

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Floor Debate February 27, 2024

**KELLY:** Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the thirty-fourth day of the One Hundred Eighth Legislature, Second Session. Our chaplain for today is Reverend Coral Parmenter of the Purdum, Nebraska UCC, Thedford, Nebraska, in Senator Jacobson's district. Please rise.

**REVEREND PARMENTER:** Actually, no. I'm sorry. I'm here by Senator Jacobson's invitation, but Purdum is technically that much over the line, and it's in Senator Brewer's district. Hi, Senator. We love you. But, yeah, so. Senators and staff and troopers and visitors and guests, good morning. I invite you to just come together with me now in an attitude of reverence before the most holy and divine. Holy and merciful God, we are a diverse group gathered before you as we begin this day. There are young and old, and men and women, some with more resources than others, ethnicities from every corner of the globe, from Asia to the Middle East to Europe and Africa and South America and North America. We come from every heritage and every faith tradition and spirituality, and we come with a variety of political thought and belief. So seemingly different, yet all gathered here, we have the same goal and purpose to do the hard work of enacting policies with justice and compassion that will benefit everyone across our state. Guide all of them with the wisdom to discern the best course of action for our common good. Grant them the courage to compromise and to blend the best of ideas and plans, no matter where they come from to ensure the continuation of our good life. And remind them that we, the people, have put our faith and our trust in them, that they are examples of the best of us, and that we hold high expectations of them, for much may be accomplished by their working together. And holy and divine Spirit that you-- we pray that you bless them with good health and vitality and perhaps an extra dose of patience in all of the days to come. Here us as we pray and be merciful. Amen.

**KELLY:** I recognize Senator DeBoer for the Pledge of Allegiance.

**DeBOER:** Colleagues, please join me in the pledge. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

**KELLY:** Thank you. I call to order the thirty-fourth day of the One Hundred Eighth Legislature, Second Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

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**CLERK:** There's a quorum present, Mr. President.

**KELLY:** Are there any corrections for the Journal?

**CLERK:** I have no corrections this morning, sir.

**KELLY:** Are there any messages, reports or announcements?

**CLERK:** There are, Mr. President. Your Committee on Enrollment and Review reports LR298 as correctly enrolled. Your Committee on Natural Resources, chaired by Senator Bostelman, reports LB880 and LB 1199 to General File. Additionally, your Committee on Business and Labor, chaired by Senator Riepe, reports LB1393, LB1017, and LB1069 to General File, some having committee amendments. Additionally, your Committee on Natural Resources reports favorably on the appointment of Roger Helgoth to the Nebraska Environmental Trust Board, as well as John Arley Rundel to the Nebraska Oil and Gas Conservation Commission. Communication from the Governor concerning the appointment of Sarah Scott to the property-- being appointed as the Property Tax Administrator. Notice of committee hearing from the Transportation and Telecommush-- Telecommunications Committee. Amendment to be printed: Senator Fredrickson to LB1255. New LR: LR310, LR311, both from Senator Aguilar. Those will be laid over. Notice that the Revenue Committee will have an Executive Session in Room 2022 at 10:15 this morning; Revenue Committee this morning Executive Session now in Room 2022. That's all I have at this time, Mr. President.

**KELLY:** Thank you, Mr. Clerk. Senator John Cavanaugh recognizes and would like to recognize a guest under the south balcony, Dan McGill, brother-in-law from Omaha, Nebraska. Please stand and be recognized by your Nebraska Legislature. Senator Jacobson announces a guest under the north balcony, Les Parmenter from Purdum, Nebraska. Please stand and be recognized by your Nebraska Legislature. Senator Albrecht would like to recognize the physician of the day, Dr. Dave Hoelting of Pender, Nebraska. Please stand and be recognized by your Nebraska Legislature. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign LR302. The cookies that are located in the cloakroom are the courtesy of Senator Riepe. Mr. Clerk, first item on the agenda.

**CLERK:** Mr. President, first item on the daily agenda, General File LB1067 introduced by Senator Clements. It's a bill for an act relating to counties; adopts the State Prisoner Reimbursement Act; eliminates the inheritance tax as prescribed; changes provisions relating to inheritance tax reporting and refund procedures; changes the

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authorized uses of the County Visitors Promotion Fund and the County Visitors Improvement Fund; harmonize provisions; repeals the original section; declares an emergency. The bill was read for the first time on January of this year and referred to the Revenue Committee. Pending was the bill itself, the committee amendment, as well as an additional amendment, Mr. President.

