questions? I should add for the record, this is Mike Flood. I'm taking over for Lou Ann Linehan. Thank you very much.

ANSLEY FELLERS: Thank you.

FLOOD: Welcome.

JUSTIN BRADY: Senator Flood and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist for the American Institute of Architects, the American Property Casualty Insurance Association, Home Builders Association of Lincoln, Metro Omaha Builders Association, Nebraska Realtors Association, and Nebraska Telecommunications Association. I also was asked to submit the same comments for the American Council of Engineering Companies in Nebraska. First, I'll start with, you know, with a constitutional change like this on taxes, I would say similar-- Senator Erdman made a comment in his opening that once this is passed, we'll deal with it. That is an irresponsible way to approach this. When you look at other constitutional amendments that have been passed, whether that was when the State Fair was funded, whether that was extremely blighted was added to the constitution, or when the lottery was put in place, the Legislature also passed a statutory change at the same time to tell the voters, if you do this statute-- constitutional change, here's what to expect as opposed to let's change the constitution and trust me. Come back, we're going to figure it out. Next, I'd say, Mr. Slone touched on, I was going to talk about the revenue neutral. Mr. Slone talked about that. I'd say any tax policy that starts with, and this was a handout that the Consumption Tax Institute had handed out to a number of our clients when they were trying to educate them on this. Anyone that has to deal with a statement that says low-- low-income and middle-income families will save dollars when they buy used goods. We shouldn't have a tax policy that tells people in the low- and middle-income brackets they have to go buy used goods to be able to make it work under this system. Senator Erdman talked about, you know, we'll have money savings of eliminating jobs through the Nebraska Department of Revenue when their property tax division-- when I looked up their general fund appropriation, it was a total of $235,000. It's a big weight. That's a small piece of the $10.8 billion hole that we'd have to fill. Border bleed was talked about and that we won't have border bleed. Two of the-- the two products that probably have the most border bleed are alcohol and tobacco. Both are subject to the excise tax. If you read this bill, excise tax stays on those products, plus then you will have the consumption tax. They will go to an extremely high taxed products, which then will cause border bleed on those products. An issue that wasn't much touched on so far is what do we do with the bonded indebtedness that's out there through our public power companies, through our cities, through our schools when you eliminate their local property taxes that are backing those bonds at that point? So I could go on. But at this point, I'll stop and see if there are any questions.

FLOOD: Are there any questions for Mr. Brady? Seeing none, thank you. Welcome.

LOY TODD: Good afternoon, Senator Flood, members of the committee. My name is Loy Todd. That's L-o-y T-o-d-d. I'm the president and legal counsel for the Nebraska New Car and Truck Dealers Association. It should come as no surprise that the fact that we are the new car dealers association we are somewhat concerned with this legislation since we are really having a hard time deciding why it would be able to have new cars sold in Nebraska. It's we're-- so we're going to-- we're going to tax new cars only, and we're not going to tax used cars. The sales tax elimination there puzzles us. Now one of the things that-- that's a given and we've heard testified to many times, if you want to discourage something, tax it and that's what will happen. What we have here and the Highway Trust Fund in Nebraska was created so that there were user fees that supported roads and bridges and those kinds of things in Nebraska. And it was to take that out of the line of fire. If-- if the-- if the roads and bridges and highway uses and all roads funding had to compete with everybody else for General Fund dollars, it's going to be a very difficult task in the Legislature. You're going to have-- you're going to have lots of controversy and you're going to have a lot of problems in working all that out and who, you know, who gets what. It's-- it's going to be quite difficult. The other thing that's going to happen and we already see it happen to some extent, the border bleed is going to be spectacular with new motor vehicles because you can buy them in another state. If we're not going to tax them used, all you have to do to turn a vehicle into a used car is title it somewhere else. Under the federal law, all you have to do to have a used vehicle is to drive it more miles that are necessary to deliver it. And so we're going to be struggling with those kinds of things. I can tell you that my new car dealers, we sold about 100,000 new cars last year. And if we are in a situation where we're simply going to have to manipulate things and cause those new vehicles to be used vehicles and title them someplace else first to bring them back here, it's an awkward, unwieldy, and we think unreasonable system. We want to-- we want to-- we want to pay our fair share on our products. We-- we-- we are not that unhappy with the way things have been. We just don't think this ought-- that ought to be part of the fix. Thank you.

FLOOD: Thank you, Mr. Todd. Are there any questions? Seeing none, thank you.

KENT ROGERT: Senator Linehan, members of the Revenue Committee, my name is Kent Rogert, K-e-n-t R-o-g-e-r-t, and I'm here today in opposition of LR264CA on behalf of the Wine Institute, which is a thousand California wineries that look to make fair alcohol practices all the way across the country. I don't need to reiterate what Mr. Slone and Mr. Blady-- Brady said. Border bleed is a deal. It's been talked about that for middle and lower income folks they can just buy used products. I don't want used wine. I don't think you guys do either. So all wine is new, and so we would always be subject to the consumption tax, and that's all I have for today.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much. Other opponents? Are there any other opponents? Anyone wanting to testify in the neutral position? No one in the neutral position? We did have letters for the record, yes, but a short closing, Senator Erdman. We had 75 proponents, 12 opponents and 0 neutral, for the record.

ERDMAN: Thank you, Senator Linehan. Thank you for staying around. I know what it's like to wait.

LINEHAN: We have another hearing, so.

ERDMAN: I know.

LINEHAN: OK.

