

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 23, 2022

LINEHAN: Good afternoon. OK, we need to start. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent the 39th Legislative District. I serve as Chair of this committee. The committee will pick up the bills in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. 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. It is important to note that if you are unable to attend a public hearing, we would like your position-- 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. Your 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 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. If there-- and we will use the light system. We'll go five minutes when-- when you need to wrap up, when it turns yellow. That will be in your fifth minute. If there are-- if your remarks are 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'd like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. To the left at the end of the table is committee clerk, Grant Latimer. Now I would like the committee members to introduce themselves, beginning with Senator Rich Pahls.

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

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

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LINDSTROM: Brett Lindstrom, District 18, northwest Omaha and Bennington.

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

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17, Wayne, Thurston, Dakota, and part of Dickson County in northeast Nebraska.

LINEHAN: And today our pages, if you could stand up. Thomas, are you the only one with us?

THOMAS LUKASZEWICZ: Natalie will be here.

LINEHAN: OK, so Thomas is here and he's from Omaha. He's at UNL studying political science, and Natalie Wilke, who is from Norfolk and studying at Wesleyan, and she's studying international business. 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 to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical of the state government. With that, we will open the hearing on LB1264, Senator McDonnell.

McDONNELL: Chairperson Linehan, members of the Revenue Committee, my name is Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. In recent years we've frequently discussed in the legislation-- Legislature how our work on taxes and school funding is meant to lead us to a place where Nebraska is significantly more competitive and provides stable revenue for the state to set ambitious goals. Today, I'm introducing LB1264 to offer a vision for tax modernization that would give Nebraska the best balance of economic opportunity, fairness and financial strength. This bill is closely based on the Blueprint Nebraska Tax Modernization Plan, which was developed with the input of Nebraskans from all across our state. Blueprint received 5,000 survey responses and engaged 2,000 participants in more than 60 public forums and events across Nebraska, with the goal of building a nonpartisan plan that would strengthen both rural and urban communities. Our goal with this bill is not simply cutting taxes, but changing the incentive

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structure in Nebraska to become the best state for working families to get an education, earn a paycheck and put down roots. There are 51 job openings on the net. The Nebraska Works website right now, our current workforce can't fill even half of them. We need to retain and attract more people to Nebraska. That's why this bill proposes to completely eliminate state income taxes for up to 50,000 of an individual's income. That's 100,000 for a married couple filing jointly. When it comes to recruiting middle-class residents, this will all-- allow Nebraska to compete with any state on income taxes. This committee hears many proposals to reduce the income tax burden for retirees, for renters, for veterans, workers with conviction histories and small businesses. LB1264 includes everyone who earns even a single dollar of taxable income in Nebraska. But that's not the only way we're investing in our workforce with this bill because LB1264 raises new revenue for the state, we'll have the resources to establish two new student loan relief programs. This benefit will be available for up to five years and has the goal of recruiting or retaining 12,000 additional graduates in high skill and manufacturing fields over the next decade. We also double our current research and development tax credit, which will encourage investments in technology and innovation and can grow opportunities in Nebraska most promising and rewarding industry-- industry sectors and LB1264 pays for these changes in a fair way. This bill broadens the tax base and lowers tax rates for everybody by eliminating sales tax exemptions, itemized income tax deductions and most corporate tax credits. The sales tax rate will stay the same, and the sales tax exemptions for food will remain in place. What this means is that some of the largest purchasers, people in the average income may-- make will shift, will still be free of sales tax, house-- housing, food, insurance premiums. Nothing changes there. An independent analysis by Regional Economic Models, Inc. shows it's the wealthiest Nebraskans who will pay more under this plan, and corporate tax receipts will increase, but not in a way that harms wealth creation and our economic competitiveness. We're not going to raise our top income tax rates under this bill. In fact, we're going to cut them over time to about the national median at 4.99. The reason our wealthiest taxpayers will be the ones making up the revenue is because they will have fewer ways to avoid taxes when they earn and spend money. At the same time, a Nebraska taxpayer earning less than 50,000 will see a total tax cut of about 20 percent, making the Blueprint framework a highly progressive change to the tax system. Of course, no plan would be complete without a focus on revenue that provides property tax relief. I don't tie the Legislature's hands as to how to use the revenue provided by this bill, but estimates how-- show that there will be enough funding to increase Nebraska property tax relief by an

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additional two billion over the next 10 years, and I've included language that would repeal the county inheritance tax. Sometimes people forget that the inheritance tax is a significant tax on the transfer of property, and the Tax Foundation ranks Nebraska lower for property taxes because we're among just a handful of states with an inheritance tax. We've made some progress on inheritance tax in the Legislature this year, and this plan continues the, the hope that we'll continue to move forward until Nebraska families and businesses no longer face this disadvantage. I have a number of knowledgeable testifiers who have-- were involved in creating this framework, who will follow me, but as we discuss what kinds of tax changes will really help Nebraskans stand out and succeed, I think it's important that we take a good look at what's happening across the country right now. The nature of work changed for many Americans in the last two years. A lot of people realize they can live and work anywhere and take their families with them. This is benefiting states that have tax structures that welcome growth and reward work and investment. States all over the country are moving quickly to prepare for this future. Just last week, Iowa's House of Representatives passed a bill to adopt one of the lowest personal income taxes in the nation. Their Senate has a bill that would eventually get rid of their income tax. But one advantage we have over other states is that we've done our homework on tax modernization in Nebraska for a long time. We have the opportunity with LB1264 to create a simpler, more sustainable tax system that will make Nebraska an economic leader among its peers. But now and in the future, while enhancing the investment that make Nebraska a great place to live and work. Going through-- going through this process and working with the people behind me and as I mentioned in my opening, the number of hours that have been spent talking to people around the state of Nebraska, getting their input and trying to come up with a fair tax system, a modernization that would be fair, east, west, north, south. I know this committee spent a number of days and hours and-- and throughout the interim talking about taxes, and I wasn't part of that discussion. I was working on other things. The people behind me were. They were working on that and trying to find a fair way, and I'm really kind of excited about bringing this. And I'm not usually a tax nerd, but I know there's one tax nerd here, at least with Senator Flood, that really enjoys having these discussions. And I really want to work with this-- this committee, based on the things we can do for-- for our state and the-- in the moment in time and the opportunity we have, I think it is a great opportunity for all of us.

LINEHAN: Thank you, Senator McDonnell.

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McDONNELL: Thank you.

LINEHAN: Are there any questions from the committee? Seeing none, you will stay to close?

McDONNELL: Yes.

LINEHAN: Our first proponent?

LANCE FRITZ: Thank you, Chairperson Linehan, and thank you, Revenue Committee members. My name is Lance Fritz. That's L-a-n-c-e F-r-i-t-z. I'm the chairman, president and CEO of Union Pacific. Today, I'm here as the former co-chair of Blueprint Nebraska. Following me, you will hear from Owen Palm, the other co-chair who I've had the great pleasure of working with over the last three years to develop the Blueprint. Blueprint Nebraska was launched in 2018 as a citizen led initiative to help build a roadmap to grow our great state. The group consisted of a 21-member steering committee whose members were geographically spread across the state. We were organized into 16 industry councils and received input from literally thousands of Nebraskans. In 2019, we published our report called Growing the Good Life that laid out our aspirations in the areas of jobs, quality of life, young population, income and R&D investments, along with growth themes around people, places, government and industry sectors. We outlined 15 specific initiatives that continue to be addressed in the policy, in the business and in the nonprofit sectors. Owen and I worked on the specific initiative to realign Nebraska's tax strategy to promote statewide economic growth and prosperity. We released our report this past summer that outlines the impact tax modernization would have on Nebraska. LB1264, as introduced by Senator McDonnell, is this Blueprint Nebraska Tax Modernization plan. Others are going to testify today with more details of our modeling efforts and the impacts of certain changes this plan proposes. As the CEO of a \$22 billion Fortune 150 company, I use data to make decisions regarding my company every day. Through this modeling effort, we hope to provide data to you as policymakers as we collectively move forward in this discussion. A basic principle of sound tax policy is broaden the base and lower the rates. Broad base, low rates. Nebraska has a narrow sales tax base that was created in the goods area era of the 1960s. In addition to narrowing that tax base with exemptions over the past 50 years, the state has missed out on the ever expanding service sector that drives the 21st century economy. This plan seeks to rectify deficiencies in Nebraska's tax structure by broadening our sales tax base. I do not minimize the political difficulty of such a modernization, but also I am acutely aware of the need to move forward and to innovate. This is

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true in business, it's true in government, and it's especially true, I hope you agree with me, in tax policy. This plan would not tax business inputs. Taxing business inputs puts Nebraska businesses at a competitive disadvantage to states that provide such exemptions, and it discourages both business investment and employment in our state. The Blueprint Nebraska plan, like other well-designed state tax plans, calls for taxing final consumption and existing business inputs to avoid double taxation. Our plan proposes lowering the income tax rate to make Nebraska more competitive. It does this while also eliminating the income tax burden for many Nebraskans. I'm extremely proud that our data showed this overall framework is indeed, it's not a tax break for the rich, it actually makes the overall tax structure even more progressive than it is today. Our plan will grow our workforce and investment in Nebraska, both by competitive tax rates and targeted R&D incentives. In closing, the purpose of this effort always has been to introduce a framework to jumpstart a serious conversation about tax modernization in our state. Nebraska makes big tax changes to tax policy once every few decades. I think the time is now, which is why we are providing this plan to you, the policymakers who are the ultimate decision makers. Thank you for your time and for your consideration of LB1264.

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

LANCE FRITZ: Thank you.

LINEHAN: Good afternoon.

OWEN PALM: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Owen Palm, O-w-e-n P-a-l-m, and I am president and CEO of 21st Century Equipment in Scottsbluff, Nebraska. As Lance said, he and I had the historic opportunity to be part of the Blueprint Nebraska process. I, too, am here today as a former co-chair of Blueprint Nebraska. All of us in this room today love our state and see the great power of Nebraska's land and location. We know our state has some systemic challenges that will inhibit future generations from enjoying the good life that we know and love today. That is, unless we act now to create a more robust and competitive-- competitive business climate that includes a strong and prosperous workforce. In other roles that I enjoy is the Chairman of the Platte Institute. In December 2021, you know, Platte Institute polled more than 70 percent of responding Nebraskans said there's a relationship between the state's high taxes and its economic challenges with growing the workforce and population. These voters agreed that eliminating state income taxes on the first 50,000 individuals earned

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would help us compete for workers. The survey goes on to measure support for various components of the plan, and at every turn we see bipartisan support for this pragmatic, measured plan to modernize Nebraska's 1960s tax code. I believe a copy of the survey results have been provided with my testimony. Following me in testimony will be Jim Greisch, former partner with RSM, but here today as Chair of Blueprint Tax Modernization Committee. Jim will explain-- explain in greater detail the components of our tax modernization plan and answer any of your questions. I would like to thank Senator McDonnell for introducing LB1264, and many of you that have expressed your support not only for tax modernization legislation, but many of the other components of the Blueprint Nebraska Framework for Growth and Prosperity. Senator Linehan and other members of the committee, I know there is strong pressure on you to avoid risk and do what is easy and safe. However, with increasing competitiveness from our peer states, there has never been a more important time than now to be bold and have a clear vision for the economic future of Nebraska. Thank you for your time and service to our state, and I respectfully ask you to advance LB1264 to the General File.

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

OWEN PALM: Thank you.

LINEHAN: Good afternoon.

JIM GREISCH: Good afternoon. Madam Chair Linehan, members of the Revenue Committee, my name is Jim Greisch, J-i-m G-r-e-i-s-c-h. I'm a retired accountant. Today, I'm speaking as Chair of the Blueprint Nebraska Taxation and Incentives Industry Council. I'm honored to have an opportunity to do so. LB1264 contains the tax modernization framework developed as a part of the Blueprint Nebraska process. Almost all of you have seen the outputs of those processes. The 15 pieces of the plan that were previously introduced are now coming together as a part of our 16th piece, which is tax modernization. Our job in the Tax Industry Council was to take what Nebraskans had shared with us in broad spectrum consultation across the state and add a sound tax and economic policy research component to it, and then create a plan that will have a transformational effect statewide. Blueprint Nebraska participants consistently identified for us that workforce and taxes were among the top areas for the state to address. LB1264 provides Nebraska with a fresh look at competitiveness on each front, with bold policies that are both principled and fully paid for within the legislation. In the Blueprint process, we determined that to make the greatest impact on

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our ability to attract workforce talent, tax modernization needed to offer Nebraskans and potential Nebraskans a noticeable benefit, starting with the very first dollars they earned. That's why we've eliminated state income taxes on the first \$50,000 an individual might earn as an essential component of LB1264 in our Blueprint framework. That's nearly seven times as much tax free income as our current standard deduction offers, and this benefit applies to Nebraskans from every walk of life, whether they're working or retired and whether they own property or rent. Simply put, households earning the median income will pay little or no state income tax under LB1264, allowing Nebraska to compete for talent with any peer. This plan also addresses the top marginal income tax rates over time. The plan would reduce the rate to 4.99 percent, which is near the median state income tax rate nationally. In addition, LB1264 proposes to fully eliminate Nebraska's county inheritance tax, removing a disadvantage we currently hold when compared to 44 other states, soon to be 45 with Iowa's planned repeal. I commend the committee and the Legislature on the progress you've made on inheritance tax this year. With this bill, we're encouraging you to keep at it. To afford these changes, LB1264 raises new revenue in three different ways. It eliminates a broad range of sales tax exemptions while maintaining the exemption for unprepared food and preventing the sales tax from being imposed on additional business inputs. The bill also eliminates an itemized income tax deduction and removes most corporate tax credits. This balance of new revenue offsets the cost of reducing income taxes on working and investing in Nebraska, and shores up additional funding for local tax relief in a highly progressive way. But it's important to highlight the tax modernization is about more than reducing income tax rates. We also need to bring our economic development policies into the 21st century and incentivize the talent and innovation that our state needs to compete. This bill provides the resources for the Legislature to create new student loan relief programs, employee-based student loan programs for graduates in high skill and manufacturing careers. Four-year and trade school graduates will be eligible for this benefit. LB1264 doubles the research and development tax credit as well. Senators, as Senator-- Senators, as others have noted today, Nebraska faces a risk of falling further behind by standing still or making changes too small to be noticed on the national stage. Our competitors are sprinting toward policies that will welcome many more people to join their workforce while we'll still be standing at the starting line. Jim Smith will follow me in a few minutes with details from an economic model that provides more details on the impact statewide of this plan. But everything we've learned over the past year in the Blueprint process tells us Nebraskans want the chance to win and show people all across the

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country what we can accomplish. Nebraska's leaders must do their part in not allowing our state to be ignored. You can help build a more competitive Nebraska by taking the bold and principled actions outlined in LB1264. This concludes my testimony, and I'd be happy to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? I have one. So monitoring, like what happens to the incentive programs?