**KELLY:** Senator Clements, you're recognized for a one-minute refresh.

**CLEMENTS:** Thank you, Mr. President. LB1067 would change the rates on the inheritance tax in Nebraska over a 5-year period. I want to concentrate on the first year. They're not going to have any effect in 2024. In 2025, a 17% reduction is all it is. And I would appreciate getting to 2025 so we can make adjustments at that time if we need to. It's a very volatile form of revenue for the counties; and because of that, they have stored up a lot of reserves. I've sent out a-- circula-- circulated a flier showing what their balances are. They have plenty of money to get through another year and to make adjustments in 2025. So I'd appreciate your support on LB1027 [SIC, LB and we'll get it started on a gradual 5-]year phase out. Thank you, Mr. President.

**KELLY:** Thank you, Senator Clements. And Senator Linehan, you're recognized for a refresh one minute on the committee amendment.

**LINEHAN:** Thank you, Mr. President. And good morning, colleagues. The amendment, AM2492, to LB1067 changes 2 items. First, the amount of prisoner reimbors-- reimbursement in Section 3 is increased from \$35 per day to \$100 per day. Second, the new subsection 6 of Nebraska's Revised Statute is amended to allow county governing bodies to use 50% of the County Visitors Promotion Fund and the County Visitors Improvement Fund from the initial ability to use all of those funds for whatever purposes the body deems suitable. I've asked the body-- well, I think actually Senator Clements has another amendment he would like to get to. But that's what those 2 amendments that are on the board do. Thank you.

**KELLY:** Thank you, Senator Linehan. Senator Conrad, you're recognized for a one-minute refresh on your amendment to the committee amendment.

**CONRAD:** Thank you, Mr. President. Good morning, colleagues. I introduced a motion and some amendments to help structure debate in this regard. The primary goals being that we have separate and distinct discussions in regards to replacement revenues. If we make changes or eliminate the inheritance tax to offset potential pressure

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on property taxes and to entertain additionally a idea for some sort of a high threshold, kind of Buffett rule or Ricketts rule that would ensure we don't ensnare middle-class families and family farmers, but retain the tax otherwise. Thank you, Mr. President.

**KELLY:** Thank you, Senator Conrad. Returning to the queue, Senator Erdman, you are recognized to speak.

**ERDMAN:** Good morning. Good morning, Nebraskans. This morning I stand in support of LB1067. I've always been of that opinion, even when I was a county commissioner. I read to you last week the letter from Morrill County Commissioner Jeff Metz, and I agree 100% with what he had to say about eliminating inheritance tax. I have an amendment. We may not get to it, but the amendment is to stop the inheritance tax collection on January 1 of '25. We should have taken inheritance tax from these counties when they got the COVID money, the ARPA money. That's when we should have taken it. And Senator Kauth presented information to show you how much revenue they have in reserve. I have a proposal called the EPIC option that would fund these counties' inheritance tax in its entirety. They are not in favor of EPIC option, which would allow them to collect this revenue. So it would be replaced, they wouldn't lose it. They're not in support of that, but they're against us taking it. So that brings me to another comment I'd like to make about the Nebraska Chamber of Commerce. The Nebraska Chamber of Commerce and many other organizations and associations have risen to strict or very, what shall I say, aggressive opposition to the EPIC option. They have been spreading lies about how it's going to work, what the rate is going to be based on the back of an envelope analysis from OpenSky. They have no dynamic study to prove anything they are saying to be true. And this week in Kearney, the Chamber of Commerce there spread the same lies that the State Chamber is putting out. The State Chamber never was opposed to paid family leave, never did anything to help stop that. They were never in the discussion about minimum wage, but they have taken the liberty to be against a property tax/income tax relief bill that changes our whole tax system, that actually fixes what we are trying to do here in this Legislature. So I invite the chamber to bring their dynamic study, show it to me, then bring me their proposal on what they think the solution is. And their solution is not we don't have one, but we hate yours. And I would invite them to bring their friends, both of them, to a debate about the issues and the truth anyplace, anytime, anywhere. I am sick and tired of hearing all of the negative comments they are making that are lies. So now they've heard this in public. We'll see if they answer. I would assume they will not, because they don't want to have their lies revealed to everyone who has been listening to them. So

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these Chamber of Commerces in the communities are getting their marching orders from Bryan Slone, and he has a well versed, trained comment that these people are following and they're not true. So if you're listening today in Nebraska, and you want to know the truth, go to EPICoption.org and take a look and you will see the truth. But until we get to the truth, you can't make an informed decision. And so I give that opportunity to Slone and the chamber or anybody else who would like to have a debate about this in public and open to everyone to view so we can get the truth out there. Thank you.