ERDMAN: So let me start with this. I so appreciate the people that came to testify in favor. You didn't hear a lot of duplication. You didn't hear people repeat the same thing someone else said, very thoughtful. The other issue is not one of those people was paid to be here, not one. They all drove on their own time, spent their time in a hotel room to be here to testify. All of those in opposition, every one was paid to be here, every one, and they whine about border bleed. And they don't take the time to read any of the dynamics study. And a new car dealer lobbyist says they're going to buy a car in another state. Any of you ever bought a car on the Internet? Every car I own for the last five years, I purchased on the Internet: Indiana, Minnesota, South Dakota, Iowa. You know where I paid the taxes? At the courthouse. I didn't pay the taxes in Iowa. I didn't pay the taxes in Indiana. I paid the taxes in the courthouse. And they whine about nobody's going to buy a new car. Under the current system, buying a new car, if you bought a $50,000 car in Nebraska in Lincoln to get it on the road, it's going to cost you $4,850. Under the consumption tax, it's $3,200. Now are you going to buy a new car or used car? And that was a great commercial by the insurance lobbyist. I had met with him three times. I asked him when we started, what is the solution? Help us fix it. I said, how much does the insurance company have an investment in real estate? That goes away. How much is that? How much are your premiums go to business-to-business transactions? That goes away. What I asked Beacon Hill last week is the insurance premium tax, is it an excise tax? And they said we didn't include that in our analysis. It's an excise tax. So we don't have a problem with the insurance company, They continue to do what they've been doing all along. So we have all these people come in here that are paid thousands of dollars a year to come in here and tell you that all of those people that came on their own dime don't know what they're talking about and it's going to put us out of order. Now, let me tell you what Laffer said. When they did California, here's what happened. He said these were the groups that were against them: the Democrats, the Republicans, the longshoremen, the teachers union, the police union. Everybody was against them, everybody. He said there was one small group they forgot about. You know which one that was? The voters, the voters and it passed two to one. Why? Because their tax system was broken. And so maybe it's more important today who's against you than who's with you because I am proud to have those people with me. And the lobbyists come here and have all these questions and all these ideas that they never read the bill. They never understood. We introduced LB133 last year, which is our interpretation of how it will be implemented. They never looked at that and they accused me of all this, pass it, just pass it and we'll fix it. I introduced that for the discussion. All right? I didn't do this lightly. Now I want to tell you something. When Art Laffer says we're on the right track, OK, I take his word over any retired lob-- any retired economist from the University of Nebraska, any of them. So we came here to present today to you, the solution, irregardless of what the paid lobbyists say and they're whining about, you're going to lose control. And I hear all this local control. What does that mean? It means we can't tax the hell out of you without your permission. That's what it means. I'm a little fired up and I'm a little fired up because those people that came today came here on their own. They're concerned. And I'll tell you right now, if this continues, when I retire from this position, we're going to be in South Dakota. That's a fact because I've already got houses in Arizona, I got houses in Florida, and I can tell you right now the Florida-- the house is in Arizona, the taxes is 20 percent or less. I got a house in Arizona that's worth $250,000. The taxes and the insurance is $1,600 a year. Why do I live in Nebraska? That's what's going to continue to happen. Young people are going to continue to leave and then you whine about brain drain. And then the-- the Chamber says, we've got to have economic development. We've got to have in the-- in the-- we've got to have income in the rural areas. Right? Young couple in Thedford when I made a presentation there, they said if we would implement consumption tax, we save $60,000. We used to have a hired man. We don't have him anymore. Why? Our property tax went up. We either had to hire a man or pay our taxes, so we decided to pay our taxes. So the guy said, when we calve, I'm up 24/7, me and my dad. First thing we do is we hire somebody. That's economic development in rural Nebraska. So the Grocers Association opposed this. We're not going to charge any consumption tax on any SNAP benefits used, and there'll be no consumption tax up to the poverty level for low-income people, medium-income people. But we're scared. Well, let me tell you this. Until we get more scared and more frightened about what we're doing now than we are about change, we'll never have any change. We will never have change until we understand that the road we're on now is a dead end and we make the decision to turn around and fix it. We're going to continue to go the way we're going and people are going to keep leaving. You heard Lee Todd talk about that, right? He's leaving and there are many more leaving just like him. So I appreciate what they said today. I appreciate what they did when they came in. They didn't repeat themselves. The young man was amazing. I appreciate your vote to get it out to the floor. Thank you.

LINEHAN: Thank you, Senator Erdman. Are there questions from the committee? Seeing none, thank you very much. I have read the letters in, right? So that brings our hearing on LR264CA to a close. And we'll open the hearing on LB1242. Senator Murman, there you are. Good afternoon, Senator Murman. Good evening, I guess maybe.

MURMAN: Good afternoon, Chairman-- Chairwoman Linehan and members of Revenue Committee. For the record, my name is Senator Dave Murman and that's D-a-v-e M-u-r-m-a-n. I represent District 38, which includes the counties of Clay, Nuckolls, Webster, Franklin, Harlan, Furnas, Red Willow and part of Phelps County. I come before you today to introduce LR281CA, which proposes to amend the Nebraska Constitution with regard to the treatment of commercial property for purposes of property taxes. Specifically, LR281CA would submit--

LINEHAN: Just a second. Gentlemen, ladies-- I need-- we have another hearing going on. So either outside, quiet, shut the door. Shut the door. Somebody, whoever's standing there, pull the door shut. Yes, Grant, you're doing all, you're great. (LAUGHTER) OK, go ahead. I'm sorry, Senator Murman.

MURMAN: Yeah, no problem. LR281CA would submit to the voters at the general election in November of this year a proposal to amend Article VIII, Section 1, Constitution of Nebraska to state that the Legislature may provide that commercial real property constitutes a separate and distinct class of property for purposes of taxation and may provide for a different method of taxing commercial real property, which results in values that are not uniform and proportionate with all other real property, but results in values that are uniform and proportionate upon all property within the class of commercial real property. Members of the committee are probably aware, I introduced LR230 last year as an interim study to examine limiting property taxation to residential property-- property only for the purpose of school funding. The hearing on LR230 was held before the Revenue Committee last October 8. LR281CA and LB1242 are an extension of the ideas expressed at that interim study. As the proponents testified after me will affirm, property tax levies to support free instructions in the common schools should be limited to residential real property and not on agricultural land or commercial property. This is a fairness issue, and limiting such levies to residential property is a more equitable policy to fund public education. Agriculture and commercial property do not receive any more services from the public schools than residential property. Home values are a more accurate measure of an ability to pay taxes to fund public schools. Our current tax system places an overreliance on taxing agricultural and commercial land to fund education, resulting in an undue inequitable--

inequitable burden on agricultural producers and businesses. The language of LR281CA is necessary to carry out the intent of LB1242, which would provide that agriculture and commercial property be valued at zero for taxes levied by school districts. Committee members, thank you for your consideration of LR281CA, and be are happy to take any questions.

LINEHAN: Thank you very much, Senator Murman. Do we have any questions from the committee? Seeing none. Proponents. Do we have proponents? No proponents? Opponents. Do we have opponents? This could be really good. Do we have anybody in the neutral position? Oh, would you like to close?

MURMAN: Quick one. Our current tax system is outdated and broken with regard to funding K-12 education, limiting property taxation to residential property only, and it is only a fair and equitable solution. So I'd appreciate your support of this bill and moving it out of committee.

LINEHAN: Thank you very much. So we will-- do we have letters on this one? What did I do with them?

GRANT LATIMER: They're in the back page as well.

LINEHAN: We have on LR281CA, we had one opponent. OK, so we close the hearing on LR281CA and open the hearing on LB1242, which is again you, Senator Murman.