JIM GREISCH: Current incentive programs for-- particularly for people who have perfected a credit and are working with the Department of Revenue would be allowed to sunset in the future in the natural expiration of those credits. For other credits that have a sunset built in legislatively, they would of course, be allowed to expire over time. Others can be-- can be eliminated because they're not being used today, and we would recommend that.

LINEHAN: Thank you. Senator Albrecht.

ALBRECHT: Thank you, Chair. I do have a question since you're the accountant. How did you select the type of individuals that would get a credit from-- for their schooling?

JIM GREISCH: Yeah. So we took a look at all of the popularly called STEM programs for the high impact wage earners that we would like to attract to our state, as well as the wage earners that are the backbone of all of the local economies that dot the state. We then looked to the community colleges and others to help us identify what the future was for each of those components of employment. We identified within those components a broad range of educational pathways that would be attractive to Nebraska. And rather than signal any one out or leave any one or two out, we simply opened the door for conversation about those-- those that will have the greatest impact. There's-- there are lots of studies that talk about the high income earners and, you know, the desire to have them, and there are lots of studies that show the bottom. All of them would be welcome in the program, and then would be the subject of negotiation.

ALBRECHT: And were the community colleges, state colleges or all the universities kind of talked to about this because I suppose if you're going to get a little kickback, you probably want to go into those particular areas.

JIM GREISCH: Senator, all, would probably be unwise for me to say the majority. Yes, we did-- we did have conversation with the majority of

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them. I don't recall if any were left out, but you know, gosh, it's possible.

ALBRECHT: Yeah.

JIM GREISCH: I doubt it.

ALBRECHT: And I just think of the shortages that we have, you know, whether it be teachers or nurses or other things, or there's probably other bills out there for that I'm looking at. But-- but thank you for the answers.

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

JIM SMITH: Good afternoon. Chairwoman Linehan and members of the Revenue Committee, my name is Jim Smith, J-i-m S-m-i-t-h, and I am the chief strategy officer of the Platte Institute. Previously, I served as president of Blueprint Nebraska. Most of the time when the Revenue Committee has to make decisions about the impact of a bill, senators have to rely solely on a fiscal note from the legislative Fiscal Office. However, because of the time and talent that has been invested in the Blueprint Nebraska process, LB1264 contains what may be the most vetted and calculated tax modernization framework this committee has ever considered. I know Senator McDonnell distributed to you the REMI report in its entirety, and being distributed to you now is a summary of that report. The Blueprint Nebraska framework was independently analyzed by Regional Economic Models, Inc., or REMI, which many of you know, many departments of revenue around the country are familiar with REMI for its fiscal modeling. Blueprint Nebraska, however, engaged with REMI to build a dynamic model to take into consideration the interplay between Nebraska and its peer state economies as certain changes were made to our tax code. What REMI's model shows is that the components of LB1264 produce the growth that every Nebraska policymaker wants to see in Nebraska, and that growth is realized in every region of the state. You'll see in the REMI report that is broken down into nine economic regions of the state. What I'm about to share next is incremental and additional to the growth from any other element of the Blueprint Nebraska plan. Over 10 years this plan is estimated to recruit or retain 70,000 additional residents to the state, of which more than 25,000 are in that much desired 18 to 34-year-old age range. The model also indicates an increase of over 65 billion in gross state product and more than 40 billion in personal income growth, meaning that a significant-- there will be a significant increase in household income. REMI also

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projects that the state will collect almost one-half billion dollars more from economic growth and realize more than \$2 billion from new local option sales tax revenues, both of which can be used to strategically target property tax relief. And we're especially proud to have achieved a vision of tax modernization that is both competitive and that fairly distributes the tax burden to help achieve the workforce gains that are so desperately needed in our state. The greatest percentage of tax savings under this plan is for individuals who earn under \$50,000 and family incomes under \$100,000. For example, Nebraskans earning up to \$50,000 will realize more than 20 percent in overall tax burden relief with this plan and once the overall tax burden relief taking all the taxes that are paid together. On the other side of the income distribution, the model shows that high earner taxpayers will pay more than today, but will otherwise do very well economically speaking under-- under the Blueprint plan. That is, their personal incomes are projected to grow significantly more than they would have under the current system. And finally, I would direct the committee's attention to the fact that the distribution of economic activity, output and investment in the model is very promising for Nebraska's key industries, agriculture, manufacturing, banking and finance. The largest increases in economic output by industry are in food manufacturing, agriculture and real estate, while the greatest increase in investment will be in construction, real estate and computer and electronic product manufacturing. And I'll add one more thing in closing. As our peer states are taking steps to be ever more competitive, Nebraska must modernize its tax code to, one, create economic growth and prosperity, and two, to ensure a sustainable source of funding for critical government services. LB1264 does this while significantly reducing the tax burden on Nebraska's workforce. Thank you, Senators.

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

FRIESEN: Thank you. Chairwoman Linehan. Welcome to Revenue, Mr. Smith. When we talk about broadening the sales tax base, we've talked a lot about that here. How did you go through the list of exemptions and what kind of criteria did you use? Because there's-- there's-- like everybody says, there's a lot of exemptions out there. But when we look through them, we tried to pick which ones were, did what. Did you use some base criteria or--

JIM SMITH: Well, two items-- two ways we approached that. First, we-- we sought out the council of-- of an economist out of George Washington University, as well as the Tax Foundation, to help

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understand which of the sales taxes-- the exemptions by removing them and causing a taxation on that good or service would do the less-- least amount of harm to the behavior on purchasing goods and services inside of our borders, and also to look at what that would look like competitively with our peer states, particularly our bordering peer states. We then asked REMI to model that and to look at that interplay between our economies and within our economy on the impact on behavior. That's kind of their scientific way in which we approached it.

FRIESEN: So in a way, you're looking at border bleed issues, you're looking at neighboring states and those types of things, but you-- you said you stayed away from business inputs and how did you define a business input when you get into-- what are the criteria for a business input?

JIM SMITH: I think-- I wish you would have asked that of Mr Greisch because Mr. Greisch has a fantastic answer to that question and it really pretty much depends on who you ask as to whether something is a business input or not. But we-- but by and large, we want to avoid the pyramiding of taxation on a good and that is at the heart of what we're trying to avoid with a-- avoiding business inputs. But I would also say that we wanted to avoid those things that appear to do harm to those in the most need in our workforce equation. And so that's why we want to avoid the taxation of foods and pharmaceuticals.

FRIESEN: So you had mentioned in here there's \$2 billion of additional property tax relief over 10 years. That's focused mainly because you're broadening the sales tax base and the cities collect the--

JIM SMITH: That's right. So if there is a good or a service that is exempted today and it's not exempted tomorrow, that is a gain in local option sales tax revenues. But we would propose is that-- that would be pulled back and used to create sustainable long-term property tax relief.

FRIESEN: So you're not saying that the cities would necessarily get to keep that.

JIM SMITH: Our recommendation inside of our study, in order to get the greatest gain for property tax relief is that there would not be a windfall at the local level.

FRIESEN: Because, yeah, there are some cities who would have a major windfall and some who would have none.

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JIM SMITH: But-- that's correct. But neither would we take away those local option sales tax that they were already-- already receiving.

FRIESEN: OK. Yeah, thank you.

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

ALLEN FREDRICKSON: Chairwoman Linehan, members of the Revenue Committee, I'm Allen Frederickson, A-l-l-e-n F-r-e-d-r-i-c-k-s-o-n, founder and CEO of Signature Performance of Health Care Administrative Services Company based in Omaha. First, I'd like to applaud each of you for your public service for Nebraska. Thank you. I'm here today on behalf of the Omaha Chamber of Commerce. I want to share a few thoughts on why I believe your support of 11 or LB1264, excuse me, would be beneficial for our state. I'm aligned with my fellow testifiers. However, I think-- when I think of tax modernization and reform, I tend to look at it through a lens of talent, workforce and the possibility of expanding the population of our state. Arguably, one of Nebraska's greatest strengths is our people, and for the purpose of today's testimony, particularly our talented and dedicated workforce, this talented group of people has had an measurable impact on our state, communities, families and businesses. In fact, in a recent article of The Wall Street Journal, they cited Nebraska as the most employable state in the country. In fact, they went on to state that one of the reasons Nebraska has a perpetual low unemployment rate is because of the high employability of our citizens. In addition to the high employability, Nebraska's metric of worker participation stands out. In fact, 71 percent of our workers eligible to work are working. This compares to about 61 percent nationally. So our challenge isn't the quality of the workforce, nor is it getting necessarily a higher percentage of participants to work, even though we welcome that, it's simply that we do not have enough of them. And we have a few headwinds. A recent study indicated that for every 100 jobs that are open in Nebraska, there are 28 workers. That compares nationally to 75 out of every 100 in other states. According to United Van Lines most recent national movers study that's viewed carefully throughout the country, Nebraska is in the top 10 states of more people moving out of the state than moving into the state. I have chaired labor availability councils over the years and have never in 40 years in business seen quite such a-- as tight of the labor market as we're experiencing today. And while I believe it'll take a multi-dimensional approach to solve this issue, I do believe LB1264 is an important element to that. Why?

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Quite simply, it'll keep more Nebraskans here, which I believe is a priority for all of us, and it'll attract more to come back who once lived here, or consider this state as a place to live and work. Think for a moment of what a Nebraska of 2.3 million people would look like. What impact would it have for our businesses, our communities, not only the tangible impact that naturally people on a Revenue Committee are going to think about, but think about the intangible impact, the psychological impact, the energy, the momentum that would be created from border to border in the state. This truly offers a rural and urban opportunity for advancement. Talented people, talented workers like to work with talented workers. They are drawn and gravitated to one another. Technology today was cited in earlier testimony. Allows us to do work in ways that we've not done before. It's a perfect ideal setting for a state like Nebraska to be able to gravity and take advantage of that. The conditions, I would suggest, are near ideal, at least comparatively and relatively speaking, to what we faced in the past. I, and my colleagues who are testifying today, will continue to work hard and do our part to solve this problem. Though I would ask you respectfully to consider the attributes of this bill and support of LB1264. Thank you for your time.

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

JIM VOKAL: Good afternoon.

LINEHAN: Good afternoon.

JIM VOKAL: Chairwoman Linehan and members of the Revenue Committee, my name is Jim Vokal, J-i-m V-o-k-a-l, and I'm the chief executive officer at the Platte Institute. It's been some time since I've testified before you, but the opportunity presented by LB1264 is so great that I want to make sure that I share my strong support with you in person. This bill represents the comprehensive tax modernization we've discussed for so many times before. It's not just a tax cutting bill, it's a way of realigning our economic policies with the people and growth we so often say Nebraska needs and wants. We need more workers earning paychecks, more housing, more investment and innovation in technology. And yet, relative to many of our competitors, our tax system seems to say the opposite. I hear from Nebraskans about taxes a lot. I have about 8,000 people in my weekly email. What I've realized is that most people don't notice what happens in the Legislature until or unless it has a substantial impact on their daily lives. And if the people who live here don't notice and feel good about our state policies, that limits our

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ability to get them excited about introducing our state to others as a great place to live and work. I want Nebraskans to be proud of their state, and the tax changes certainly aren't the only thing that would make people proud to call themselves Nebraskans. But they are an issue that most Nebraskans agree affects our ability to compete with other states. Most people don't intimately understand how the tax system works, but they do understand the pride that comes from earning a good living, being able to keep the promises to the people they love and seeing exciting things happening in their community. Nebraskans are ready and willing to see some big changes on tax policy if they're part of a larger strategy for growing the state. And LB1264 covers a lot of ground when it comes to giving people financial reasons to choose Nebraska, not just tax rates, but how we recruit and incentivize talent and modernize our economy. If we give Nebraskans the chance to earn 50,000 or even 100,000 without the state taking anything out of their earnings, people are going to notice that they're taking home more money, and that's going to give Nebraska the best of both worlds. For most people, Nebraska will be in the same tier of states on income tax as Texas, Florida, South Dakota or Wyoming. But we're also going to continue to collect stable income and sales tax revenue to invest in public services. Right now in this post-pandemic environment, we're seeing an enormous movement of Americans to states that are prioritizing the types of policies contained in LB1264. As the economic modeling shows, Nebraska would be better positioned to benefit from these populations-- population trends, if LB1264 was the law. But within this decade, and maybe even in the next year or two, we could face some very significant competition from a new crop of states that also want to compete for this growth. LB1264 sets ambitious strategic goals that will allow Nebraska to take a position of economic leadership in our region and give people from all backgrounds the best opportunity to build a future here. Be happy to answer any questions.