**KELLY:** Thank you, Senator Erdman. Senator Raybould, you're recognized to speak.

**RAYBOULD:** Thank you, Mr. President. Good morning, colleagues. Good morning, fellow Nebraskans watching us on TV. I just wanted to take a moment to recap some of the things that we discussed last week. And I do want to commend Senator Erdman for his passion. I don't think there is a tax that he met that he has ever liked. And, you know, he is equally passionate about his EPIC program and what it represents and doing away with other additional taxes. But the numbers are factual when it comes to the inheritance tax and the impact it will have on the counties. The one thing I wanted to share with you, I love quotes, and this quote is from a U.S. Supreme Court justice, Oliver Wendell Holmes. This is actually above the motto above the IRS building headquartered in Washington, D.C. It says, Taxes are the price we pay for a civilized society. We see that day in and day out. We know that taxes are onerous. We know from surveys that were done by New Bridge Strategy, an independent survey analytical team that did a survey in 2023. It says 3 in 5 Nebraska voters say the inheritance tax is acceptable after hearing a neutral description on the tax. Majorities across party lines find the inheritance tax to be acceptable, with 59% of Republicans saying it's acceptable; 60% of Independents and 67% of Democrats. Additionally, the inheritance tax is generally seen as acceptable in all major regions of the state. The Omaha media market, Lincoln, Hastings, Kearney, etcetera. The one thing that I think people need to understand is how do counties spend their inheritance tax money? Think of the wildfires that we just experienced yesterday throughout our state. I was privileged to sit through testimony from our firefighters that work together collaboratively on these issues. Well, this is what counties use the inheritance tax for. It's not a sludge fund. They purchase public safety vehicles and equipment, including radios, to keep up so that they can have coherent and correct communications when we call in mutual aid with other counties and other agencies to address our wildfires. They maintain and upgrade emergency communication systems, which are so critical. As we have

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seen, some of these emergency systems fail. Build up a cash reserve for emergencies and disasters. How many wildfires have we experienced last year? An increase in those, not to mention all the flooding issues that we have. This hits counties hard. It hits counties hard when it comes to their infrastructure for washed out roads, for culverts that need to be repaired, or they have to close bridges because they're no longer safe. Counties purchase electronic and data processing equipment systems, and it helps them pay for autopsies. It helps them maintain Veterans Aid Fund, fund historical societies, fund behavioral services throughout their county. It helps fund libraries, fund Area Agency on Aging and senior citizens programs, which, by the way, our aging senior population is an increasing population in our state. So you can imagine the need is great not only in our urban areas, but particularly in our rural communities. The countless counties spend their inheritance tax money on fairground repairs, renovations and upgrades. They have to maintain cemeteries, renovate county properties for ADA compliance. You know, when we were talking about--

**KELLY:** One minute.

**RAYBOULD:** Thank you, Mr. President. When we were talking about voter identification last year, that was one of the biggest requests. They needed funding to make all the polling places ADA accessible and compliant. The most important thing people need to keep in mind that this provides property tax relief. In Lancaster County, this fund goes to-- inheritance tax goes to our general fund, and that helps maintain property tax rates. Thank you, Mr. President.