MURMAN: Good afternoon again, members of Revenue Committee. For the record, my name is Senator Dave Murman. That's D-a-v-e M-u-r-m-a-n, and I represent District 38, which includes most of eight counties in extreme south central Nebraska. I come before you to introduce LB1242, which essentially changes the valuation of agricultural and horticultural land and commercial real property to zero for the purpose of taxes levied by a school district. As I previously testified, I introduced LR230 last year as an interim study to examine limiting property taxation to residential property only for the purpose of school funding. A hearing on LR230 was held before the Revenue Committee last October 8th and LR281CA and LB1242 are an extension of the ideas expressed at that interim study. Property tax levies to support K-12 education should be limited to residential real property and not on agricultural land or commercial property. This is a fairness issue and limited-- limiting such levies to residential property is a more equitable policy to fund public education.

Agricultural and commercial property do not receive any more services from public schools than residential property. Home values are a more accurate measure of an ability to pay taxes to public schools. Our current tax system places an overreliance on taxing agricultural and commercial land to fund education, resulting in an undue inequitable burden on agricultural producers and businesses who simply can't just keep going like this. In the past, prices of agriculture products were generally determined at the local level. Now, prices are determined by worldwide markets with Nebraska agriculture producing, exporting subs-- producers exporting substantial proper-- portions of their crops and livestock. Currently, Nebraska exports approximately 15 percent of its corn, 20 percent of its soybeans, more than 12 percent of its beef, and ranks sixth in the nation in the value of ag exports for the past couple of years. It's difficult for Nebraska farmers and ranchers to be competitive in these worldwide markets when farmers and ranchers in other states and countries have a smaller property tax burden. Simply put, with our current property tax system, Nebraska agriculture is at a competitive disadvantage in these worldwide markets today. The present high price of agricultural land necessary for production results in higher valuations, thus creating a larger tax burden. Unlike many other businesses, if you want to expand your operations, you have to buy or rent additional land, thereby adding to the property tax burden. This is especially burdensome for young farmers. Excessive property tax on commercial and agricultural land is unfair compared to nonproperty and inten-- intensive occupations that require smaller amounts of or even no property to operate. Some examples are accountants, software designers, engineers, attorneys, doctors and electricians. These occupations often make more income than commercial property owners or farmers, but pay little or no property tax on the means of their income. If they do pay property tax, it can be passed on to the consumer. I've talked with a number of school superintendents in my district and they've mentioned an erosion in local support by farmers and ranchers who pay an increasingly substantial portion of school funding through their climbing property tax bills. These folks are often several generations in the school district and strongly support public education, but become disheartened by ever-increasing property tax burden. Unlike some manufacturers, they can't move their businesses to another state if they don't like the tax climate. Limiting the taxes levied by school districts to residential property would result in a more equitable tax policy. Thank you for your consideration of LB1242 and I'd be happy to take any questions.

LINEHAN: Thank you, Senator Muman. Are there questions? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Murman. So just-- so I understand, the homes of farmers and ranchers that live out on the farm and the property under those homes, would that-- would that also be set to zero valuation?

MURMAN: No, that's residential property. So they'd pay the same taxes on that property as other residential owners.

BOSTAR: Thank you.

LINEHAN: Thank you, Senator Bostar. Other questions?

MURMAN: I'm sorry, by the way, they do now also.

LINEHAN: Yes.

MURMAN: Now go ahead.

LINEHAN: The fiscal note. Have you figured out what they-- I mean they're saying-- you didn't change it inside the formula? I don't quite understand the fiscal note, do you?

MURMAN: I haven't studied the fiscal note that closely.

LINEHAN: I know they've only come-- well, I think there are some school people here, so. I don't understand it. OK, we'll have testifiers and then maybe we can figure it out.

MURMAN: Maybe somebody behind me can answer.

LINEHAN: Yeah.

MURMAN: I'll think about that a little bit.

LINEHAN: OK.

MURMAN: Maybe get back to you.

LINEHAN: If it cost nothing, according to [INAUDIBLE]. OK. All right, we'll have proponents.

MERLYN NIELSEN: Good afternoon, my name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n. And my residence is Seward. I am an ag land owner and a board member of Fair Nebraska. We appreciate Senator Murman's leadership in bringing this bill for a hearing today. As a member of Fair Nebraska, this is my fifth year of coming to testify at hearings here before the Revenue Committee. LB1242 is the closest we have gotten to the needed fix to relieve the onerous property tax on ag land and commercial property. Let me demonstrate using my family's property how onerous taxing of some property is for schools showing little relationship between benefits received and who pays. The Nielsen families 2021 property tax for schools, just schools, totals $35,821. Of this, $32,396 is tax on ag land and buildings, and $3,425 is the tax on our residential property. Like most Nebraskans, we live in a modest home. Thus, we do not complain about the $3,425 in school taxes because all residential property is taxed in the same manner for schools and all benefit. Our attention is focused on the $32,396 on our ag property. My friends in town with similar wealth, but no wealth in-- all that wealth is intangible property are not sharing the burden for getting benefits from our public schools. We've been asked before, what is your effective tax rate? Well, I looked at our 2020 1040N that my wife and I filed, and it shows that of our Nebraska taxable income, if you sum the Nebraska income tax with our local property taxes that we paid is thirty two and a half percent of that Nebraska taxable income. Now, if we would take school taxes out of our tax liability like was proposed with LB1242, then that tax-- our effective tax rate drops down to 15 percent. Taxing can be evaluated on two principles, the benefit principle where individuals are taxed in proportion to benefits received, or on the ability-- ability to pay principal. I contend the property taxing of only residential property supports school, satisfies these two principles. Our present tax exempt system does not come close. I thank you Senator Linehan and the members of the Revenue Committee for letting me appear before you today and share my strongly supporting position on LB1242.

LINEHAN: Thank you, Mr. Nielsen. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. Well, Mr. Nielsen, I know you've worked on this a lot and you've tried to take into account the revenue lost and you've looked up apartment buildings, those types of things when we do this, so how-- the fiscal note is obviously wrong because it shows no fiscal impact to the state, but I do believe TEEOSA would explode under this because we've lost resources. So I don't know how they show that there's no fiscal note, but how do you propose it-- it says, you know, there's 1.2 billion lost across all districts. How do we make up that money and pay for school?

MERLYN NIELSEN: I think the estimate of around 1.2 is probably correct-- billion, that would be required in additional state funding to leave us revenue neutral in funding of our schools. Where did that come out of schools? Excuse me, the state current funding that we have, or current state budget that we have because that's almost a little more than doubling the current state aid. Well, we have things like LB1107, where we're getting Property Tax Rebate back in the form of income tax. We have the Property Tax Credit Relief Fund of 313 million, I believe, this year. I realize part of that goes to residential and we've got to balance that out somehow. That doesn't all go back to commercial or ag-- or ag property, but we're having an increasing amount of attempts to try and give tax back from the state to cover that local property tax and we're getting very close to that 1 billion, 1.2 billion, probably, dollars.