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

BOSTAR: Thank you, Chair Linehan. Thank you, sir. So you mentioned that under this, people would-- who make, you know, \$50,000 would be able to view Nebraska similarly to how they view Texas. One of the things that we, I think, hear consistently in the committee is that individuals are focused on the top rate. And I understand that their tax treatment would be the same, effectively none at that level. But do you have-- is this something that you've looked at about whether or not there's a tension that's paid within the brackets and where

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people will fall? Or is it really that all of the focus is on the top rate and kind of doesn't go any further than that?

JIM VOKAL: I don't think all this focus is on the top rate, and what LB1264 would do. Imagine, like I said in my testimony, if you're a family making under a \$100,000 or an individual making just \$50,000 or below, that's going to create opportunity that you have in Nebraska that you don't have in many states competing with us around the region. And I think that this bill puts out the welcome mat for those people that you were talking about that aren't at the top of their brackets, but those that are average Nebraskans and average people from other states are looking for opportunities and states that welcome them.

BOSTAR: So just to be clear, you think that the folks are really-- they will look at what it means for them as an individual, not just what a top rate.

JIM VOKAL: Absolutely. And I think that LB1264 is a jobs bill. I think it helps us recruit the folks that we need to fill those 50,000-plus workers, especially in a remote environment that we now have.

BOSTAR: Excellent. Thank you very much.

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

JIM VOKAL: Thank you. Go ahead.

LINEHAN: LB1264 does lower the top rate to 4.99.

JIM VOKAL: It does.

LINEHAN: Because right now we're well above the national average, right?

JIM VOKAL: That's correct.

LINEHAN: So if I'm a business looking to move, they do look at top rates.

JIM VOKAL: Yeah, it's not solely the top rate. It-- it was my-- my point. It's-- it's a cumulative effect of various businesses and individuals at all income brackets. As we all know in this room, and I applaud the committee for the work that you've done to date,

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Nebraska is woefully uncompetitive with its income taxes at all different levels.

LINEHAN: Any other questions? Thank you very much for being here.

JIM VOKAL: You're welcome.

LINEHAN: Appreciate it. Next proponent.

BRYAN SLONE: Chair Linehan and members of the committee, my name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I'm the president of the Nebraska State Chamber of Commerce. It's a pleasure to be here again. Given that I've been here frequently in the last few weeks, I will submit my testimony and-- and I think the content will-- will speak for itself in terms of, of our conditional support for this legislation and also where we think next steps may be. I just want to put in context some different pieces of this because I've testified three or four times and how all of this fits together. We talked just last week, maybe, around the subject of-- of almost 20 states right now, trying to change the dynamics of-- of their state income tax system. And as you look at those, the-- the tactics they're using have changed. Certainly the funding mechanism they're using have changed. States that are leading the effort here are doing two things. One, they're taking a look at legislation exactly like this, lowering rates and broadening bases. Secondly, the states are also taking steps to make sure that with excess tax collections in any particular year that come particularly from growth in the economy, that they're capturing those excess tax collections and moving those back into tax reductions for taxpayers. States that are successful and will be successful next 10, 20 years are doing both. In that regard, I'd be remiss not to note that an immediate priority for the State Chamber right now and maybe in the next 24 hours, is supporting both the Governor and the Chair in efforts on that second piece, which is to make sure when we're collecting revenues in excess of what we need, that at least a significant share of that goes back to tax relief, whether it be property tax or income tax relief. And in this case this year, make sure that we both-- have both property tax and income tax relief for Select File consideration. And so if you ask me what's going to keep me awake tonight, that's what's going to keep me awake tonight. But going forward, as we get through this legislative session and this is-- this is a critical legislative session, as we get through this, State Chamber is going to continue to support all of the 15 Blueprint initiatives. The Blueprint reported in its entirety continues to challenge the status quo in this state in a very good way. It asks for-- for bigger things and bolder action, bigger things around attracting population and workforce,

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particularly 18 to 34 year olds, bigger things in rebuilding our communities, particularly our rural community, infrastructure and recreation amenities. Bigger things in terms of making our government more effective and efficient. Bigger things in terms of spurring both public but also private efforts to take a giant leap in terms of our investment in technology and investing in technology enablement in our core industry segments, including agriculture and manufacturing. Each of these 15 initiatives is part of a whole, and they all need to be pursued with vigor and a sense of urgency as we go forward looking at a 2030 vision that gives our children and grandchildren the same sort of economic opportunity in the same sort of economic chances that we all have had. So as we complete this session from the State Chamber standpoint, we will also turn our attention to the next steps for this Blueprint proposal and how we achieve tax modernization. A lot of good work went into this initial proposal and the economic study, and it tees up a very important issue for us, which is how do we create the right balance between property tax burdens, income tax burdens and sales tax burdens to remain competitive as we go forward? And that's sort of a fundamental question that we have to answer to ultimately put a fork in our tax code. But more efforts are needed with this proposal to get to that finished product and to push it across the final finish line to make sure that we have predictable economic impacts from this legislation and broad political support for this Legislature, which is, I hope, where we get to. As other proponents have noted, the legislation today and the economic analysis behind it are not the final product, but boy, they are an important, large first step in the process. In balancing our-- our system and reaching tax modernization, we'll be ready to roll up our sleeves and be part of that process as we go forward. And so it was a privilege to be here to testify today, and I'd be happy to answer any questions.

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

PAHLS: Thank you. I meant to ask this earlier. I'm going to pretend right now that I am making \$49,999 as an individual and I would pay no income tax. Right now, if I'm making \$49,999 on the current system, how much-- do you have an idea how much I would pay?

BRYAN SLONE: It would be a small amount, but I can't calculate it in my head, Senator.

PAHLS: Well--

BRYAN SLONE: It would be in the hundreds.

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PAHLS: In the what now?

BRYAN SLONE: In the hundreds.

PAHLS: Dollars?

BRYAN SLONE: Mm-hmm.

PAHLS: OK, I'm just going to-- say it's \$500, I'm just-- now that I called the exemptions that-- that I may have to take in consideration because I'm going to pay now that I haven't had to pay. Let's say I do have storage and accounting positions and legal, basically, how much have you figured out that would be-- that you'd gain from that offset from my income tax?

BRYAN SLONE: So the question you're answering-- asking is do sales taxes fall? They've been-- correct me if I'm wrong, Senator. I don't mean to put words in your mouth. Is-- does the consumption pattern fall harder on those people whose consumption is a greater portion of their income than others who it's not?

PAHLS: Well, I'm just trying to figure out how much I would save. I mean, I'm looking at both.

BRYAN SLONE: I think you can look at the-- at the REMI analysis and it is broken down by, I believe, income group. And in that process. But I do think, consistent with the testimony that I gave last week where I believe I was one of the only supporters of-- of talking about what we do across brackets, that as we go through this process, it's important and I think the Blueprint plan starts to address this issue, which is as we approach the sales tax issue, that we also approach the income distribution of what the effects of that consumption tax is.

PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? So you're frequently involved in trying to recruit other companies in Nebraska in growth? So does the top bracket matter?

BRYAN SLONE: Yeah, I think I testified three weeks ago that in many ways we needed a new Chamber Office because we're the front door when companies come to Nebraska and-- and I needed an office that looks like a really good front door to Nebraska. The top rate is the same thing. That the first thing when-- when people are sitting in remote places thinking, do I go to Nebraska or do I go to Iowa? They're

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reading the articles right now, but what the Governor Iowa is trying to propose, and that's the initial impression. If you go to people site selection, folks. The key is to make the first cut and then more detailed analysis applies and I will agree, ultimately, when companies make final decisions, their databases, as Mr. Fritz has identified, but sometimes it's just a matter of making the first cut. At our current-- our current corporate tax rate and our current individual income tax rate, we don't make the first cut a lot of times.

LINEHAN: Yep. I was trying to get theirs to 4 percent, right? And they look like they're.

BRYAN SLONE: Correct. I think-- but I think I testified last week, I think before this is all over, I think to be in the top 20, 4 percent is going to be the number.

LINEHAN: Four percent.

BRYAN SLONE: Um-hum.

LINEHAN: OK. Any other questions from the committee? Seeing none, thank you very much. Appreciate it.

BRYAN SLONE: Thank you very much.

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

TIFFANY FRIESEN MILONE: Good afternoon, Chairperson Linehan, 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, and I'm the editorial director at OpenSky Policy Institute. We're here to testify in opposition to LB1264 because it would cause massive revenue losses over time without any guaranteed offsetting economic growth and fall hardest on the lowest paid Nebraskans. LB1264 is far from revenue neutral, with the fiscal note projecting its revenue impact at more than \$1.3 billion annually, which is even after taking into account the revenue raising provisions. The fiscal note estimates about two-thirds of our income tax revenues would be eliminated under this bill. We cannot continue funding our current obligations at the levels needed to keep providing quality health care and K-12 education, with only about one-third of our largest source of state revenue. Economic growth is unlikely to replace this revenue loss. Instead, the revenue loss will hinder state investment in things that do grow economies like schools, roads and health care. Evidence shows that state and local tax cuts don't stimulate economic activity or

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create jobs when they're paid for by reductions in public services. Increases in public investment, on the other hand, are shown to promote economic development and employment growth. We won't be able to make any of these investments if we don't have enough revenue coming in. Blueprint Nebraska's 2018 report recognized the need for increased state investment in a number of areas, including infrastructure. It said the state would need to invest more than 23 billion by 2040 just to repair the state highway system and improve transit in Omaha, not including funds needed to improve local municipal street networks, county road and bridge systems or airport statewide. The state is only receiving \$3 billion in federal infrastructure funding, which will only scratch the surface in the future funding needed. Companies also recognize the need for these investments, with Site Selection magazine saying companies are more concerned with skill availability, transportation infrastructure and other factors than with state taxes. Finally, LB1264 also will leave the bulk of the responsibility paying for services of all Nebraskans, especially our businesses, benefit from on the shoulders of low paid workers and worsen income inequality. Income tax cuts primarily benefit high income earners who already pay a fairly low percentage of their income on taxes. Low and middle income Nebraskans pay more of their income in sales taxes than do high income Nebraskans, and so tax shifts from income to sales will hit them the hardest. According to modeling by the Institute on Taxation and Economic Policy, the lowest 20 percent would see an overall tax increase under LB1264 by virtue of the sales tax base broadening, which would include regressive things such as car and home repair, doctor's visits and dental care. We've also talked quite a bit before about the lack of academic consensus linking migration with state taxes. I'd like to say again about Wisconsin and Minnesota, two very similar states where one cut taxes and the other one raised taxes on the wealthy and then made investments in their social-- in their safety net and education and infrastructure. A study by the Economic Policy Institute said that virtually-- across virtually all metrics, Minnesota did better than Wisconsin, including in net-- in migration in the years after they undertook those policies. With that, we would encourage you not to advance LB1264, and I'm happy to answer any questions.

LINEHAN: Thank you. Senator Pahls.

PAHLS: Thank you, Chair. After reading some of your literature and what you're saying that economic growth doesn't cut it is what you're telling me.

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TIFFANY FRIESEN MILONE: In order to make up these revenue losses?

PAHLS: Yes.

TIFFANY FRIESEN MILONE: There is no academic research showing that that is a guarantee.

PAHLS: So there's-- they can't substantiate that. That that's a statement that we just make up.

TIFFANY FRIESEN MILONE: I mean, I think when-- when modeling is undertaken that purports to show that there are a number of assumptions that go into it. And so there are ways that you can tweak the modeling. I think the modeling, the REMI modeling shows very aggressive economic growth coming out of this that we don't think is supported by the academic literature.

PAHLS: But I also heard you say, if we spend more money on education and more on health, that is an economic development in your statement.

TIFFANY FRIESEN MILONE: Yes, yes. Investing in public services does have academic literature backing it up as an economic development tool.

PAHLS: What made you think of-- because I know you come in front of us a lot of times and you object to some of these things. I understand that.

TIFFANY FRIESEN MILONE: I'd like to come and support something.

PAHLS: Is there anything you could?

TIFFANY FRIESEN MILONE: Yes, there are things that I could.

PAHLS: OK, then I need to talk to you?

TIFFANY FRIESEN MILONE: Yes, I'm happy to give you a list. I'm sorry

PAHLS: I enjoy-- I do enjoy--

TIFFANY FRIESEN MILONE: Start writing them down now.

PAHLS: I enjoy your research because it makes me think that I'm looking for something that eventually we crossed the line.

TIFFANY FRIESEN MILONE: I would love to play offense.

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PAHLS: Okay. OK,, thank you.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? How does it fall hardest on the lowest income?

TIFFANY FRIESEN MILONE: Well, so I don't know if I should have said fallen hardest. When you look at this--

LINEHAN: That is what you said, I think though, right?

TIFFANY FRIESEN MILONE: I know and now that you're saying it out loud, like-- so when you look at the income distribution, we just got the modeling this morning, so I didn't have a chance to, like, fully go into it. But they are the one income group that ITEP when they modeled it, showed an increase in their overall tax load.

LINEHAN: How?

TIFFANY FRIESEN MILONE: The sales tax.

LINEHAN: But they're not taxing food, they're not taxing pharmaceuticals. So I mean, I don't-- if they were taxing food, I would say that's-- I just don't understand how it falls--

TIFFANY FRIESEN MILONE: I mean, they are just some of those things that would-- are unavoidable for low-income people that would fall into this, like including medical devices, doctors visits, dental care, home repairs. I mean, those would take up a higher percentage of lower income people's income than for other people.

LINEHAN: But they're not paying any income taxes-- any.

TIFFANY FRIESEN MILONE: Yes, so for the lowest 20, I think--

LINEHAN: Lowest 20, what?

TIFFANY FRIESEN MILONE: Lowest 20, oh sorry. The lowest 20 percent, like the lowest paid 20 percent of Nebraskans.

LINEHAN: But they don't pay income taxes now. Is that why we're having this-- is that what-- so if they're not paying any income taxes now and I'm not saying they don't pay any, but it's pretty low.

TIFFANY FRIESEN MILONE: Yeah, I think the EITC.