**KELLY:** Thank you, Senator Raybould. Senator John Cavanaugh, you're recognized to speak.

**J. CAVANAUGH:** Thank you, Mr. President. Good morning, colleagues. Well, I rise in opposition to the underlying bill as written. I'm still thinking about Senator Conrad's AM2580. And my opposition, like I think everybody around here, is not rooted in the fact that I am particularly fond of the inheritance tax. It's that the counties rely upon this for essential services and functions. And that if the state is going to make a decision that takes away counties' ability to fund themselves and provide those essential services, a lot of them that Senator Raybould was just talking about, that we have an obligation to make sure that they still have the ability to raise that money. And, of course, we're having a large conversation here this year about how to get real property tax relief to Nebraskans. And I can tell you, just looking at this handout from Senator Clements, Douglas County's

annual revenue, 5-year average, is \$12 million. If you take away Douglas County's ability to raise \$12 million annually, they're-- the way they're going to fill that is by increasing their levies, which will increase property taxes. So this would effect-- effectively be a property tax increase on my constituents. And so I'm opposed to this bill for that reason. And I'm opposed to a version of this that would continue-- would shift all of that cost back to the counties. I have brought a, a constitutional amendment that was heard in the Government Committee, I think it was last week or the week before, that I worked on with the counties, and county commissioners from all over the state submitted letters in support of that. And what that bill would do is that-- require or would put on the ballot a constitutional amendment that, if approved by the voters of the state of Nebraska, would require the state to backfill any lost revenue to the counties when the state takes away a county's ability to raise funds. So in this case, it would require the Legislature on a 5-year average, if we were to adopt this, to remit to Douglas County \$12,613,000. That's a better way to solve this issue. As to the mechanism in this bill and, and as amended under AM2492, the amount of money we're talking about there is, de minimis. But Senator Wayne raised some very good points about that money to begin with, which is increasing the reimbursement rates for prisoners up to \$100 a day. Those are folks the counties are holding for the state already. So they're already doing some of the state's work. And the state is just paying the counties back a larger increment of money to re-- to backfill a service the county's already being required to serve to the state doesn't really seem like a solution here either. That's something we probably should be doing anyway. It's part of the reason that counties are-- have, you know, one of the big functions of Douglas County is our courthouse, our criminal justice system, our sheriff's department, and our department or our, our Douglas County Corrections facility. If Douglas County didn't have to bear the burden of the expense of prosecuting, arresting and housing people who are being held on state offenses, then I would imagine Douglas County could substantially reduce their property taxes. So if we want to talk about property tax relief, we should be talking about ways to-- for the state to pick up the tab on more of these functions that the state requires the counties to undertake, as opposed to what we're doing here is attempting to eliminate a tax, an ability to raise revenue for the counties--

**KELLY:** One minute.

**J. CAVANAUGH:** Thank you, Mr. President, --without giving them another opportunity to raise those funds. And I'll push my light to get back in. But while I have my only one minute left, I just want to say, you

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know, recognize first my brother-in-law who's here visiting to see how the-- how the Legislature functions; came from-- he lives in District 9. Believe it or not, I have, I think 13 brothers-in-law who are scattered across the country, but many of them are in Omaha and a few are in District 9. So I appreciate him coming down to check out the Legislature and see how things work. But I just wanted to say thank you to the members of the AARP who came here today to come and talk to folks, be interested in everybody's perspective on this and other issues and look forward to the conversation about this. Thank you, Mr. President.

**KELLY:** Thank you, Senator Cavanaugh. Senator Bosn announces some guests in the north balcony, members from AARP Nebraska, about 30 members. Please stand and be recognized by your Nebraska Legislature. Senator Hunt announces a guest, her brother, Matt Hunt of Omaha under the south balcony. Please stand and be recognized by your Nebraska Legislature. Returning to the queue, Senator Moser, you're recognized to speak.

**MOSER:** Thank you, Mr. President. Good morning, colleagues. And goodbye-- good morning, Nebraskans. A few points on the inheritance tax. Doing away with inheritance tax would be a wonderful thing if we weren't taking money from the counties. If we were to give an appropriation for the amount of money equal to what the inheritance tax brings, I'd support getting rid of the inheritance tax. But one of the principles of taxation is you need-- government needs a certain amount of money to operate. And you want to take that money from taxpayers as painlessly as you can and create the least amount of hardship and a 1, 2, 3% tax on property that changes hands at the occasion of somebody's death through their will, or even to strangers where they pay in the teens, not strangers, but unrelated heirs in the teens is still relatively painless compared to what a lot of taxation is. Quite a bit of the assets of a person's estate are capital gains. They bought stocks that went up in value. They never sold them. They never paid any tax. So they just kept them. They have-- maybe they have real estate that appreciates. And yes, they do have to pay property tax on that. But the income tax on the appreciation is, is not paid until it's sold. And so when a person dies the heirs pay 1, 2, 3 or, or in some cases the teens percent tax. But the income tax is waived because those assets are revalued. The new basis in those assets is the value on the date of death. So if you had farm ground that you inherited from grandpa, and it's got a basis of \$1,300 an acre or \$400 or \$500 an acre, if it's far enough back, it would get marked up to current value, which could be in some cases \$10,000 an acre and, pay no tax on that capital gains. And in some cases these