FRIESEN: So you would favor repurposing some of those funds?

MERLYN NIELSEN: I would think we would have to. I don't see how we would do it without doing that, Senator.

FRIESEN: Thank you.

LINEHAN: Thank you. Senator Friesen. Other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Just real quick. And so in the fiscal note it also, it says that-- that 1.2 billion deficit would be assuming that every district would go to a maximum dollar five levy on the remaining residential property. Is that-- is that how you understand that as well?

MERLYN NIELSEN: I didn't get to see that, so I'm a little bit caught off guard, but I can tell you and we presented this in the October 8 hearing that we have before this body on the LR230 from last year, that the call for the special hearing that we had on October 8. When we went to the Legislative Fiscal Office and asked them to help under requests from Senator Murman. I didn't ask for it, Senator Murman had to ask for it. If we put current a levy of 1.0 on all residential property across every school district in Nebraska as an example, just an example, that was $1.13 billion of state aid that would have to be pumped out of Lincoln to go to all the school districts to get that-- to stay at the same level of school budgets. Now, does that help you a little bit? The 1.05, I think with your 1.2, either I'm not current enough with what our current budgets are right now or-- or I would think that might be a little greater than we might need. But I could be-- haven't caught up for a year or two because when we did that study through the Fiscal Office, we were using 2019. You're always behind a year or two. They have to complete that.

BOSTAR: Thank you very much.

MERLYN NIELSEN: Yeah, appreciate it.

LINEHAN: Thank you, Senator Bostar. Are there any other questions from committee? Seeing none, thank you very much.

MERLYN NIELSEN: Thank you.

LINEHAN: Other proponents?

DOUG NIENHUESER: Good afternoon, members of the Revenue Committee, Senator Linehan. I don't envy you guys the job at all. After the hearing back in October, the question was asked, what is the effective tax rate?

LINEHAN: Oh, I'm sorry, you have to-- I know you have been here many times, but I need you to state and spell your name.

DOUG NIENHUESER: Doug Nienhueser, D-o-u-g N-i-e-n-h-u-e-s-e-r, and I'm a founding member of Fair Nebraska, and we've been working on this now for five years. This is as close to an answer as we can get. On the effective tax rate, I work with my accountant to-- to assure some accuracy there. I asked him to compare what the taxes would be for a W-2 wage earner living in a $400,000 home compared to a commercial business and a farm business with the farm being a 1,000 acre farm and owning all the ground is-- whether you rent it or not, you're paying the property taxes on it. All examples are located in the York School District to help show why change is needed and how we fund K-12 education. Nebraska needs a more fair system that every voter pays on a comparable valuation, thereby creating more accountability for all school improvements and activities that are negotiated through the election process. And as you go down and you look through it, a W-2 wage earner, and they all have comparable incomes and they're all actual businesses in York County, the W-2 wage earners effective tax rate for all taxes, federal, state, property. The only thing that's not included in this is personal property and depreciation, which kind of balances out the-- the table between commercial and farms. The W-2 wage earner is going to pay 35.4 percent of its income in taxes. A commercial business, 34.4 percent. A Schedule F farmer pays seventy-one and a half percent of its income in taxes. And an S Corp farm is 62.6. Percentage property taxes in your county schools for 2020, is 62.99 percent. This removed the results and falling percentages, takes the W-2 to 34.3, commercial business, 30.2, Schedule F farm to 47.3 and a S Corp farm down to 40.8. These percentages seem extreme until we look at Table 19 on the next page there from York County. The middle column on line F, agricultural land, page--

LINEHAN: I'm going to have to see if somebody will ask you a question.

DOUG NIENHUESER: OK, sorry.

LINEHAN: OK. Does somebody have a question? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. Just continue on with your table.

DOUG NIENHUESER: These percentages seem extreme until we look at Table 19 and the middle column, agricultural land pays 54.18 percent of the property taxes collected in York County. The SALT showed what the effect of removing school funding from property taxes on agricultural permits, commercial businesses changes the effective tax rate to a more equitable situation. Fair Nebraska's goal is to achieve a more fair way of funding K-12 education. The fairest method would be removing the burden from commercial and agricultural businesses from paying property taxes to fund K-12 education. This would place the cost of education on residential property, creating accountability and responsibility for every homeowner in each district. And I'd also like to make note that you look in that center column there under age, residential has two asterisks. You look down at the bottom and residential includes ag dwelling and farm home cycling on it. So you guys can take a look at that and I'll maybe be able to help you make your decision. Thank you.

LINEHAN: Thank you. Are there any other questions from? So this is-- this is they're effective-- what you're saying, your effective tax rates over the--

DOUG NIENHUESER: That's all the taxes you would pay off your income. That doesn't have the--

LINEHAN: Does this fit include federal taxes?

DOUG NIENHUESER: Yes.

LINEHAN: OK. OK, that's where I'm losing it. OK.

DOUG NIENHUESER: It doesn't include depreciation, and it doesn't include personal property taxes on equipment that your commercial businesses and farm would pay.

LINEHAN: OK. All right. Thank you for being here.

DOUG NIENHUESER: Thank you.

JAY FERRIS: Well, good afternoon.

LINEHAN: Good afternoon.

JAY FERRIS: Chairwoman Linehan and members of the Revenue Committee, my name is Jay Ferris. That is J-a-y F-e-r-r-i-s. I serve as director of political engagement, state policy for Nebraska Farm Bureau. I'm here today to testify in support of both LR281CA and LB1242 on behalf of the following organizations consisting of Nebraska Cattlemen, Nebraska Farm Bureau, Nebraska Corn Growers Association, Nebraska State Dairy Association, Nebraska Pork Producers and the Nebraska Soybean Association. We thank Senator Murman for bringing these bills forward and the Revenue Committee for the opportunity to comment today and to continue the discussion on how we reform Nebraska's property tax system. Although we do appreciate the tax relief the Legislature has provided over the recent years, the members of the ag leaders continue there still exists a disproportionate burden on the agriculture and commercial property owners for funding schools. LB1242 and the companion bill of LR281CA will go a long way to address the inequity of our state-- of the way our state funds K-12 education. Agriculture and commercial property have a direct benefit from many of the services funded by property taxes such as law enforcement, roads, bridges, fire protection, etcetera. While residential property also benefits from these services, residential property is much more closely linked to producing Nebraska K-12 student base and therefore should have a greater role in funding public education. Limiting local funding for K-12 education as provided in LB1242 to residential real property would be a more fair and equitable approach. We would ensure-- this would ensure funding for these services would serve a direct benefit to the property being taxed. I want to assure you that all of the organizations that makes up ag leaders believe a quality education is vital to everyone in the state. However, we need to find ways to fund our education system more equitable-- equitably. It will take transformative thinking and a collaboration to examine all of the pieces that need to go to substantial reform. Efforts like this should not be dismissed-- dismissed by the Legislature. And when reading the fiscal note, we do see that school districts would be significantly impacted. That is not our intent, and that's also why we are working with Senator Friesen on stabilization aid proposal to fill voids that could potentially exist. Bold ideas bring committed stakeholders to the table who are intent on finding solutions to our overreliance on property taxes as a means of funding K-12 education. LB1242 and LR281CA is a step in the right direction. So I thank you for your time and be happy to answer any questions.