LINEHAN: Right, so--

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TIFFANY FRIESEN MILONE: You having that factored in.

LINEHAN: These deductions like you have family, so--

TIFFANY FRIESEN MILONE: Yeah.

LINEHAN: It's because they would pay-- they're not paying any income taxes, so if there's any increase in sales tax, it would be on-- they would.

TIFFANY FRIESEN MILONE: I think getting rid of the standard deduction would also impact that. (INAUDIBLE) of standard and itemized deductions, so that would play a factor in that as well.

LINEHAN: All right. Any other questions from the committee? All right. Thank you for being here.

ELAINE MENZEL: Good afternoon, Chairman-- or Chair Linehan and members of the Revenue Committee. For the record, my name is Elaine Menzel, that's E-l-a-i-n-e M-e-n-z-e-l. I'm here today on behalf of the Nebraska Association of County Officials in opposition to LB1264. But the primary portion of the legislation that we are opposed to is that portion that eliminates the inheritance tax, which is Sections 2 to 4 of the legislation. As you know, earlier this year, the Legislature dealt with that topic in LB310 and made adjustments to the exemptions and the tax rates. And that would have impacted us by roughly 15 percent, as we have estimated those figures. So the outright elimination would eliminate 85 percent if I'm doing my math correctly, which would equate to roughly \$64 million that would, in our viewpoint shift to property taxes. As we have previously testified, these things are used for various government services. And for instance, when the flooding of 2019 occurred, it was used for various stopgap measures in counties that were dealing with the flood measures until they could get reimbursement from FEMA and that type of thing. As you've heard the testimony fairly recently and had it debated on legislative floor, I'll respect your time and hopefully if you have any questions, I would be able to answer them.

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

PAHLS: Thank you, Chair. Would I be correct if I would say I see the writing on the wall when it comes to inheritance tax? Probably in the near future, you will see more changes in it, am I correct there?

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ELAINE MENZEL: We obviously don't make the outright decision, but at this point, unless there would be replacement sources of revenue, we would likely continue to oppose those measures.

PAHLS: I appreciate that. Thank you.

ELAINE MENZEL: Thank you.

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

ELAINE MENZEL: Thank you.

LINEHAN: Other opponents?

DEXTER SCHRODT: Chairwoman Linehan, members of the Revenue Committee, my name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t. I am vice president of Advocacy and Regulation of the Nebraska Medical Association here to testify in opposition to LB1264. Specifically, the NMA opposes the portion of LB1264 which would implement sales taxes on physician services and durable medical equipment. We have no opinion on the other provisions of the bill. We just heard several proponents talk about Nebraska's ranking or competitive status among its peers as it relates to income taxes and property taxes. Did you know that if LB1264 be adopted as drafted, Nebraska would be the only the second state in the Union to tax medical services. The other being Minnesota. Did you also know, according to the Current Population Survey, which is a joint federal survey of the-- of American households by the Bureau of Labor Statistics and the Census Bureau, Nebraska ranks among the highest of the 50 states in median out-of-pocket health care spending. Additionally, according to the Kaiser Foundation, and this part is particularly concerning to our physician members, half of U.S. adults say they have put off or skipped altogether some sort of health care service in the past few years due to cost, and 46 percent of insured adults report difficulties in paying their out-of-pocket health care costs. Both of these figures are significantly higher shares than the share of people who reported to the Kaiser Foundation that they have difficulty affording other household costs, such as rent or mortgage, utilities and groceries. I'm sure you've heard similar feedback from your constituents as you knocked doors doing your campaigns. Yet, LB1264 will result in instant increase in health care costs to Nebraskans. The legislation does not take into account telehealth care billing functions and practice, which, as you might be familiar with, is sending reimbursement-- sending for reimbursement after each service to insurance, Medicaid, Medicare and we all know that the

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payers, the insurers are not going to pay these taxes either. And then it's sent to the patient for the remaining balance. LB1264 seeks to tax the annual gross revenue then of medical services that physician offices provide. It's no secret that when businesses are taxed, they shift that tax cost to the consumer in some form or another. LB1264 would likely see physician offices start to charge facility fees per visit, which is common practice among hospitals currently. These fees will be separate from any co-pays collected at the time of visit in order to absorb this new taxation requirement from the state. And because it's on the annual gross revenue, offices would have to estimate or guess how much the flat fee would have to be to cover the taxes. So it's likely that the fee would indeed be larger than the amount of taxes that would be paid. Due to health care services not previously being subject to tax, LB1264 would also result in additional administrative costs to physician practices in order to calculate and be in compliance with the tax collection. Physician offices already grapple with the administrative burdens placed on them by insurers, Medicaid manage-- or managed care organizations and Medicare so that they can receive the reimbursement for services provided. It would be unfortunate given the last couple of years of COVID to now add sales taxes to that list. And Senator Linehan, I would just add quickly, although pharmaceuticals may be excluded, the majority of people do have to go through medical services in order to get prescriptions for pharmaceuticals, so therefore they're still being taxed on the medical service. For these reasons, the Nebraska Medical Association respectfully request the committee to hold LB1264 as drafted.

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

PAHLS: Thank you, Chair. This is deja vu, because last time I was down there, I did try to take a look at exemptions because we could do away with the income tax or property tax or accommodation, at least at that time. But I heard the same story from all the people who were going to lose that exemption. They said they-- you know, I mean, it was intense, you might say. I mean, that state to the railroads because they wouldn't-- I was told they would move their rolling stock if they stayed in Nebraska. I'm just having a good time with you. So it's going to happen no matter what we exempt or tax. That's just part of doing business, isn't it?

DEXTER SCHRODT: Well, Senator, I would hope that the committee and the Legislature would recognize the importance health care plays in the life of every Nebraskan. Seeking the good life, as you know, we

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heard the proponents, people wanting to come into the state and live the good life. Health care is vital to that, and if no other state is taxing health care, then perhaps something should be examined. You know, if we were to move forward in that nature, perhaps it might not be the best bet.

PAHLS: I should have worked on this last time. Maybe I would have gotten some of this stuff passed. Thank you.

DEXTER SCHRODT: Thank you, Senator.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? Seeing none, thanks for being here.

DEXTER SCHRODT: Thank you.

LINEHAN: Are there opponents? Good afternoon.

KORBY GILBERTSON: Good afternoon, Chairwoman Linehan, members of the committee. For the record, my name is Korby Gilbertson, that's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as registered lobbyist on behalf of Radcliffe, Gilbertson and Brady, the American Council of Engineering Companies Nebraska, American Institute of Architects, Nebraska Chapter, American Property Casualty Insurance Association, the Associated Builders and Contractors, Metro Omaha Builders Association, Home Builders Association of Lincoln, the Nebraska Association of Trial Attorneys, the National Federation of Independent Business, Nebraska Golf Association, Nebraska Independent Auto Dealers Association, Nebraska Insurance Federation, the Nebraska Land Title Association, Nebraska Methodist Hospital, the Nebraska New Car and Truck Dealers Association, the Nebraska Petroleum Marketers and Convenience Store Association, the Nebraska Realtors Association, the Professional Towing Association of Nebraska and the Self-Storage Association. Yes, I am a lobbyist and I'm getting paid to be here, (LAUGHTER) since that's generally the first thing is, that's said after I sit back down. We figured you'd probably prefer having one of us here testifying instead of me dragging in 18 people that worked in these fields. Happy to do so in the future, if that's what you would prefer. I wanted-- I'm going to go away from my prepared comments just to address a few things that were discussed earlier on in the testimony. One of the first things that proponents claimed was that this would not have any impact on insurance premiums. I beg to differ, as does the companies that write insurance in Nebraska. If you are guaranteeing a seven and a half percent increase in all claims for home repairs, roofs, automobile repair, things like that, the chances are your insurance rates will definitely be going up. I

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won't talk about the health insurance side, but same argument is there. If you are guaranteed that the cost will be going up, they will be raising your premiums to take care of that. The second argument is that this will definitely provide property tax relief. Unfortunately, there's nothing in this legislation that actually does that specifically. If you read Sections 12 and 13, that is intent language, which all of us know is, we sure hope the folks here in the next four years will think about what we're doing-- what we did this year and take all of these actions. Well, a number of you around the table aren't going to be here in four years and so I-- we all ask how that will actually take place. Other arguments were that the polls show that there are 75 percent support for the plan, and I'm happy to be corrected if I am wrong, but my understanding is that the poll is on their website. My guess is the general number of people that look at that website are proponents of this position. I don't think that's a big stretch to assume that. Secondly, someone else in the opponents (SIC) proponents said that this lowers rates and broadens the base. It lowers the rates of one tax and broadens the base of another. Generally, you talk about lowering the rates and broadening the base. You're talking about that same-- that same tax, not a totally different one. Senator Linehan, I wanted to address your question about why does this impact people of middle-income more than others or higher-- lowest income. Well, you'll have your lowest income people who probably aren't paying much in income taxes right now. They have no way of avoiding the costs of the health care things. If they have an engine blow up in their vehicle, they have to then pay sales tax on that eight to \$15,000 repair. And who do they go to for that? That's-- that's how it impacts people with less disposable income than it affects people with more disposable income. So with that, I'd be happy to answer any question.

LINEHAN: Thank you. Are there any questions from the committee? So some of the people on here, I thought-- so weight loss services-- weight loss services that it's not taxed now?

KORBY GILBERTSON: That's my understanding. I'm--

LINEHAN: Drycleaning.

KORBY GILBERTSON: Right, nope.

LINEHAN: Veterinary services, I remember that one. Accounting services.

KORBY GILBERTSON: Right, which is arguably highly portable, don't have to have your accountant be here in Nebraska.

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

KORBY GILBERTSON: Thank you.

LINEHAN: Other opponents? Is there anyone wanting to testify in the neutral position? OK. Oh, letters, thank you. We have, yes, Senator McDonnell, you're going to need to close. We have zero proponents letters for the record and two opponents. Thank you. Senator McDonnell.

McDONNELL: Thank you. I appreciate everyone that testified, proponents and opponents. But there is a correction. There was a scientific poll of 812 people. That's what that's based on. I'll make sure everybody has got that information. I know you're thinking, oh, we're halfway through the session, we got a thousand things going on. Mike, what are you-- what are you doing? We've got subject matter experts behind us. The people on this committee, I trust your opinion and I trust the work and the experience you've done. I'm not coming here today to drop a bill and then disappear. If this isn't where we should be right now with our timing, if we're looking at committing-- me, committing the time, I'm here and if we're looking at possibly ways to improve this and look at an LR, I'm here. I want to work with this committee. I think we have the-- the experience and the talent in this room. We are listening to the opponents, but there's an old saying, if you're pleasing everyone, you're lying to someone. There's no way to do this and please everyone. I want to do it in a way with your experience, the people behind us that are-- that are here to help and move our state forward. That's-- that's the goal. But I'm also not just going to drop this legislation and then disappear back to Appropriations and not take it seriously, and I'm committed to spend the time with all of you. And if that's-- that's now and tomorrow and through the next 30 days of our session, but then also into the-- into the summer and the fall, I'm here to work with all of you.

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

PAHLS: Thank you, Chair. Okay, I'm hearing summer or fall. You think this needs to be-- more work needs to be done?

McDONNELL: No, I think you should Exec today and kick it out tomorrow. (LAUGHTER)

PAHLS: I don't-- hey I don't-- I don't work on Appropriations.

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McDONNELL: I resemble that.

PAHLS: I'm trying to figure that you will be--

McDONNELL: No, yeah, and I'm trying to say is that there's been so much time put into this. And I'm-- I'm not saying by me personally, but the subject matter experts. I believe that the-- the foundation is there and I know that here you are halfway through the session and we have so many things going on. Would I really sincerely like you guys to Exec tomorrow, tonight and then get it out? Sure, I would. I don't know what your discussions have been. What I'm saying is I trust you guys in Executive Session in what you're trying to do for our state. I'm saying that I want to be part of it. I want to work with you, but I do believe in this. And again, the time and the money that's been spent of the people that have worked on this, I believe in them. So I want to be here to work with all of you.

PAHLS: Thank you.

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

ALBRECHT: Thank you. I know you've been around for the last six hours of discussion on the floor and we've been talking about income tax. There's a portion in here that you are willing to give up 50 to 100,000 with no income tax at all. Is that something that you see workable in what we're doing right now?

McDONNELL: It was interesting because today, Senator Clements brought up an employer that contacted him based on some people that they were trying to-- employees they were trying to recruit from other states. And they discussed the idea of income tax and where we are compared to the current state they're living in. And that was one of the factors they decided, no, we're not taking those jobs. So what you're working on as a committee, what Senator Linehan has been working on, I have been supportive of what we're doing here and trying to help move our state forward. I also believe in it.

ALBRECHT: Thank you.

LINEHAN: Thank you. Senator Albrecht. Other questions from committee? Thank you. It's full of good ideas. Thank you very much.

McDONNELL: Thank you.

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LINEHAN: Thank you all. And with that hearing on LB1264 comes to a close and we will open the hearing on-- oh, one of our favorite proponent-- test-- introducers, Senator Brett Lindstrom. Quick-- quick. Good afternoon, Senator Lindstrom.