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heirs live out of state. And so there's no way that any tax will ever be paid by the heirs, other than inheritance tax. So it's not the worst tax in the world. All taxes are painful in some way. But this isn't-- this isn't the worst. So I'll listen to the debate. And if we can make the counties whole, I may come around on this. But to this point, if we do away with it, eventually it's going to turn up as a property tax. The people who inherit property generally are, considering the exclusions, people of substantial wealth and paying a small percentage. And on the flip side, if we do away with this, these people with substantial wealth will pay nothing, and it'll go on to property tax, which everybody pays, the poor and the rich alike. But nonetheless, it will tax people of a lot less wealth with increased property taxes. So thank you, Mr. President.

**KELLY:** Thank you, Senator Moser. Senator Clements, you're recognized to speak.

**CLEMENTS:** Thank you, Mr. President. As we continue on the discussion, on one piece of opposition that there has been was allowing the county board to spend visitor funds from lodging taxes. And it's not on the board now, but AM2562 would remove that provision completely. And I hope that we can get to that. I found that there wasn't all that much unspent money in lodging taxes anyway. And so the revenue wasn't worth going after. But the overall purpose of this bill is that we need to stay competitive in comparison with our neighboring states. Once January 2025 hits, we'll be the only state west of the Mississippi that allows this tax to be used. And 45 other states have dropped their inheritance tax and have been able to figure out how to work it. And so I think it's time for us to remove this tax and keep some people in Nebraska. I have the letter that I circulated from Mr. Kingsbury [PHONETIC] who used to live in northeast Nebraska the last 50 years. And now he's moved his permanent residence to Florida solely because of this tax. Here's a letter I put on your desk, and he asked a big question. The big question is, how many high-asset people are leaving Nebraska, resulting in substantial loss of other annual tax revenue? They're not paying sales tax or income tax anymore. He is not. And I do believe the other people are leaving. The estate planners have told me that they advise their clients to consider moving out of Nebraska before their-- before they die here and have a lot of tax that their heirs have to pay. The-- I don't call the inheritance tax reserves a slush fund. I think it's prudent for a county to have reserve funds for emergencies like fires and other events that happen, and they are able to do that with their tax levy, as well as with inheritance tax. That's not going to prevent them from building up a reserve fund, but it would certainly be a lot more--

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less volatile, more reliable as to how much money they're putting into those reserves. There's counties who say they get \$2 million one year, and then \$1 million or \$500,000 the next year, which they can't rely on how much it's going to be. And that is probably why they store up so much, because it's-- they never know what's going to be next year's revenue. It's more prudent, in my opinion, to set aside a fixed amount so you know how much you're going to have in that reserve fund in the future. I have been working with other senators to find some revenue replacements. I support the committee amendment with \$100 a day jail reimbursement for state prisoners. And--

**KELLY:** One minute.

**CLEMENTS:** --that's several million dollars. The County Bridge Match Program, we have a bill that's a Speaker priority that'll be almost \$4 million a year that the counties can access with 75% state funding on bridges. The skill games have a tax, and the counties get a percentage of that. That's at least \$1 million a year. And so-- and then we're going to have a Governor tax plan, which is going to be reducing property tax greatly, which would offset the increase, in my opinion, that we'll have to see what that amount is. So for those reasons, I continue to ask for your support on LB1067. Thank you, Mr. President.