LINEHAN: Thank you, Mr. Ferris. Are there any questions from the committee? Senator Pahls.

PAHLS: Thank you. Today, I looked over all the cost of educating a kid across the state of Nebraska and several schools like 28, 29,000, and of course goes down to 10, 12, 3,000. Maybe-- would you be in agreement with fewer schools because you could have a more effective cost per student.

JAY FERRIS: Yeah.

PAHLS: Would that-- is that-- could that be an answer?

JAY FERRIS: Well, you know, I believe what you're talking about. You know, there is an economy of scale with, you know, of how we fund that. And I think there needs to be ways to look at of how we reduce the cost of education. And I believe this bill directly addresses that. This is basically on how we funding our education system and doing it in an equitable and fair way.

PAHLS: If you drop the cost, automatically that would help.

JAY FERRIS: Sure.

PAHLS: You know, the tax base. I'm just-- I'm-- I'm just curious. We need to take a look more than just the hitting the farmer or the rancher because they could take a look at the schools, what they are costing us. I think we need to-- that's got to be part of the equation, you know.

JAY FERRIS: Yeah, be happy to look at all aspects of it.

PAHLS: OK, but that to me, that's-- that's significant. Twenty-eight, thirty-thousand dollars for a kid in some schools, where other schools do it for half the price. It is the economy scale. Maybe that's something that have to take a look at.

JAY FERRIS: Sure.

PAHLS: I just-- I see that.

JAY FERRIS: And while we would look at that I would also look at the-- at the benefits in education that is there between the high costs and the lower costs schools. Is there something there as well.

LINEHAN: Thank you, Senator Pahls. Yes, Senator.

FRIESEN: Thank you, Chairwoman Linehan. I mean, we've talked about consolidation before and when we've seen the schools that have consolidated, generally there's-- has there been a cost savings?

JAY FERRIS: In some cases, I believe there has been, but I don't believe it's across the board that sometimes when-- and I know this was 50-years ago, my school district consolidated and there wasn't a cost savings in that scenario. So that's one I'm experienced-- or experienced with, but.

FRIESEN: You guys represent a lot of members across the state.

JAY FERRIS: Sure.

FRIESEN: Some of these high cost schools that he's talking about, could you describe those? Are those-- could they consolidate?

JAY FERRIS: You know that's-- in some cases, I believe-- I mean, there's been a lot of consolidation over the last 10, 20 years in rural areas. You know, I believe that's something that can be looked at, that there are probably some school districts that would make sense, but there are some school districts that currently, and as you say, we represent areas where it may be 70-plus miles to travel to school in one direction. And I don't believe in some areas a consolidation makes sense.

FRIESEN: Thank you.

LINEHAN: Thank you. And I just want to follow up question and we can get this information because it is-- I think the number of students that are in schools that go into the-- the expensive, the number is like timing, right?

JAY FERRIS: Yeah. Many cases, I believe you are correct and that's where the economy of scale. You know, there are certain services that have to be provided and the fewer number of students, you don't have the number to multiply that out, so it's higher per pupil.

LINEHAN: All right. OK, thank you very much for being here. Appreciate it.

JAY FERRIS: Thank you.

LINEHAN: Other proponents? Good afternoon.

TOM HOEGEMEYER: Good afternoon, Senators. My name is Tom Hoegemeyer. H-o-e-g-e-m-e-y-e-r. I'm a Lincoln resident now, but spent most of my life running the seed business in Dodge County. We were the third largest business in the county at the time, and sub-- subsequently it was sold. So I've seen, you know, business side as well as ag side. It happens that my uncle, Ross Rasmussen, was a state senator and was co-introducer of the bill that became income tax, property tax, sales tax, and he made a lot of enemies. But the bottom line is they horse-traded, weighting the bill heavily towards property tax to get urban votes, business votes, mostly from the business community, and they absorbed the University of Omaha into the University of Nebraska system. Those were the two things that they had to trade to get a tax law passed. Well, two of the key assumptions. I was a college student at the time and I spent a lot of time with my uncle in his apartment over here visiting, and learned a lot about the ins and outs of what was going on. The two key assumptions involved in that were that ag producers really competed with each other locally, and they didn't have to worry about price competition from the next state or the next county, much less the next country. And the second one was that the property tax on nonag businesses, basically on their buildings and other real tangible property, fairly evaluated their-- their liability. Well, the problem is, is that the economy shifted dramatically. There was no such thing. The service economy was tiny. There was no information economy. And the real problem with the property tax is the valuation system on tangible property just doesn't work in a 21st Century economy. So if there's going to be property tax on business, the whole computation has to be done based on earnings. You can do, you know, a standard capitalization rate and say a business is worth so much and so they have to pay this much. You can do it with the local income tax. But the bottom line is the property tax is just totally outmoded in terms of being fair and-- and operating. So, my time is up.

LINEHAN: Thank you. Any questions from the committee? Thank you very much for being here. Appreciate it.

JERRY STAHR: Good afternoon.

LINEHAN: Good afternoon.

JERRY STAHR: Senator Linehan and members of the committee, research analyst, legal counsel, and if I can butter him up, I can get more time, but I won't need it. I'm here on-- well, I've noticed the general theme this afternoon.

LINEHAN: Your name.