LINDSTROM: Good afternoon, Chairwoman Linehan and members of the committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha and Bennington, Nebraska. I present to you today LB827, which deals with the expensing of cost of business property and for certain research and experimental-- experimental expenditures. The Tax Cuts and Jobs Act of 2017 temporarily eliminated the factory tax. While this is a very pro-growth change, those eliminations are now set to expire. The fact your tax allowed for full expensing and immediate cost recovery for businesses, excuse me-- business property with an asset life of 20 years or less. The assets covered by the federal changes are commonly referred to as the machinery and equipment, but also include assets such as new roofs, heating systems and computer software. These assets will be amortized by U.S. tax law beginning January 1, 2023, effectively raising taxes on investments on these critical assets and disincentivizing upgrades and future investments. Previously, under the U.S. Tax Code, the innovation tax on research and experimentation had been fully and immediately deductible. Under TTJA, these costs will be amortized over a five-year period beginning January 1, 2020. Research and experience-- experimentation are a critical component of our global competitiveness, and Nebraska should enact this legislation to protect those businesses in our state looking to bring new ideas to the forefront. If we want to attract or keep our best and brightest in the state, we need to enact policies that reflect that. LB827 would decouple these taxes from the federal IRC and allow for full expensing on the factory tax and allow for the full and immediate deduction of research and experimentation expenses. I appreciate the opportunity to introduce this legislation. We have companies in the state that would benefit from this legislation, especially the many manufacturers that have a presence here, as well as the agriculture and biotech industries. Both Nebraska Cooperative Council and CNH Industries have submitted letters of support. Nucor was also-- has indicated their support, and I know there is a testifier here that will talk about the other states with similar proposals. I want to thank the committee and on a personal note, this is my last introduction on a bill, so it's a little sad.

LINEHAN: As a Senator.

LINDSTROM: So be kind on this bill. Thank you.

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LINEHAN: As a Senator.

LINDSTROM: But I'd be happy to take any-- any questions. Thank you.

LINEHAN: Any questions from the committee? Seeing none. You'll be here to close, I assume?

LINDSTROM: I will.

LINEHAN: First proponent. Good afternoon.

NICOLE FOX: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. I'm Nicole Fox, N-i-c-o-l-e F-o-x, director of government relations at the Platte Institute and here today to testify in strong support of Senator Lindstrom's LB827 and I was sad to hear, too, that this is his last bill that he's introducing as a Senator. I want to thank Senator Lindstrom for introducing this bill to provide Nebraska one more tool in the toolbox to help attract and retain businesses. Federal tax law has treated research and experimental cost as fully and immediately deductible since 1954. When the 2017 Tax Cuts and Jobs Act was passed, it included two pay-for provisions. The first provision ended the full expensing of research and experimentation costs in the year they were incurred, effective January 1, 2022. Moving forward, R&E costs will need to be amortized over five years. States automatically conform to Section 174 of the Internal Revenue Code. The Tax Cuts and Jobs Act also eliminated the-- eliminated the factory tax by creating full expensing, an immediate cost recovery for business property with an asset life of 20 years or less. This includes machinery and equipment, but also it includes short-lived assets such as qualified improvement property like new roofs, heating systems and computer software. Prior to the passage of the Tax Cuts and Jobs Act, federal law allowed 50 percent bonus depreciation for these expenditures. As a second pay-for, the federal tax law would revert back to amortizing these costs beginning January 1st of 2023. But instead of the standard 50 percent bonus depreciation, the-- the bonus depreciation phase is down to 20 percent for property placed in service after December 31, 2025, making this tax worse for businesses than it was prior to Tax Cuts and Jobs Act. Like Section 174, states automatically conform to Section 168 of the IRC. If Nebraska remains conformed to these two provisions, these federal tax changes will ultimately result in a tax increase for businesses that invest in either R&E or invest in new machinery and equipment or short-lived assets. LB827 proposes to decouple Nebraska from provisions of the 2017 Tax Cuts and Jobs Act-- Jobs Act dealing with business investment costs. Section 174, which applies to expenses related to

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research and experimentation and Section 168, which applies to expenses related to machinery, equipment and short-lived assets. Under LB827, companies will have a choice as to whether to follow federal amortization or to fully expense machinery, equipment and research in the tax year they were incurred. Having the option to continue to fully expense helps businesses in our state avoid a tax increase on these investments. Full expensing of business investments in the tax year they are incurred as a pro-growth dollar-for-dollar tax reform. It benefits businesses by providing them the opportunity to reinvest in more modernized technology, to expand production capacity and efficiency, and to invest in their workforce with more competitive wages and compensation. The provisions of LB827 serve as one tool to help make Nebraska more economically competitive and incentivizes investment in our state. Florida, Michigan and Tennessee are also introducing proposals in their Legislatures like LB827. And as I close, I'd like to pose this question. Why would Nebraska allow the federal government to impose a tax increase on businesses here in our state? On behalf of the Platte Institute, I urge your strong consideration of Senator Lindstrom's proposal and its investment-- advancement out of committee. And with that, I'm happy to address any questions.

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

NICOLE FOX: All right.

LINEHAN: Next proponent. Are there opponents? Senator Flood, would you take over for a minute?

FLOOD: This is Mike Flood taking over for Senator Linehan. Welcome back.

TIFFANY FRIESEN MILONE: Thank you. Good afternoon, Senator Flood 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 editorial director at OpenSky Policy Institute. We oppose LB827 because much like the corporate tax cuts in general, the benefits would almost entirely flow to out-of-state companies. This would be an excessively generous giveaway to corporations, allowing them to deduct the full cost of their purchases of machinery and equipment and their research expenditures immediately, rather than over the longer time period during which they generate income, depriving the state of nearly 80 million a year by fiscal year 2026. The vast majority of which up to 90 percent will leave the state. Nebraska is a single sales factor apportionment state where most of our corporate tax is paid by

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out-of-state corporations with substantial sales but relatively little property in payroll in the state. That means the benefits of LB827, just like with LB939's corporate income tax cut provision will go overwhelmingly to non-Nebraska corporations and subsidize predominantly out-of-state machinery investment and out-of-state research activity. For those companies in state, we already have generous incentive programs that offer tax credits for making these same investments. Unlike the deductions in LB827, these are available to both corporations and pass through entities that are making investments in Nebraska. So while we still question the need for incentives programs overall, they are nonetheless better targeted to activities within the state than this proposal. Finally, thirty three states, including D.C., never conformed to the-- one-- to the expensing provision of the Tax Cuts and Jobs Act when it passed. Six partially conformed and only eight, including Nebraska, fully conformed. The last four states have no corporate income tax. As such, we didn't need to conform to these temporary tax breaks when they were included in the Tax Cuts and Jobs Act, and we most definitely don't need to continue them after they expire federally. For these reasons we oppose LB827 and would encourage the committee not to advance it, and I'm happy to answer any questions.

FLOOD: Thank you very much for your testimony. Are there any questions? Seeing none, thank you.

TIFFANY FRIESEN MILONE: Thanks.

FLOOD: Are there any other opponents to LB827? Not seeing any. Are there any persons wanting to testify in a neutral capacity on LB827? Do not see anyone. There are letters for the record, two proponents, zero opponents, zero neutral. Senator Lindstrom, you are recognized to close.

LINDSTROM: Thank you, Senator Flood and happy birthday. I just wanted to sit up here one last time, but we'll get to-- I know the fiscal note looks a little high. So I understand that maybe that's a tax-- tax increase, not revenue loss. So there's also some language in there that talks about expenditures versus the experimentation aspects of it. So we're going to try to follow up with a fiscal note because I think it's a little off-base on what we're trying to accomplish here. So I would be happy to answer any final questions.

FLOOD: Thank you, Senator Lindstrom. So you're saying that 31 million is a little high for you?

LINDSTROM: Just a touch-- just a tad.

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FLOOD: Any questions for Senator Lindstrom's final bill introduction in the Legislature? Seeing none, you're expelled. (LAUGHTER)

LINDSTROM: Thank you. Great to be with you.

FLOOD: Thank you very much. That will close the public hearing on LB827. We now move to the public hearing on LB984 introduced by Senator Moser. Senator Moser is with us today.

MOSER: Barely.

FLOOD: Go ahead and open on LB984.

MOSER: Thank you, members of the Revenue Committee. I appreciate the opportunity to come and open on my bill, LB984. My name is Mike Moser. It's M-i-k-e M-o-s-e-r. I represent the 22nd Legislative District. LB984 addresses the collection costs of Nebraska sales tax and how we compensate the businesses who collect and remit sales tax. In 2002, the Unicameral significantly reduced the amount that retailers, restaurants and other businesses that sell products subject to sales tax receive for collecting and remitting the tax. At that time, this was done due to a severely tight budget, and it was intended to be temporary. Cost, such as preparation of monthly tax returns, documentation of nontaxable sales and training of personnel are accepted costs of doing business. However, the exception-- exceptional growth in the use of bank cards to pay for taxable products over the last decades has skyrocketed bank card fees. At one time, our sales were about 25 percent, bank card sales and now they're about 75 percent bank card sales and 25 percent other. In most cases, the sales tax is 7 percent, including the local option tax. Most consumers pay with credit or debit cards, and the merchants are charged a swipe fee by the-- fee by the bank of approximately 3 percent on the sale and including the sales tax. They remit the tax based on the gross sale amount to the state, which is actually more than they collect after paying the credit card swipe fee on the sales tax portion. On \$100 in sales tax, they receive approximately \$97 after paying the bank fee, yet they remit the full amount to the state. Over time, the percentages that processors charge continues to rise. LB984 is far more conservative than the reverse-- reimbursement that existed prior to 2000. The bill is intended to help our small businesses the most as it retains a cap for larger merchants. LB984 would increase the present maximum amount of \$75 a month to \$150 a month to help offset these credit card transaction costs. The half cent collection costs prior to 2002, on the \$32 billion would have been \$160 million. So the fiscal note on this is much lower than that. Merchants in our state, particularly smaller merchants

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, shouldn't have to pay the cost of collecting the tax. Members of the committee, I'd be glad to take any questions.

FLOOD: Thank you, Senator Moser. You've heard the opening on LB984. Are there any questions for Senator Moser? Senator Pahls, you're recognized.

PAHLS: Thank you, Senator Flood. I'm curious, the bank fees, you could pass that on to me, could you not? There are places I go that I pay the-- the-- that fee.

MOSER: They add on something to pay the credit card charges?

PAHLS: Yes.

MOSER: Some places do that. I don't think it's a good business model. If-- like the counties or the cities, if they take credit cards, they have immediate funds availability charge and they'll charge whatever their bank card fees discount would be. Three percent in some cases. And so that they get their net amount for the water bill or whatever it is that they're collecting for, but.

PAHLS: That's a business choice, is what you're telling me.

MOSER: Yes, and I think that most people would-- would probably shop someplace else if they had to pay another 7 percent beyond what the amount was. We're in a really competitive world. There's a lot of online retailers as well as brick and mortar retailers. Of course, this would affect both online and brick and mortar because Nebraska charges sales tax on Internet sales as well as-- as local ones, so.

PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Senator Albrecht.

ALBRECHT: No.

LINEHAN: Nope? Are there other questions from the committee? You will be here to close?

MOSER: Sure.

LINEHAN: OK. Excellent.

MOSER: Thank you. You're easy on me so far.

LINEHAN: We're easy on you.

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MOSER: Thank you.

LINEHAN: Good afternoon.

RICH OTTO: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Rich Otto, R-i-c-h O-t-t-o. I appear before you today in support of LB984 on behalf of the Nebraska Retail Federation, the Nebraska Hospitality Association, the Nebraska New Car and Truck Dealers Association. We thank Senator Moser for introducing this and also prioritizing this bill. LB984 does correct the nearly 20-year injustice when it comes to sales tax collection. Starting October 1st of 2002, the reimbursement of one-half of one percent of all sales tax collected was removed. LB984 is a more conservative reimbursement than that that existed in '02. It is intent is to help small businesses that-- the most. It retains a cap. LB984 would double the current maximum amount from \$75 a month to \$150 a month, \$900 annually to \$1,800 annually to help offset the costs we incur for filing sales tax. It is also a per-location thing, so I know we do this but when you're comparing to online, this is going to help our brick and mortar stores that collect it because it's based on the location. I did want to point that out as well. The sales at each location so online stores would maybe have one would cap out very quickly. Each of our locations in each of your communities that we need to help would be still supported. So I just did want to point that out. Again, we have costs for filing preparation of documents, but the main unfairness is just like Senator Moser pointed out, the card fees. So I want to quickly point you to some of the handouts I gave you. The large packet is the Visa interchange fees. There's currently 300 different brackets that you could fall under based on credit card, debit card, type of merchant type of card. This is the floor. Everyone that takes cards gets charged. It's no matter how large of a retailer, Visa charges this interchange fee to everybody. Then you have the fee of your processor added on to Visa's interchange. They add their fees, and the fees of Visa and your process are combined is what the merchant pays. So typically, these are done in two fashions, either a cost-plus approach where the processor adds a small amount to each of those 300 different brackets, or they bundle it like Square. You may have heard of the processing-- processing company called Square. It's very commonly used for businesses of this size, and if you look to the single page sheet, you'll see Square's rates. Those are the 2.6 percent plus 10 cents or 3.5 based if you charge-- if you physically have the card or not. You get a better rate if you physically charge, have the card in front of you than if someone calls it in just on security. So my point in this is the 2.6 is a very accurate bundled

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rate of what retailers, restaurants are paying on card transactions. Plus the 10 cents which, if you have a small transaction of \$10 or less, is another percent. So we see anywhere from three and a half to four and a half percent for some of our retailers are actually paying on these card fees. It's just-- so going on that again, and like Senator Moser said, we see card acceptance at 80 percent. Most consumers are paying with a credit card 80 percent of the time, cash and check are almost eliminated. Very simply, I just want to reiterate that our merchants that collect and remit sales tax are remitting more money to the state than they currently are collecting after these fees. Again, this is a fairness issue. We appreciate the Revenue Committee. You've looked at online sales tax fairness for the retailers. This was huge, you did three years ago in 2019. Chairwoman Linehan and then Senator McCollister pushed that out. That bill alone has changed our sales tax receipts. We are now exceeding revenues every time. Prior to the online sales tax bill, we weren't. We were coming up short. So I just wanted to point out that that has helped the state in the revenues that we've got in on sales tax, and we think that's another reason why we deserve this fairness. Happy to answer any question.