**KELLY:** Thank you, Senator Clements. Senator Slama, you're recognized to speak.

**SLAMA:** She's in the Revenue Committee hearing room. Thank you, Mr. President, and good morning, colleagues. I'm up for a couple of reasons today. I still do support LB1067 from Senator Clements. I think he has done a wonderful job fighting over the years, chipping away to modernize Nebraska's tax code. We're sitting in a situation where 6 states in the country issue a death tax on their residents. And it makes me highly uncomfortable that Nebraska is one of those 6. I also rise in support of the committee amendment for this bill. I think it's a strong move in the right direction. And there's a lot of experts on the floor who have been elbow deep in this issue for years, and I want to defer to the experts here. I am very appreciative of our county officials who have reached out. I do think there needs to be some sort of effort done to make these counties whole, especially our most rural counties. But I was also trying to take some time before Senator Linehan was able to return to the floor, and she's since returned. And given that, I would like to update Nebraskans on a big behind-the-scenes move in our Nebraska Legislature. You might see some changes on the floor. We all owe a big thank you to Timoree in the Clerk's Office for fighting to get us a new coffee machine set up. It

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has been said by many senators, mainly myself, that the old coffee machines, which I'm pretty sure were a Capitol original, tasted like the ghost of George Norris had put out a cigar in the coffee machine, however many years back. And that was the taste that you got from the coffee that you could get out of the machine out back at the Capitol. We now have a great setup thanks to Timoree. So as a new parent, and as someone who is thriving almost entirely on caffeine, I would like to thank her and everybody else that advocated to get this done. And with that, I know that Senator Linehan is likely next in the queue. So yes, I do rise in support of getting rid of the death tax in Nebraska. Being 1 of 6 states left with this is not a-- not a proud place for us to be. So I look forward to moving forward and modernizing our tax code by eliminating this. Thank you, Mr. President.

**KELLY:** Thank you, Senator Slama. Senator Linehan, you're recognized to speak.

**LINEHAN:** Thank you, Mr. President. Thank you, Julie-- Senator Slama. So I am very much against having an inheritance tax. I don't like anything about it. I think it's unfair. We-- if you earn income from the time you're 13 years old detasseling corn, you're paying Social Security taxes. You get out, grown-up job, you pay income taxes and Social Security taxes. You buy a house, you pay property taxes. You pay taxes your whole life. And then when you die, your heirs pay taxes again. It's just wrong. And I know it's popular with the counties because a lot of the people that are paying these taxes don't live in the county. I also think that's wrong. You have no control over who's elected or not elected or how they're spending money, but you're being asked to pay the bill. I, I have this sheet. Senator Clement s has done a great job in giving us the facts. First and foremost, which seems to be forgotten here, this doesn't mean we pass this bill, doesn't mean property taxes go away next year. They don't. It's over 5 years. They have 5 years to adjust. To me, that seems like a very generous offer. He has-- and I don't know how much time he spent on this because I've been execing with the Revenue Committee-- but he has a sheet they handed out, I think last week, where it shows how each county, what their fund balance is. So here's a number that I find pretty shocking. The 93 counties in Nebraska are sitting on \$257,115,591. Why? And at, I mean, the interest alone on that is substantial. Clearly, unless I missed it, I don't know that-- have any of these-- some of them I'm sure have-- but most counties, even though they may have-- I shouldn't say most, the counties I've looked at, even though their valuations have gone up and yes, they've dropped their levies, they haven't dropped them to the point they're not still collecting more property taxes. I'll go back to Douglas County where I

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live, and their, their budget for this year, they increased property taxes, the tax taking, not the levy. They lowered the levy, but the tax taking they increased, I think, by \$13 million. Yes. Well, actually almost 14, \$13.9 million increased property tax taking, even though last year they received a record \$26.5 million in inheritance taxes, almost double the year before. So the argument that if we take away inheritance taxes, they'll raise property taxes, they already are doing that. So where is Douglas County as far as what they have in the bank? Trust fund balance as of June 2022, 19 point-almost-4 million in the bank. We know they have a lot in the bank because this report says they have-- they earned \$8 million in interest last year. So I just-- I just don't buy that if we give them 5 years, which is what Senator Clements has done here, and he's working on efforts to help on the funding for the jails, that we can't get rid of this tax. I mean, we do-- Revenue Committee does taxes all the time. The best thing we can do is get rid of one of the many taxes we have in the state. Thank you, Mr. President.