JERRY STAHR: Oh, I'm sorry. Jerry Stahr, J-e-r-r-y S-t-a-h-r. I've noticed a general theme this afternoon that people are not happy with their taxes. Have you gotten that also? But I'm going back to the same thing I have but it-- it-- it not only it hurts everybody in our community, whether you're young or old, it's certainly hurt my mother. Believe it or not, she's 98. I think I went through this before. Every four years she pays for the property that they bought 45 years ago, which is insane. And-- and I realize, yes, the valuations of things have gone up, but that's-- that is-- it's not quite right. And honestly, I'll pay for the property I bought over the years in less time it took me to pay for it with taxes, which is kind of crazy too. And I'm-- I'm here on behalf of this. I think this legislation is good. We need to take some of the onus off agriculture. The cities can charge sales tax, which they do, and most of them use it. Well, York, I know, uses it. That's where I come from, uses it for-- for property tax relief, and none of that can transfer over into the ag community and I think that's by law. So they actually get a little help. We do not. The fact that, you know, our income tax burden, in my opinion, probably isn't as bad as it could be. When you look at the state aid formula, there's a possibility that 20 percent of the income tax that's generated in our county could come back to our school system, which would help us out immensely because right now, agriculture is taking care of about half of the schooling for the kids and the other 6,000 people in York take care of the other half. And honestly, there's probably no more than 4 percent of our county are in agriculture anymore. So basically, I'm just-- it's-- it's just me, I guess maybe I'm a little selfish, but you know, somewhere along the line, I'm actually trying to get out of farming here gently, and my son wants to take over. And honestly, it's going to be hard with taxes as high as they are to do that. Thank you, committee, I appreciate it.

It's been a very long afternoon, and I think I'm the last proponent, so you may have a break.

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

JERRY STAHR: Thank you.

LINEHAN: Are there any other proponents? OK, opponents? Good afternoon.

LAUREL SARISCSANY: Good-- almost evening now, I guess. Thank you for having me, Chairperson Linehan and members of the Revenue Committee. My name is Laurel Sariscsany, spelled L-a-u-r-e-l S-a-r-i-s-c-s-a-n-y-- long one --and I am the policy analyst at OpenSky Policy Institute. And we are here to testify today in opposition of LB1242 because of the huge tax shift that would be borne by residential homeowners and the immense revenue loss it would cause for our public schools. By eliminating school property taxes for commercial and agriculture properties, resident-- residential property owners that live in the school districts that are under their levy limit would see increases in their property taxes. Low levy districts, the tax increases on residential property owners is likely to be significant. And even then, they are not likely to be able to make up for that lost revenue. In urban areas where there is little ability for school districts to raise their taxes, their levies-- excuse me, they will see a significant revenue losses. The fiscal note estimates that assuming all school districts increase their levies to 1.05, there would still be an overall loss in revenue of 1.2 billion for K-12 schools. Because there is no provision changing the adjusted valuation in LB1242, there wouldn't be a corresponding increase in state aid. The Tax Moderate-- Modernization Committee recommends increasing state aid to schools is the most effective way to address our state's overreliance on property taxes. This would do the opposite not only devastating our public schools, but also forcing all districts to raise levies on their residential property owners. We're basing our testimony on modeling of these types of proposals in prior years, but we haven't had a chance to model this exact proposal yet. However, if Senator Murman or the members of the committee are interested, we would be happy to model it and work with them. Thank you for your time, and I'm happy to answer any questions.

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

FRIESEN: Thank you, Chairwoman Linehan. So when I'm looking at the fiscal note, I am-- when you take away this many resources in the TEEOSA formula, why wouldn't the impact in TEEOSA be-- make up for most of that?

LAUREL SARISCSANY: That's a great question, and thank you for that. I'm sort of the pitch-hitter tonight for late testimony. I will have to get back to the other members of my team to get an answer for you.

FRIESEN: I-- just when I look at the fiscal note too, there's a huge revenue drop and we are taking resources, to me that meant TEEOSA would have to make up for that lost resources. And maybe it wouldn't dollar for dollar, but it just seemed odd that it didn't account for that. So, thank you.

LAUREL SARISCSANY: I'll look into that. Thank you.

LINEHAN: I think it's a drafting error. You said somewhere in your testimony, not too far down, they would with little ability to raise their taxes. I think maybe in the second paragraph.

LAUREL SARISCSANY: Yes.

LINEHAN: Can you read that sentence again, please?

LAUREL SARISCSANY: OK. And let's see. OK. In low levy districts, the tax increases on residential property owners is likely to be significant, and even then, they are not likely to be able to make up for their lost revenue. Is that what you are looking for?

LINEHAN: Keep going.

LAUREL SARISCSANY: OK. In urban areas where there is less ability for school districts to raise their levies, they will see significant revenue losses.

LINEHAN: OK, maybe I thought I heard you say a little ability to raise their taxes. You didn't say that.

LAUREL SARISCSANY: Yeah, maybe.

LINEHAN: OK, maybe got lost somewhere. Because what gets lost here and what is so frustrating, I think for most of us, not all of of us on the Revenue Committee is, well, valuations are going up 10 or 15 percent, they'd be ag or rural urban. They have every ability to raise their taxes with the same levy. So anyway, maybe I just misunderstood what you said.

LAUREL SARISCSANY: Thank you for your comment. I'll follow up if there's anything additional to add.

LINEHAN: All right, thanks for pitch-hitting.

LAUREL SARISCSANY: Thank you for having me.

LINEHAN: All right. Well, it's not Friday, but basically Friday for us. Thank you.

LAUREL SARISCSANY: Thank you.

LINEHAN: Other opponents? Good afternoon, evening.

JACK MOLES: Good evening, Senator Linehan and members of the Revenue Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the executive director for the Nebraska Rural Community Schools Association. Today, I'm also testifying on behalf of the Nebraska Council School Administrators, Nebraska Association of School Boards, Schools Taking Action for Nebraska Children's Education, the Greater Nebraska Schools Association and the Educational Services Unit Coordinating Council. On behalf of those organizations, I wish to testify in opposition to LB1242. It is our belief that the bill would have-- would cause havoc in school funding that would be difficult for the state to overcome. By my count, 186 school districts would lose 50 percent or more of their taxable valuations as a result of this bill with 75 of them losing over 75 percent of their taxable valuations. If LB1242 were to be enacted, we believe the Revenue Committee would likely be forced to move on bills would drastically raise income taxes and/or sales taxes. One thing that you have talked about and I did notice also the fiscal note did say that the Department of Ed's analysis said that would not show an impact on state aid to schools, and that was corroborated by somebody else. I can't remember who it was. They did ask for it.

LINEHAN: It's written wrong.

JACK MOLES: I'm sorry.

LINEHAN: It's just written wrong.

JACK MOLES: Oh, as it's written right now, yes.

LINEHAN: Right.

JACK MOLES: OK. Their analysis, of course, did show that about 1.2 billion in funding would be lost to schools. Thus, the vast majority of schools would be devoid of a large part of their income. And in closing, the education organizations named above are opposed to LB1242. We are certainly sympathetic to the overreliance on ag land property taxes and the current state school funding structure, but don't believe that this is a realistic remedy. We would encourage you not to advance the bill.