LINEHAN: Excellent. Are there questions from the committee? So I-- and I was called out, so I'm sorry. So the Visa thing, that's what the credit cards charge.

RICH OTTO: Yeah. So I'm just trying to explain. It is somewhat complicated. There's 300 different brackets. Visa sets these, merchants have no choice.

LINEHAN: Right.

RICH OTTO: But the bundled rate, basically Square has taken all of those fees, debit, credit, and said, this is a fair rate we'll charge and that's that 2.6 percent plus 10 cents. So if you look at all of those and you're trying to simplify, what is the rate of cards, debit, credit, well, they vary. But if you really want to get to an average, it's that 2.6 plus 10 cents.

LINEHAN: OK. And that interacts with Senator Moser's bill because his bill is about what they get from the state, right?

RICH OTTO: Right. Our point is that the state needs some skin in the game on this. That if we have fees, credit cards and debit cards are the accepted form of consumers. And if we're going to continue to say that credit and debit cards are what people pay with and they were

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losing three percent, we think that the state should also be willing to pony up a little bit of that.

LINEHAN: OK, I got it now. All right. Any other questions from committee? Seeing none, thank you very much for being here. Other proponents?

BRENT LINDNER: Good afternoon, Senators. Thank you for taking the time to hear me out. My name is Brent Lindner, B-r-e-n-t L-i-n-d-n-e-r. I hail from the fair city of Grand Island. I'm a member of the Nebraska Hospitality Board, the Grand Island Railside District BID, and a member of the International Affairs and Events Association. My main source of income is through the Ohana Hospitality Group. I own and operate five small restaurants and lounges in the Grand Island and Hastings area. I'd like to agree, obviously, with what Rich has said, and just-- just a quick touch on some of the credit card fees. We just had a 40-- about a \$5,000 night at a place we call Sin City Grill in Grand Island, of which \$4,900 was in credit and debit cards, which comes out to about \$160, boom right there. That's our credit card fees for that evening. I won't get too bogged in the numbers, but we all know that is-- and there is also the effect of, you can pass that on and I'm trying that, Senator Pahls, at one of my places and there's been some eh, eh, eh, but most people have been very understanding so we're testing the waters on that just to-- to see, as you all well know, and I won't sit and whine about this, that the-- the hospitality industry has been kicked pretty good. So within this, this bill we look at, it kind of brings us more to a-- a place where we need to be rather than losing money on these fees where we could at least possibly get to a zero sum of it. I know, and in each of your districts and stuff, you have probably favorite haunts. You like to go to restaurants, bars where you don't, where staff owners and stuff and a lot of these are local places run by local people that are in your communities. Just these simple few extra dollars could-- could mean a dollar an hour raise to someone, some small equipment, some marketing and I know. Within our organizations we put our community first and we're giving tens of thousands of dollars of gift card sponsorships. I mean, I'm sure you all know within your districts places that are, you know, sponsoring their little league teams, basketball teams, you see them out giving. I guess with that, like I said, the pandemic is, it's decimated the landscape and it is local people and that you, you know, and we live with. So I would ask that we look at passing this bill. It's-- it's a small step forward and the money will be definitely well used. So thank you again for your time and Godspeed to the great state of Nebraska.

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FRIESEN: Thank you, Mr. Lindner. Any questions from the committee? So what is the-- what is the restaurant scene in Grand Island looking like? Did a lot of them close because of the pandemic?

BRENT LINDNER: I think we lost about four and then a-- an acquaintance of mine has one of the Amigos there. He's shuttering for 90 days, which is a stabbing issue, which I won't regurgitate all of that much. Everyone is fighting.

FRIESEN: Was it tourism or restaurants? What took the biggest hit, do you feel?

BRENT LINDNER: I think it was, well, they had a drive-through too. It was-- it's just been a combination of things. I mean, with-- with all the, the pandemic things of weird hours and you could have this many people, you could have this many tables. And now we're seeing the worst hangover ever with insane inflation and staffing issues. Trying to retain help and it was eye-opening, listening to the previous bill. But you know, how do we get these people in here and-- odd hours, so that kick, you know, moved our sales down, so we still have our expenses. My rent didn't go down and my insurance rates didn't go down and labor didn't go down. And I'm a small operator and I can't get in a big, big fighting match with some of these larger restaurant chains where they're offering \$15 or more an hour. I'm happy to say most of my people make that because of the generous gratuities of the patrons that come into our places. But, I know we lost four and then I'd have to ask Zoe Olster (PHONETIC) or Rich that statewide what we lost. But it's the landscape is-- is scary, and I always tell people not because I don't like whining about it because there's a lot of businesses and a lot of people in the same situation, but I say the boats still flow. We're taking on water, but we're moving forward and we'll get there.

FRIESEN: Okay, thank you. Any questions from the committee? Seeing none, thank you for your testimony.

BRENT LINDNER: Thank you.

FRIESEN: And the other proponents? Welcome.

ANSLEY FELLERS: Thank you. Thank you. Thank you, Chairman Friesen 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 Petroleum Marketers and Convenience Store Association, the Lincoln Independent Business Association, the Nebraska State Chamber of Commerce and the Columbus

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Chamber of Commerce, and testifying in support of Senator Moser's LB984, which will increase the current sales tax collection fee for retailers. As you all know, retailers partner with government in several ways. One is that we act as the government's agent in the collection of submission of state and local taxes and excise taxes. The state of Nebraska recognizes this value to some extent by allowing retailers to retain two and a half percent of the first \$3,000 of sales tax permitted each month. As a small business owner, Senator Moser can tell you that this fee has not kept up with the cost of collecting sales tax, especially as you've heard here today as it relates to credit card interchange or swipe fees. The maximum reimbursement from the state currently amounts to \$75 per month. LB984 would double that to \$150 per month, which would help, and we would very much support this increase, but I want to make sure the committee keeps this in perspective. The grocery industry operates on a one to two percent margin, but grocers, like all retailers, pay close to three percent on swipe fees. We not only pay swipe fees on the base cost of a transaction, but we also pay the swipe fee on the sales tax portion of the purchase. This has created a situation where credit card companies can actually make more money on a retail transaction than the retailer. And I'm going to repeat that because I think it bears repeating. We have created a situation where credit card companies can make more money on a transaction than the retailer, and it now actually costs retailers, in some cases, significant amounts to collect the tax. For instance, if a retailer is paying \$500,000 in interchange fees on the taxable portion of a sale, that retailer is paying half a million dollars more than it's collecting. And that is an example of a business of one of my members. They're paying half a million dollars more into the state than they are collecting in sales tax. The pandemic made it almost entirely essential to accept credit cards and have an online presence, but we'd certainly like the committee and this Legislature to consider additional relief by bringing down costs or providing additional tax relief. Reimbursing businesses for the cost of collecting taxes is one of the most straightforward ways to address increasing costs. Passing LB984 is the proposal-- at the proposed level is an excellent start. Main street retailers and the hospitality industry need support now more than ever. Thank you to Senator Moser for introducing LB984 and for prioritizing it. We encourage the committee to advance the bill for further discussion and to keep all these factors in mind as you move forward. Thank you.

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

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_____: Do I have to come up there or can everybody hear me?

LINEHAN: No, so there's a process here and right now we're at proponents. So if you're a proponent, you have to fill out a green sheet. If you're an opponent, you will come next and you can fill out that green sheet and come up to testify.

_____: Hold on. I'm just--

LINEHAN: Sir, they're going to remove you if you don't. Welcome.

BOB HALLSTROM: Chairperson Linehan.

LINEHAN: Just another day in our happy lives.

BOB HALLSTROM: Just another-- just another day in our lives. My name is Bob Hallstrom, B-o-b H-a-l-l-s-t-r-o-m. Appear before you today as registered lobbyist for the National Federation of Independent Business in support of LB984. I have also signed in on behalf of the Nebraska Pharmacist Association. Most of what I had to say in my written testimony, which is also brief, has been touched on but I think just a couple of items. Retailers provide a valuable service in serving as sales tax collection agents for the state. Our experience with the rate of noncompliance with the voluntary remittance of the so-called use tax by individuals highlights the historical significance of the retailer's efforts in this regard. I would reiterate, I was here in 2002 and probably a long time before that, so I remember the tough fiscal times that led to the removal of the half percent sales tax collection fee on anything over \$3,000 in sales tax collections per month. That was supposed to be temporary. The promise to reinstate that obviously has-- has gone unfulfilled, and we think that it should be reinstated in a much more modest fashion. The one thing I'd say about this, compared to the half cent sales tax collection fee that existed back in 2002, is that the changes that Senator Moser is proposing are targeted truly at small businesses. It does give the small businesses a little bit extra for their service to the state in this regard, and there are significant paperwork and reporting requirements associated with the sales tax collection process, which is particularly a hardship for smaller businesses. So with that, I'd encourage the committee to advance the bill, appreciate Senator Moser introducing and prioritizing the bill, and I hope we can move forward and talk some more about it.

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

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FLOOD: Thank you, Chairman Linehan. Mr. Hallstrom, do we have any authority as a state, in your opinion, legal opinion, to regulate how Visa conducts business with our retailers? Do we have the ability to control that at all?

BOB HALLSTROM: There are-- there are-- there have been legislative efforts to try and do that in the past with regard to the sales tax portion. I am here today on behalf of the NFIB. I didn't anticipate we were going to get into that discussion, but there have been some efforts.

FLOOD: Is there state authority in that area?

BOB HALLSTROM: I can't tell you whether anybody has taken that-- that action.

FLOOD: Okay, thank you.

BOB HALLSTROM: Thank you.

LINEHAN: Thank you, Senator Flood. Any other question? Wasn't there a big-- like lawsuit case, big box versus Visa, like ten years ago?

BOB HALLSTROM: There's-- yeah, there's been a number of--

LINEHAN: And they reduced the rates. So tell me, OK, so you're saying, it's now the first 2.5 percent of \$3,000, so that's \$35 bucks, right?

BOB HALLSTROM: Right.

LINEHAN: So, and you want this bill would move it to 6,000?

BOB HALLSTROM: Which would effectively double that per month.

LINEHAN: So it'd be a \$150 a month.

BOB HALLSTROM: Correct.

LINEHAN: OK. And that-- and then no, no going on forever, that's the cap.

BOB HALLSTROM: Correct. And that's-- that's why it's more targeted at the smaller businesses who would have the smaller volume of sales in general.

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

BOB HALLSTROM: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Of course.

CHRISTY ABRAHAM: Thank you, Chair Linehan and members of the Revenue Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. I first want to thank Senator Moser and Rich Otto for talking to the League about this bill and to let them know that we were unfortunately going to have to come in in opposition. As this committee understands, this bill does have a negative fiscal impact for municipalities because they will have sales and use taxes that they will not receive. Omaha estimates they will lose around 800,000 to \$1 million under this bill. So I'm distributing an amendment for you to review. If this amendment is adopted by the committee, the League would move to neutral. We would no longer be opposed to the bill. What the amendment does is it retains the current provisions that allow a business to retain two and a half percent of state and local taxes for the first 3,000 collected and then for the next 3,000 collected only the state sales tax would be retained. So I really appreciate your time today and again, thanks to Senator Moser and Rich Otto for working with us, and I'm happy to take any questions.

LINEHAN: Yes, Senator Flood.

FLOOD: Senator Linehan. Thank you for testifying today. I guess we can probably ask Senator Moser this, but did you agree to this with Senator Moser?

CHRISTY ABRAHAM: No, he and I have been in discussions about it, and I will let him talk about his exact feelings about it. I just wanted the committee to know that we have had conversation with Senator Moser and with Rich Otto about this amendment. I think it's a work in progress. I'm not going to tell you, Senator Flood, that they love it, but they may not hate it either. So I'll let Senator Moser address that when he-- when he closes.

FLOOD: So going from 75 to \$150, does that come-- I mean, you're just get a por-- a portion of that affects you because you're just a piece of the excise tax, and won't be paid by the consumer.

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CHRISTY ABRAHAM: That's-- that's right, Senator Flood. As you likely know, there's about 330 municipalities that have sales and use tax rates, so they're the communities that would be affected by this bill.

FLOOD: So is it really-- I mean, I get a million dollars to the city of Omaha, but at the end of the day, they were getting to keep this money before 2002. Is that what I understand?

CHRISTY ABRAHAM: Yes, I've-- I've been learning, Senator Flood, that there was-- there was movement on this, on this issue in 2002. I can only tell you that this bill has an impact on municipalities across the state, and that's why we wanted to come in and address our concerns about it.

FLOOD: Well, it will be interesting to find out where the League of Municipalities was in 2002. If it was promised to be restored by the Legislature, that may be compelling information. So, thank you.

CHRISTY ABRAHAM: Thank you.

LINEHAN: Thank you. Senator Flood. Are there other questions from the committee? So I-- so you're here representing municipalities, the cities?

CHRISTY ABRAHAM: Yes.

LINEHAN: And you're saying that they're against this bill that all their retailers want?

CHRISTY ABRAHAM: We certainly appreciate the arguments that I've heard in favor of this bill. We're coming because it has a negative fiscal impact for municipalities, so we thought with the amendment, if it could lessen that impact, we would bring that to the committee.

LINEHAN: But, you are here, the cities against the retailers?

CHRISTY ABRAHAM: Well, Senator Linehan, I would-- I would not like to think of us as being against the retailers. We would-- we would prefer just to move into the neutral position with the adoption of the amendment.

LINEHAN: But if we don't amend it, you will be against it. Cities will be against it.

CHRISTY ABRAHAM: But the League would continue then to be opposed to this bill.

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LINEHAN: OK. Are there any other questions from the committee? Thank you very much.

CHRISTY ABRAHAM: Thank you.

LINEHAN: Other opponents? Anyone want to testify in the neutral position? All right, Senator Moser, would you like to close?