**KELLY:** Thank you, Senator Linehan. Senator Machaela Cavanaugh, you're recognized to speak.

**M. CAVANAUGH:** Thank you, Mr. President. Good morning, colleagues. I have not drank the coffee here for the past 6 years for some of the reasons that Senator Slama had mentioned. And my first year here, I also had a newborn. So thank you. I would like to echo the sentiments to Timoree for updating the coffee. I look forward to a cup of brew today. I rise in opposition to LB1067. I wouldn't say it's like 100% opposition. I agree with Senator Moser that we can't just take away this money from our counties without doing something else about it. I think that it probably kind of like property taxes is not indicative of ability to pay just because you inherited something, from a family member that passed away. There's usually some great deal of planning that goes into that. So I, I understand the desire to give that back to those families. But it is also something that we have relied upon. And so just abruptly shifting gears from that, I, I have concerns and reservations about. So I'm-- I would say I'm in 75% agreement with Senator Slama this morning, 50% of that being that I totally agree with the coffee situation, the 25% being the remaining issue of this bill that I half agree and half disagree. But I did want to take this moment to acknowledge and thank you to Speaker Arch for bringing it to my attention that today-- he asked me if I knew what today was, and I was like, February 26. Nope. It's not. It's February 27. OK. It's February 27. Today is the day that LB376, the family support waiver, becomes a reality for over 800 families in Nebraska. And I literally have chills saying this. This was beyond a labor of love for so many

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of us. And it was a partnership with Speaker Arch, who was the Chair of HHS Committee at the time, and Senator Hansen, who's the current Chair of HHS Committee, and the other members of the committee. Senator Williams at the time, Senator Day, Senator Walz, Senator Murman, we all worked together to create this amazing opportunity for families. It's the family support waiver. And in addition to the family support waiver, we bundled into that bill, Senator Arch's bill, Speaker Arch's bill that created a study to look at all of our waivers. And there's been a series of recommendations that have come out of that study that I look forward to us working in collaboration with the administration to an act to, to create a better opportunity for those in Nebraska who have intellectual or developmental disabilities to live their best lives. And I think it is an amazing example of the wonderful things that we can accomplish as a Legislature when we work in concert with each other. So I just wanted to acknowledge that because for me personally, the entire reason that I ran for the Legislature to begin with was to increase investment in developmental disabilities in our state. And to realize that today is a day that a part of that has become a reality is, is quite moving for me. So I just thank you to everyone who participated and a special thanks to Speaker Arch and to Chairman Hansen for their friendship and partnership in this endeavor. It has meant a great deal. Thank you, Mr. President. I yield the remainder of my time.

**KELLY:** Thank you, Senator Cavanaugh. Senator Dorn, you're recognized to speak.

**DORN:** Thank you, Mr. Spe-- Mr. Chairman. I haven't weighed in yet on the inheritance tax issue. I've been listening to a lot of the comments, what's been going on or whatever. Just, to me, number one, as I-- people have kept after me that I am not for eliminating inheritance tax. And I just want to clarify something. I am 100% for eliminating inheritance tax. However, I think for me, the main point here is if we replace that funding, Senator Clements and others have mentioned that we are 1 of only 5 states that have the inheritance tax left. Iowa is getting theirs phased out, but there are also 13, approximately 13 other states that have an estate tax. So when people ask what's the difference, well, one the inher-- the heirs pay it. The other one, the state pays it. So it's somewhat the same thing. So there's 20 states approximately that have some form-- some form of inheritance or estate tax. We are the only state, and I think this is the most important part as we talk about this bill today, we are the only state that it does not affect a single dollar of our state revenue or our state budget. \$0 come out of our state revenue, \$0 come out of our state budget. None of it will be used or taken away or

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affect-- any effect at all on the people of Nebraska, our state budget. This affects 100% someone that-- somebody else. It's the counties. This was back in the '30s, in the '60s when the inheritance tax came in, and then how it developed so that the counties received it. Yes. Is it a benefit for the counties? Very much so. However, I will repeat that comment what I made earlier. We are the only state that is trying to get rid of, not trying to get rid of, we are the only state out of all 20 of those that it does not affect our state revenue and does not affect our state budget. So I would ask many of you, would you still vote for this bill today, LB1067, if we, the state of Nebraska, had to put in \$80 million or \$75, \$80, \$90 million? I don't know if people would have the same jump on this bill-- I'm in all support of it-- if it came out of the state of Nebraska's revenue or the state of Nebraska's budget. I want to make a couple other points while I am on this. I did receive an email this morning. I don't know how many other people received it. It was from a Sarpy County commissioner, and he gave an interesting statis-- statistic in his email. The first 6 months of 2023, January through June, according to our Department of Revenue, there were approximately \$45 million of inheritance tax collected. 51% of that, or more than half, was from out-of-state people, people that lived out of state, weren't even from the state of Nebraska, yet they had property here. We are always looking at ways to, I call it, have other people pay for things. That was a tremendous email there that is pointing out the fact that many of this is not coming from our own people of the state of Nebraska. Much of this payment or much of this inheritance is coming from people that don't live in the state of Nebraska. Many of you know also that I was a-- eight years I sat on the Gage County Board--