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

FRIESEN: Thank you. Chairwoman Linehan. So if-- if the Department of Education just showed that 1.2 billion would be lost in funding, we've got quite a bit of money, LB1107 money in the Property Tax Relief Fund. We're not that far off from being able to fund this.

JACK MOLES: You're probably not. That would fall on to you, of course,

FRIESEN: But it's not-- it's not an insurmountable number when you add those all together and take our current state aid that's out there yet. I don't know. Does that sound right to you that we could?

JACK MOLES: Well, I'd like to think there are some things you could be doing, yes.

FRIESEN: I mean, I just--

JACK MOLES: Yeah.

FRIESEN: --when I add those two together, and look at this, I go, you know, that's not an insurmountable goal.

JACK MOLES: We have supported some other high dollar items too that could help solve this too. So, yeah, I think you do have-- I think you have the ability to do it.

FRIESEN: OK, thank you.

LINEHAN: Are there questions from the committee? Wouldn't this actually work better for NRCSA and STANCE than LB890?

JACK MOLES: I don't know that-- yeah.

LINEHAN: It will be all going to--

JACK MOLES: Pardon.

LINEHAN: The problem with your position right now and I have great empathy for you, I really do and you've worked hard for this. I've seen you all week. Seems like we've seen you every day. Since you got here, you were testifying on behalf of NRCSA and STANCE and GNSA. So you can't tell me exactly what NRCSA would think. You're kind of in a bad spot because--

JACK MOLES: Actually NRCSA was the one that was coming in to testify against it, although-- and again, I state and I'll say this every time. I believe there's an overreliance on property taxes, especially the ag property taxes.

LINEHAN: So it seems to me, to Senator Friesen's point, if this would pass and I'm not saying-- but if it would pass, NRCSA and STANCE would be huge winners.

JACK MOLES: In a perfect situation where everything was fully funded, yeah, we would.

LINEHAN: OK. Thank you. Any other questions? Thanks.

JACK MOLES: Thank you.

LINEHAN: Other opponents? How many more of the-- are there? I can't see you back there. OK, why don't you all hop up front here. Good afternoon, Ms. Fox.

NICOLE FOX: Nicole Fox, N-i-c-o-l-e F-o-x, with Platte Institute and we are testifying today in opposition to LB1242. And I know you guys have had a long day, so I'll try and keep my comments brief. Basically, while this bill's intent is to target the concerns of agriculture, the unintended consequences of this proposal need to be brought to light. The obvious concern is that exempting ag and commercial property from school property taxes shifts this burden on to residential property owners. First, we must consider those on fixed incomes or those who are disabled. While many qualify for a homestead exemption, it does not completely exclude them from any tax liability. Many of those individuals may experience a higher tax bill. Second, Nebraska faces a housing crisis, both an inadequate supply and unaffordability problem. The current cost of housing has outpaced personal income in the state. Housing inflation is now running well above the rate of national consumer inflation indexes. With demand for homes exceeding supply, prices have jumped significantly. Blueprint Nebraska has identified the need to build at least 30 to 50 thousand additional housing units. Imposing an added tax burden on residential property is punitive to first-time homebuyers, future Nebraskans and for businesses willing to make investments to build housing for their employees. It could also pose significant hardship to renters. This proposal will not help retain current Nebraska residents or attract new residents to Nebraska. This is counterintuitive to growing Nebraska's economy. Without a doubt, addressing Nebraska's high property tax burden is complex. There is a limited amount that can be done at the state level since the state does not levy the tax. Shifting the tax burden to residents is not the solution. At the state level the Platte Institute would like to see proposals that do things such as limit tax asking and require more voter approval. Earlier this session, we supported two proposals that are more along these lines, LB986 and LB987, and we were happy to see that LB986 did advance. As long as schools are funded by real estate taxes, there is no real policy reason for entire categories of real property be-- property to be excluded. And with that, I conclude my testimony.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you. Next opponent.

JON CANNON: Good evening, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here in opposition tonight on LB1242. First, thanks to Senator Murman. These are great conversations to have. I would love to have a philosophical back and forth, but I think at this late hour that's not likely to happen. But this really does get to the heart of what our property tax issues are with the state. The first thing I do have to mention in deference to you, Senator Briese, with LB2, we-- our programmers are working really, really diligently on it. We probably put in- in excess of a hundred hours in getting rid of LB2, which I thought was a great-- a great first start. But this is-- it'll-- it'll be a programming issue for-- for us and anyone in the counties that have a computer system that's a PLATO system. Primarily, however, our opposition stems from that we are allergic to anything which would impair the tax base, and I know this is directed primarily at schools, but we understand how this works. We're probably next. Frankly, it would be confusing for the taxpayers and they would say, well, why is it I'm paying X percent here, but I'm not-- I'm paying, you know, 75, 90, 100 percent over here. It's a confusing issue. We have to explain it. We are the ones that are in the-- involved in the entire process from the moment that you set values all the way to the moment the tax bill goes out and it's paid and collected. One thing I do want to mention just kind of getting down to brass tacks. If you shift this over to residential property only, that means that instead of exporting your tax base, which is good tax policy, sound tax policy, you're going to have 100 percent of your property tax burden fall on to the shoulders of residents of Nebraska. And so Ted Turner isn't a resident. He's elsewhere, and it's going to be borne entirely by every single person-- every single person that is a resident of Nebraska, not outside of Nebraska. I will note just by way of the numbers. In Grant County, you have about $20 million of value in residential, on a what is currently a $300 million tax base. Those folks taxes are going up under this proposal. Statewide, residential makes up about $109 billion out of a total of $260 billion. This is all information from the Department of Revenue's certificate of taxes levied. I just want to say in closing, the work that this committee and the Legislature did a couple of years ago in LB1107 was monumental. I know that it hasn't gotten all the great press and the hosannas that it should have, but I do believe that over time it is going to make more of a difference. We saw that it went from, I think, about 6 percent of school taxes paid to about 25 percent of school taxes paid. It was the projection. I think that is a great way for us to go. I would-- I would just urge the committee to let us see that thing through because it really does reflect on-- on your work as a committee. Happy to take any questions, but I understand you might not want to.

LINEHAN: I want to, but I'm going to save myself. Anybody else have questions? You say Grant was 30 million and 20 million of it was residential?

JON CANNON: And $20 million of value in Grant County and out of a $300 million total tax base.

LINEHAN: But I would say, isn't that the same thing, 20 million residential out of a 300-- 300 total value?

JON CANNON: Yes, ma'am. Yeah.

LINEHAN: So you can understand why sometimes the ag people are concerned. We had a lot of grief this morning since Senator Briese thought it should be at 60 percent vote to raise taxes.

JON CANNON: Absolutely.