MOSER: Sure. The total taxable sales of goods and services in Nebraska is just short of \$36 billion. That includes cars, all taxable sales. The car taxes, though, are collected by the counties and the counties get reimbursed a small percentage on their car tax that they collect. The total sales tax paid is about \$2 billion. So it's 1.941 and some decimal dust after that. The cities get about 20 percent of that, so they collect somewhere in the neighborhood of 400 million. And if you look at the fiscal note, the Fiscal Office estimates that this is going to have an effect on revenue of around four million and the cities-- or I don't know, I haven't talked to them about their calculations, how they arrived at that. But if it's going to cost the whole state four million, it's hard to believe that, you know, 20 percent of that would be 800,000 because their portion of the tax is about 20 percent. So they're getting 400 million in sales tax revenue and I don't think that compensating the retailers who are collecting it for them is unreasonable. Now, if the committee feels that it is unreasonable, then we'll go back and talk to the cities and try to work out some kind of a compromise, but giving them a carve out for a million dollars out of this collection fee is going to make a big difference to the retailers. The volume of sales that this matters to, are between 400,000 and 800,000 a year. If you sell 400,000 roughly or less, the \$75 a month covers your two and a half percent that you might pay the bank to collect it. But it's kind of a reverse economic development thing, is that we want businesses in the state, but we want you to collect our tax and pay the collection fees and the bank fees and then give us the gross amount. It's-- it's-- it's inverse to what usually government tries to do to encourage business. So it's probably not going to affect me because I don't have enough volume that I'm really going to be in that. I mean, I hope maybe sales go wild and I get into that area, but it's-- it's for the smaller retails-- retailers. There are 85,000 retailers in Nebraska. And the average right now is \$170 for a retailer per year for the collection fee. But there would be some of those that don't pay much at all. They don't sell much at all. Then there would be some that are huge. This isn't really going to do anything to help the big box retailers or the big online retailers because they sell so much. Compared to the \$150 a month, it's just--

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it's just incidental expense to them. But retailers from 400,000 to 800,000, it gives them just a little bit extra to help offset those increased bank card fees. And I'd love it if we could regulate how much banks can charge because it is a little bit of an arms race. They started out, you know, you'd get a half percent back as a customer if you used certain brand of card, and then they raised it to one percent and now some of them are two percent on lodging or two percent on dining. And then the banks raise those discounts to lodging and food providers because they figure they have big margins so they can afford it, and then they rebate back that to the consumer. So that's why the card use has gone up because of the rebates. And that's why the costs of the card's discounts have gone up because we're paying the rebates that the customers get, so. And if the state would let me use my credit card to pay my sales tax, I'd get the two percent back. (LAUGHTER) But we don't do that because most-- most political subdivisions charge extra if you use a card to cover that expense just to protect themselves. So, I'd be glad to answer--

LINEHAN: I think we have a question. Senator Flood.

FLOOD: So have you ever had to remit back to the city of Columbus an occupation tax as the city did? There are some retailers that end up collecting occupation tax. For instance, in Norfolk, when we built our-- our Veterans Memorial Park, there was a two percent, you know, food and beverage tax that was passed on. Have you ever been subject to one of those as a retailer?

MOSER: No, we've had some improvement districts that assessed the members of the improvement district.

FLOOD: Right.

MOSER: And I had to pay 11,000 for sidewalks and--

FLOOD: I ask because I'm wondering if cities are-- if retailers are given anything to collect those occupation taxes because if they're not, that would seem unfair there. So that's something we should sort out. I didn't know about any of this.

MOSER: Well, you know, I don't know about the restaurant tax in Omaha, how that's handled. I would assume that the retailers have to pay the card fees on those too, you know.

FLOOD: Yeah.

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MOSER: The counties since they don't pay credit card fees when they collect money, they surcharge for it and then they get a half percent from the state for collecting the sales tax for the state. And then this fee, if I read the fiscal note correctly, they're going to have an \$83,000-- I'm surprised they're not here testifying in favor of it because, well, you divide 83,000 by 93 counties, it's not a lot. Maybe that's not enough to pay the mileage to get to Lincoln to testify in favor of it.

FLOOD: So what you're saying is, we need to get ahold of those banks and maybe deal with those--

MOSER: You know, it might be possible that you have more regulation over state-chartered banks than you would national banks. Some of that is done by clearinghouses. I think there are three or four of them that do credit cards and then the local bank can partner with one of them and they could have, you know, Mike's bank of what's happening now, cards or whatever. And-- and then the local bank would get a commission on all, I think. We have bankers here, don't we? That they get some commission on those cards when they're used. And you know, you can get University of Nebraska cards. You can get, you know, various theme cards, and they're-- some of those fees, I think, go back to the school that provided them if it's a high school or--

FLOOD: Thank you so much.

LINEHAN: Thank you. Thank you, Senator Flood. Senator Moser, are there any other questions in committee? So just-- the bottom line, this takes-- they're currently getting-- where did I figure that? They're currently getting \$450 a year.

MOSER: Well, 75 times 12 would be 900.

LINEHAN: Yeah.

MOSER: Maximum.

LINEHAN: It would be 900 more.

MOSER: Yeah, and they could get 1,800 if the bill passes.

LINEHAN: OK.

MOSER: And \$900 a year would cover the two and a half percent on about \$400,000 in sales, and the 1,800 would cover about 800,000. There would be a lot of restaurants and convenience stores that are in the million dollar range that could really take advantage of this.

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A lot of the small-- well, you have 85,000 retailers and the average collection fee is \$170, you know that a lot of them are just selling a few bottles of hairspray or something, you know, in their--

LINEHAN: Right.

MOSER: --in their hair salon or something.

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

MOSER: Sure. Thank you for allowing me to--

LINEHAN: Oh, do we have letters for the record? We had on LB984, we had one proponent, no opponents and no one in the neutral position. So with that we'll-- hearing on LB984 brings to a close and we'll open the hearing on-- Hi, go ahead.

DeBOER: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Wendy DeBoer, W-e-n-d-y D-e-B-o-e-r, and I represent District 10 in northwest Omaha. I'm here today to introduce LB1005, which requires mailing of notice for tax sale deeds. I've introduced LB1005 at the request of the state-- Nebraska State Bar Association and attorneys who practice in the area of real estate and title. The bill is offered in response to a suggestion made in a concurring opinion from Justice Cassel in the Nebraska Supreme Court's opinion in HBI, L.L.C. v. Barnette from 2020. In the lengthy opinion from the court in that case, the court considered Nebraska's statutory scheme surrounding tax sale deeds and whether the process in statute is sufficient to protect the rights of a property owner. Specifically, the court considers Nebraska's statute with respect to when title to the property is taken via a tax sale deed, and the owner of property is served notice of the proceeding only by publication in a newspaper rather than by personal service. When the court, in its unanimous opinion, concluded that the process is constitutionally sufficient, Judge Cassel offered a concurring opinion in which he opined that the case and its confusion may well have been avoided by a simple requirement that a copy of the published notice be mailed to the owner after publication. Member of the NSBAs real estate, probate and trust section read the opinion and agreed that the change was not only a simple one that might provide actual notice to a property owner before they lose title to their real estate, but also noted that it conforms with what is required in nearly every other case where service is made by a publication. For the sake of consistency in service statutes, and with an eye towards ensuring property is not unnecessarily taken from an owner without first giving them every reasonable opportunity to redeem their unpaid

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property taxes, I offer LB1005. After the introduction of this bill, however, I heard from a few of the companies who operate in the world of tax sales certificates and who objected to the mailing period, arguing that five days was not enough time. I did draft an amendment-- amendment making it ten days, but my recent understanding is that that doesn't actually get to the opposition, so I'm going to not pass that out. I'll say this bill might not be quite ready for primetime yet, and I'll ask you to hold the bill after the hearing, and I'll work with the groups and possibly in the interim we could figure something out. There is an attorney here on behalf of the NSBA who will-- NSBA who will answer technical questions you might have but also-- be also happy to answer any questions and thank you for your consideration of this bill. Thank you.

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

ROY HAHN: Chairman Linehan and members of the Revenue Committee. My name is Roy Hahn, spelled R-o-y H-a-h-n. I appear today to support the bill. This is a Nebraska State Bar Association bill. And so what I want to do is to just give you a brief explanation of what this bill is all about. It's a simple matter, but the bill has a long history of our attempts to make more fair. The Nebraska tax would be process. Now, some of you are older, you know what this is, but let me just say this, when taxes aren't paid the first Monday in March, the Treasurer has the tax sale published. People appear, purchase the taxes and they get a piece of paper called a tax sale certificate. That tax sales certificate matures three years later and when it matures, that certificate is a lien. The owner of that certificate has two choices. He can file a judicial foreclosure, or that person can file a nonjudicial foreclosure, which is what we call the tax deed process. Statutes are long and deep, and the issues that have developed over the past several decades really is fairness with regard to the landowner who at different times, for lots of different reasons, doesn't know about the process underway, which the holder of the tax sale certificate is doing. Now, I have watched this for over a decade. This Legislature has addressed this four times in the last 10 years, and the last time was Senator Williams' bill in 2019, LB463, which made significant changes, good changes to the law. And now we have in this bill just one more thought to try to make the-- make the process more fair. Just one more-- one more thought. However, this really wasn't our idea because as the Senator just said, in 2020, the Nebraska Supreme Court had the case-- Barnette case, and it like the other cases, were conflict between the landowner not knowing what the process was all about. And so in that

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opinion, Judge Cassel wrote a concurring opinion, and in that opinion, he said, exactly what I have written for you on the piece of paper I gave you, in paragraph six. And he said the Legislature may find it prudent to amend the statute to provide the word, notice by publication is given. The party giving the notice shall send a copy to the landowner. Now that's it, and that's what this bill would do. It would amend the statute to require the person who is processing the tax sale certificate to send a copy of the published notice. Now for the legal people, that's not a new idea, because that's exactly what we have in judicial foreclosures in all of our civil law wherever publication is required. The person who is managing that publication, whether it's the person or the lawyer has to mail a copy of that published notice to the interested party. So this is not a new idea. So what we're really doing is making the process in the tax-- process tax deed process, which is nonjudicial, we're just making that same as the judicial side simply mailing-- requiring mailing a copy of the published notice to the record landowner. That's what this bill does. And so it's really at the end of this long process that we've been at here for a decade to make the tax deed process more fair-- more fair so that the landowner is aware of what's going on. The objective would be-- the objective that he would have, he or she would have the opportunity to redeem the taxes. So that's-- that's what this bill is all about. In the paper I gave you, it outlines much of what I just said here. But hopefully it would explain why we're-- we're-- we're advancing this bill. As I said, this is the Nebraska State Bar Association Real Property and Trust Committee has advanced this bill for your consideration. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Do you buy that five days isn't enough?

ROY HAHN: Pardon me?

LINEHAN: I think the Introducer of the bill said that there was some pushback because the people who would have to mail the copy to the landowner-- property owner would have to mail it in five days.

ROY HAHN: Yeah, let me explain that. The-- the bill says five days, and that's exactly what the other law says in Nebraska with regard to published notice and court proceedings, so we just borrowed the five days, which is the same as the other statute. Now, which-- whether that should be ten days or something else, in my view, that's not the important issue. The important issue is we have the mailing of the notice. So I'll leave to somebody else the consideration whether it should be five days or 10 days. That's-- we just want the notice to be mailed.

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LINEHAN: OK. All right. Any other questions from committee? Seeing none, thank you very much for being here. Are there proponents? Are there opponents? Good afternoon.

ANTHONY MEDINA: Good afternoon. Thank you for allowing me the opportunity to appear before you. My name is Anthony Medina, A-n-t-h-o-n-y M-e-d-i-n-a, and I represent U.S. Assets LLC. U.S. Assets, the tax certificate purchaser who opposes LB1005. LB1005 is an unnecessary piece of legislation, as the Nebraska statutes already have safeguards regarding tax deed noticing. A tax certificate purchaser is required to attempt personal or residential service before trying any other forms of service. If personal or residential service fails, a tax certificate purchaser can attempt service by certified mail. It's only after these service attempts fail that a tax certificate purchaser may serve notice by publication. LB1005 require a tax certificate purchaser send notice of publication to the person whose name the title to the property appears of record. This requires the tax certificate purchaser to duplicate efforts as they were previously attempted to serve notice at this location. So there is a process we have to go through in noticing. And so if we don't have personal service or residential service, we can attempt certified mail service. If that fails, then we're down to publication and with publication, sending out notice would-- would duplicate efforts. We've already attempted personal service at this address. We've already attempted certified mail at this address, so we're duplicating efforts at this point. LB1005 would also impose a time requirement of five days from first publication for a tax certificate purchaser to send out the published notice to the property owner. This creates a timing issue for us. Five days is a very short turnaround. A lot of times when we deal with publishers, we do not hear back from them until after all three weeks of publication have been done. They'll send us an affidavit and at that point we would be too late to send out any kind of notice. It's also difficult when we deal with, like small publishers, it's just a very, very short and quick turnaround for us. LB1005 also does not make a distinction as to who a tax certificate purchaser is noticing by publication. If LB1005 is adopted, the purchaser would be required to send notice of the publication to the person in whose name the title to the real property appears of record, regardless of whether or not publication notice is directed toward them. It is entirely possible that the property owner was personally served with the tax deed noticing and the tax certificate purchaser was publishing notice against another income or two of record. As drafted, LB1005 would require the purchaser to send notice of publication to the owner of the property even though they were already personally served with the notice. So

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again, we would be-- it doesn't seem to be a solution to me. If you already have service on the homeowner, why are you sending notice that there is publication? It just seems to me like you're doing double the effort. That's pretty much all I have. So if you have any questions, feel free to ask.

LINEHAN: Thank you. Are there any questions from the committee? I have one, the attempt. I mean, who decides what-- what constitutes attempt?