LINEHAN: How many people do you think in Grant County live in town versus how many live-- who live on the other $300 million?

JON CANNON: I could not venture to guess, but the$ 20 million is for residential. That is every man, woman and child in Grant County. So it's going to fall-- in whether or not the proportion is going to shift, it's going to fall entirely on their shoulders. I will note that in Grant County that you've got a significant portion of the tax base, which is made up from the railroads and that will go away. You know, you've got a significant income that comes from public service industry.

LINEHAN: All right.

JON CANNON: Yes, ma'am.

LINEHAN: I got it. I got it.

JON CANNON: Yes, ma'am.

LINEHAN: Thank you. Anybody else? Have a nice evening.

JON CANNON: You do the same. You do the same, ma'am. Thank you.

LINEHAN: Thank you.

TERRY KEEBLER: Good evening--

LINEHAN: Good evening.

TERRY KEEBLER: --Senator Linehan and Revenue Committee members. My name is Terry Keebler. T-e-r-r-y K-e-e-b-l-e-r. And just as continuing, I was in here the last couple of years. I'm Johnson County Assessor. The whole split assessment bothers me. It bothered me back when I was county commissioner and former Senator Heidemann proposed it first, and I didn't like it then, and I still don't like it, and it's probably liked less now because I'd have to do it. Senator Briese with LB2 would split for bonds. I maybe get to be one of the first ones to try to enact that. I think we have a bond election coming in May for Johnson County. So I will-- if that passes, I'll be trying to split assessment values and we'll see how that works.

BRIESE: I have confidence in you. (LAUGHTER)

TERRY KEEBLER: So that being said, splitting values, having one sent to zero, I think I can probably do that without creating problems. But so just a couple of notes listening through this, and I know we're all ready to get out of here. I think the way this is set up, personal property for the commercial and ag will still be paying for the school taxes. I don't think that was addressed in here. Jon talked about the railroad and centrally assessed, and the other thought crossed my mind was apartments as commercial property will not be paying school taxes, even though you're in cities anyway have quite a few students coming from those. With that I'll close and take any questions.

LINEHAN: What is Johnson County doing-- funding for?

TERRY KEEBLER: Johnson County Central is looking at-- last I heard building a whole new school system.

LINEHAN: How much?

TERRY KEEBLER: The number I heard and this actually came from a school board member is 43 million.

LINEHAN: What would-- what would the levy need to be for 43 million on the valuation in Johnson County School District?

TERRY KEEBLER: I-- they work-- the superintendent and the school board member were in to talk to me for the first of the year looking at what these change of valuation would be with LB2. They're deliberately waiting for that to take effect before they took this to the voters. I think that number that I saw then, I want to say 28 cents if it didn't take effect. After it took effect, I think it was about 40 cents, but I'm not positive on that number, but it was high.

LINEHAN: Johnson County is not a very rich school district.

TERRY KEEBLER: No.

LINEHAN: Valuation land down there is not very high. Houses aren't very--

TERRY KEEBLER: That's because they have a good assessor. (LAUGHTER)

LINEHAN: You should keep it that way, that's-- OK. Any other questions? Thank you very much for being here. Other opponents? John, are you coming up?

JOHN HANSEN: Neutral.

LINEHAN: Oh, you're neutral. Well come on up, neutral. (LAUGHTER)

JOHN HANSEN: And Chairwoman Linehan and members of the community, it's been a long day. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n and I think there's a compelling case to be made for sort of the message that's being delivered by this piece. And that is that the relationship between income and wealth in land continues to get more and more tenuous. And that, you know, we have people who, you know, are millionaires on paper who go broke. They don't make enough money to be able to-- to, you know, stay in the business. We're losing folks. And so the-- there's a crying need to modernize our tax system. And I would-- so as I look at the pluses of this proposal, I see the point of sending the message. But at the same time, although sometimes you might not think that, I actually take my obligations to this committee seriously enough that I try to also not just identify problems, but also work on solutions and logistics. And I-- to be completely honest, if I thought the state was actually going to step up and cover the total additional costs of TEEOSA, I would be a lot more comfortable with this. But I think based on the past track record of the state, you can see why I might be a little skeptical. So I'd like to see something that's a lot more clear in terms of how we do this because in my feeble mind, the way I look at it is I look at a lot of levy limit that's left in a lot of rural districts. And so if you get rid of the ag land portion of it and you shift the rest of it to just residential, there's a lot of levy limit left before you hit TEEOSA, and so as you raise that up, then what is the practical reality of a lot of the rural districts that I represent compared to the urban districts that we represent? And there's a lot less income in those rural houses and if you raise those levy limits up to that point, then you get us to the point where we struggle with the population. And, you know, I mean, at the end of the day, I don't really represent land. I represent folks who own land and folks who live in rural communities. And the last thing I want to do is to do something where we inadvertently accelerate the rate of depopulation and there is a thing called critical mass and it is real. And when you finally get rid of enough of the right folks in your community and you don't have the wheels and the brains to reg your community anymore, then you're in trouble. And that's what 32 years of doing this has taught me over and over again, and that's why we get to neutral. Good luck on this issue and thank you very much.

LINEHAN: Thank you very much. Any questions from the committee? Seeing none. Anybody else want to speak in a position of neutral? We had-- you can come on back up, Senator Murman, to close. We two proponents, no opponents and one neutral.

MURMAN: Thank you, Chairman Linehan and committee members. We did do some modeling during the-- the interim study, and it didn't change the way taxation would occur in urban areas very much at all. But of course, it did drastically in the rural areas, and I think that 1.2 billion is pretty accurate, actually. But-- and we could replace it, but in this 60-day short session, just didn't have enough time to try and do that right now. But I thought it was important to bring this bill forward now and at least have the discussion and appreciate your attention at this late hour and appreciate it if you'd move it out of committee.

LINEHAN: Thank you. Are there questions from the committee? Are you saying that they wouldn't change valuations in Omaha? I would think Omaha School Districts would be a pretty big hit unless it's all tipped to take it off-- take off of commercial business. A lot of it is, I know, but--

MURMAN: I'm trying to think in the interim study, did we take it off commercial. I don't remember for sure, but.

LINEHAN: All right.

FRIESEN: [INAUDIBLE]

LINEHAN: Yeah, that's true.

MURMAN: Inside the formula I guess it would be the same, right?

LINEHAN: Yeah, that's what the fiscal note says. It's just some draft here that they didn't, you know. Anyway, go back to Fiscal and ask them.

MURMAN: We didn't get that until pretty recently, so.

LINEHAN: Right. OK, any other questions? OK, thank you very much.

MURMAN: Thanks a lot.

LINEHAN: With that, we bring the hearing on LB1242 to a close. Thank you.