ANTHONY MEDINA: Well, if we're serving a-- the person who owns it or the property-- the property owner, the first try is personal service. It's pursuant to the statute, personal service or residential service, leaving with somebody at a suitable age. And then if that is-- if we can't do that, then we go down to certified mail. Again, this is following the steps of the statute as far as--

LINEHAN: So on a certified mail, they have to come back and say nobody was there to sign for it.

ANTHONY MEDINA: Right. We would get the return-- the envelope back, saying, you know, unable to forward.

LINEHAN: And then that's when you go to publication.

ANTHONY MEDINA: That's when we go for publication.

LINEHAN: OK. Are there other questions from the committee? Senator Briese.

BRIESE: Thank you. Relative to those first two, personal service, you're going to have to find somebody there, right?

ANTHONY MEDINA: Yes.

BRIESE: Certified, somebody is going to have to go sign for it, right?

ANTHONY MEDINA: Yes.

BRIESE: So we talked about a duplication of efforts here, I don't see that because nobody's going to answer the door and nobody's going to go sign for it.

ANTHONY MEDINA: But if we're-- if we're--

BRIESE: Then you have trying publication and--

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ANTHONY MEDINA: Sure.

BRIESE: --I think this will be a-- some sort of a safeguard anyway to prevent what happened in the one case to ensure notice was given.

ANTHONY MEDINA: Right. But-- but again, at that point, we have already attempted, you know, personal service. We already sent the sheriff out there to serve somebody.

BRIESE: There are some people who won't answer the doorbell. Some people are not going to go sign for anything, but they'll walk out to the mailbox after it's there.

ANTHONY MEDINA: True.

BRIESE: But anyway, thank you.

LINEHAN: Thank you, Senator Briese. Are there questions from the committee? Thank you. Are there opponents? Anyone wanting to testify in a neutral position? Senator DeBoer, would you like to close.

DeBOER: Thank you. I'll just say that briefly, you know, you see that there-- there might be something there. I think Senator Briese hit on to what there might be there. Unfortunately, without a consent calendar dream, it doesn't have a chance to go anywhere this year. So we'll see if--

LINEHAN: We have all kinds of ways to do things.

DeBOER: Oh, well-- (LAUGHTER) --well, if there's a will--

LINEHAN: --there's a way.

DeBOER: All right, well, I certainly will talk to the-- the different parties and see if we can figure something out.

LINEHAN: OK, thank you very much.

DeBOER: Thanks.

LINEHAN: So with that-- oh, letters for the record. I'm sorry, just a second. There was one proponent, no opponents and no one in the neutral position. With that, we open the hearing on Senator Bostar's and I'm going to turn it over to Senator Lindstrom. See you all tomorrow. Happy days. Thank you, Senator Lindstrom.

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LINDSTROM: You bet. All right, we'll open the hearing on LB936, introduced by Senator Bostar.

BOSTAR: Good afternoon, Vice Chair Lindstrom and fellow members of the Revenue Committee. I'm Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29. I'm here to present LB936, a bill to provide clarification and guidance to businesses as to when out of state employee and associate income is or is not taxable in Nebraska. Current state statute 77-2733 (8), identifies which business activities constitute income of a nonresident individual derived from sources within the state. Recently, the Nebraska Department of Revenue has begun to interpret the statute more broadly and has been attempting to collect state income tax from individuals who reside out of state, but who have participated in work-related trainings, conferences and site inspections in our state. This broader interpretation of the taxation guidance disincentivizes businesses from looking to hold events here in Nebraska, resulting in decreased economic activity in our state. I've introduced LB936 to address this issue and provide some clarity in statute. Under LB936, compensation paid to an employee shall not constitute income derived from sources within the state if the individual is working in the state for 12 or fewer days performing in qualified nonresident employee service during the taxable year. These services include presenting or receiving employment-related training or education, performing a site inspection review or analysis of management, or any other supervision of a facility, affiliate or subsidiary based in Nebraska by a representative from a company, parent company or subsidiary not headquartered in our state that owns that facility. Performing research and development at a facility based in Nebraska or in connection with the installation of new or upgraded equipment or systems at that facility. Working as part of a project team on the attraction or implementation of new investment in a facility based in Nebraska. Under LB936, occasional incidental activities in our state, such as employment-related training and education, installation of new or upgraded equipment and site inspections and review-- review and analysis would not be subject to withholding and tax filing in the state. This is a necessary change so that our state does not inadvertently discourage economic investment in activity, and that those looking to invest in Nebraska have clear guidance regarding when employees will and will not be subject to taxation and filing requirements. I would encourage you to support growing economic activity in Nebraska and advance LB936. Thank you for your time. The amendment effectively replaces the bill so-- and is representative of what my testimony-- my opening was, what I talked about. So the green copy is going to look a little

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different than what I described. The white copy is what I would hope the committee is focused on. Thank you very much.

LINDSTROM: Thanks, Senator Bostar. Any questions? Senator Briese.

BRIESE: Thank you, Vice Chair, and thank you, Senator. In a nutshell, what was the difference between the green copy and the amendment?

BOSTAR: So a number of things.

BRIESE: Was it-- OK. I can look at it.

BOSTAR: Yeah, there's some specific language. There were-- there were some provisions where there was a 12-day allowable work cycle for some things and a 24-day for others, and we simplified things where it only applies to that list of, of activities. And it's only for that, a 12-day window. There are also some other thresholds related to dollars that were removed. So really simplifying the bill quite a bit.

BRIESE: OK, very good. Thank you.

LINDSTROM: Any other questions? So this is-- we've had to do a couple of these for the last couple of years just based on changes that-- the way we've been doing it for decades, essentially. And then all of a sudden changes, this kind of clean up for something that we have been doing.

BOSTAR: It's sort of my understanding is that it's perhaps the statutes are being interpreted a little bit more aggressively than maybe they were before.

LINDSTROM: That's a nice way to put it.

BOSTAR: Also, I distributed a, a very timely New York Times article that talks about how this is not just a problem in Nebraska, but a problem that states across the country are facing and how reinterpretations of statutes are creating challenges for businesses.

LINDSTROM: Thank you. Any further questions or other questions? Seeing none, thank you. Have our first proponent.

JOHN OLIVER: Thank you, Vice Chair Lindstrom and members of the Revenue Committee. We appreciate Senator Bostar bringing this to the committee for your consideration. I am John Oliver, J-o-h-n O-l-i-v-e-r. I'm vice president of Enterprise Applications for Interpublic Group of Companies. I'm here to provide commentary on

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LB936. Headquartered in New York City, Interpublic Group is a global provider of marketing solutions with approximately 54,600 employees in all major world markets. Our company specializes in advertising, digital marketing, communications, planning, media, public relations and specialty marketing. You may have seen some of our work recently on the Super Bowl for clients like Chevrolet, Verizon, E-Trade and Taco Bell. IPG's North American Shared Services Financial Center is located in Omaha at Belmont Plaza, where critical work to support our business and our clients takes place. Our global data center with nearly 1,000 virtual and physical servers, is hosted at Scott Technology Center. Locally, we employ approximately 470 employees, interns and contractors. At IPG, our people are the heart and soul of our company and want to be part of a company with a strong culture and unique value proposition that aligns with their own. The excellence of our people continues to drive our success amid the significant changes taking place in our industry and the environment in which we operate. Encouraging collaboration between employees is a key part of our strategy to attract and retain talent. Because of the COVID pandemic and the advent of hybrid-work environments, companies are now reviewing state laws and payroll taxation to ensure compliance. This review has raised an awareness of the day one payroll tax policy in Nebraska. Going forward, this policy will likely discourage out-of-state employees from visiting our operations here in Nebraska due to the requirement to file payroll taxes in the state after short and infrequent visits. These visits encourage collaboration between employees and allow leaders from other parts of the world to work hand-in-hand with our local management team. These visits also allow us to highlight the operations we currently have in Omaha and provide opportunity to deploy additional resources locally. For example, we've been considering hosting an I.T. management conference in Omaha, which would attract over 90 of our top managers from around the world. This type of event also benefits our local economy. When we host this type of conference, we fly in to the Omaha airport, stay at local hotels, frequent local restaurants and partake in local entertainment as part of the conference. Unfortunately, without a change in the regulations, it is unlikely we would host this event in Omaha. Instead, the event would more likely be hosted at another one of our locations where local tax regulations accommodate a two-week window for visitors. I also serve on the Omaha Chamber's Information Technology Advisory Committee. In the past, we have leveraged events like the College World Series to encourage visits by site selection consultants and others influential in attracting outside investment in Nebraska. This bill will help ensure we're able to continue to attract those visitors going forward. Thank you, and I'd be happy to answer any questions you might have.

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

JOHN OLIVER: OK. Thank you.

LINDSTROM: Next proponent.

JENNIFER CREAGER: Senator Lindstrom and members of the committee, I'm Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, vice president of public policy at the Greater Omaha Chamber. I'm also appearing today on behalf of the Nebraska Chamber of Commerce and Industry. Thank you, Senator Bostar, for introducing this bill. I just thought I would talk very briefly, I know it's the end of the day, about our intention in approaching Senator Bostar about this bill. Once Interpublic contacted us about the issue, we really tried to have a very narrow focus. This can get very complicated, very quickly, and we really want this as tight as possible. We've had some conversations with committee staff who've been very helpful in trying to help us get there. What we really want is just a de minimis exemption for visiting employees in Nebraska for a short time. What we do not want to do is exclude professional athletes or rock stars. We don't want to-- we don't want to change anything that's happening with that. The article Senator Bostar passed out, the piece in the New York Times is probably the best explanation of this issue around the country, so I encourage you to review that. I will just say that, as I said, we want the language to be as tight as possible. We would love to work with the committee. The green copy came from the state of Maine, which was really a starting point, but we're not married to anything and would be willing to work with all of you to tighten that up as tight as possible. And I think that's all I wanted to mention today, but I look forward to working with the committee if the will is there. Thank you.

LINDSTROM: Any questions? Senator Friesen.

FRIESEN: Thank you, Vice Chair. So this deals just with payroll taxes?

JENNIFER CREAGER: Correct.

FRIESEN: Doesn't deal with income earned here or anything else, it's just for intermittent visitors and if they stay a little bit too long, they'd have to file payroll taxes in Nebraska.

JENNIFER CREAGER: Yeah, I mean, we picked 12 days because some other states had used that threshold. I think-- in the article, I think

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seven states use a 30 day threshold. I mean, I think you can pick your number of days, but yeah.

FRIESEN: It's cumulative days and--

JENNIFER CREAGER: Cumulative days in a year. I-- I-- yes. Cumulative days in a year, not consecutive days, yeah.

FRIESEN: Thank you.

LINDSTROM: Thank you. Any other questions? Seeing none, thank you.

JENNIFER CREAGER: Thank you. I might also add, today must be the day for crazy fiscal notes because I'm having a hard time seeing how this will be a \$20 million impact to the state, but we'll see.

LINDSTROM: Any other proponents? Any opponents? Any neutral testifiers? Senator Bostar, would you like to close?

BOSTAR: Thank you, Vice Chairman Lindstrom and members of the committee. I think the fiscal note reflects-- it certainly doesn't reflect the white copy. It reflects the green copy because the green copy, I believe, would have exempted some, you know, when Garth Brooks comes to town in the state and works for one day and makes however many millions of dollars, that portion of the tax that we would collect off of that would have been, I believe, excluded in the green copy. That's not the case in the white copy. The white copy is much more narrow. So I don't think that the fiscal note has a lot of value when evaluating the white copy amendment. The other thing I'll say is for most individuals who are getting caught up in this, it's just a nuisance. The amount of revenue that the state gets from someone filing a return with Nebraska after being here for two days is-- it will often essentially cost us more to collect that tax than we are going to get for it. So this is also about efficiency in our activities. Most people who are subject to this tax, if you're coming in for a conference, you aren't paying. So we're also creating an environment where-- and we're not-- Nebraska doesn't go after these folks, really, but we're creating an environment where the expectation is, people are going to break our tax code and we're OK with it because we understand that parts of it don't really make a lot of sense and aren't really intended to benefit the state or those visiting the state. So this is designed to fix some of that, make it a little better. Stop making criminals out of our visitors and-- and hopefully make things a little easier. Thank you very much.

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LINDSTROM: Thank you. Any kind of questions? Seeing none, thank you. And that will end the hearing on LB936. Oh, I did have letters, one proponent, one opponent and zero neutral. And that will end the hearing on LB936. We will now open the hearing on LB1168 introduced by Senator Linehan, but in her stead we'll have Mary Jane Egr Edson, legal counsel.

MARY JANE EGR EDSON: Thank you, Vice Chairman Lindstrom. I'll do this very quickly. For the record, my name is Mary Jane Egr Edson, M-a-r-y J-a-n-e E-g-r E-d-s-o-n, and I am introducing LB1168 on behalf of Chair Linehan, who could not be here at the moment. This bill was brought to her by a constituent doctor in Omaha who has seen more and more of his elderly patients having a difficult time paying their medical bills, trying to make ends meet on a fixed income and talking about possibly moving to another state. And he said that what he has specifically noticed is that patients are unable to cover the cost of their premiums, the cost of their medical treatment and cover the donut hole in Medicare and/or Part D expenses. So his suggestion was that we should allow people to deduct the cost of their medical expenses to the extent they have not been reimbursed by an insurance company and to the extent that they have not already been deducted in arriving at federal adjusted gross income. So, not sure if this would be a fix for that issue, but it's something Senator Linehan thought we should at least consider. So, I don't expect any testimony. I'm sure Senator Linehan would waive closing. And unless there's any questions--

LINDSTROM: OK, any questions from the committee? Seeing none, thank you. Any proponents? Any opponents? Any neutral testifiers? Seeing none, and Mary Jane waives closing. That will end the hearing on LB1168 and that will end-- and we do have letters, zero proponents, one opponent and neutral, zero neutral. And that'll end the hearing on LB1168 and that will end the hearings for today. Thank you.