**KELLY:** One minute.

**DORN:** Thank you. And I want to-- want to and I'll get back in the queue and talk some more about it a little bit. Unless you understand the budget, how the budget process works for counties, or understand how this inheritance tax and people this morning particularly talked about how it's a fund out there and how all this money sitting in that fund, we will get into that more later. Senator Raybould did pass out a sheet last week though that showed the-- said the annual county inheritance tax spending. I went down and looked at Gage County and it said \$2.75 million a year. Well, no, there's a caveat to that. If you don't include the fact that you might spend all of that fund in this budget year and you have something that comes up you need to spend it on, you now have to open the whole budget process back up, you have to go through all the public hearings and everything to spend it. So this line that she had you as a county, when you make out your budget--

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**KELLY:** That's your time, Senator.

**DORN:** --you list all of that, that you may spend that

**KELLY:** That's your time.

**DORN:** --so that you don't spend it, but you may.

**KELLY:** That's your time.

**DORN:** Thank you. Thank you.

**KELLY:** Thank you, Senator Dorn. Senator Erdman would like to announce some guests under the south balcony. They are Jennifer, Jadon, and Jud Skadald-- Skavdahl, excuse me, from Harrison, Nebraska. Please stand and be recognized by your Nebraska Legislature. Senator Raybould, you're recognized to speak.

**RAYBOULD:** Thank you, Mr. President. And I, I do want to say thank you to Senator Moser and Senator Dorn for their great explanations of how counties process this inheritance tax. So I do appreciate their insights on this matter. Senator Moser was the mayor of Columbus, Nebraska, for a number of years. So he's very well aware of how these fundings are applied in his community. I, too, have also heard from several of the county commissioners since some of the comments were made yesterday on why they carry this reserve. And I asked my fellow colleagues to reach out to your county commissioners or county supervisors, as the case may be, and ask them, why do you have this reserve? What is going on with that reserve? And what are you holding that money for, and what do you intend to spend it on? And I think Senator Dorn gave a great explanation. There is a reason why they have a reserve. Number one, they're statutorily required to maintain a reserve. But in addition to that, they have other projects that are quite expensive capital improvement project that they must build up the funds. Or for a road project, highway project, they do-- they are obligated to pay that 20% matching funds. So how are they going to get those matching funds if they don't start to build up their reserve? So this is-- this comment came from a Jefferson County Commissioner: I'm writing this on behalf of the Jefferson County Commissioners to thank you for your opposition to LB1064 [SIC, LB1067]] as written and expressing your concerns during floor debate. The information that was circulated on the floor in regards to annual income to the fund and fund balances was not entirely correct for Jefferson County. The inheritance fund balance quoted for us is very close to what we have now, but the annual income to the fund was short, as we on average

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have received the last 5 years over \$600,000, which is just a little over 3 years' worth. Our challenge is that we have 2 road projects with grant money to be completed this year, and the bids came in over \$500,000 on each project. For us to fund the cost overrun, we will have to take the \$1 million-plus from our inheritance fund. That, combined with budgeted use from the fund, will leave us with a balance of less than \$500,000. This is our cash reserve to cover not only projects like this, but emergencies as they arise. Nearly all the counties in Nebraska use the inheritance fund in the same manner as we do as their cash reserve. For Jefferson County, we would need to levy an additional 3.25 cents of property taxes in order to maintain this fund at a comfortable level to cover emergencies. So again, we thank you for your opposition to LB1067. If it is amended to provide replacement revenue, as I'm sure NACO has made you well aware, we would be in support of it. And I have to tell you, long, long ago in a Legislature far, far away, they had what was called state aid to cities and counties. And guess what? That offset a lot of unfunded mandates, which I hope to talk about tomorrow, unfunded mandates from the state Legislature, which is pretty important on how do counties do what they do? How are they able to fund their current budgets without increasing their property tax rate and property tax levies? So here is a comment that came in as well over--

**KELLY:** One minute.

**RAYBOULD:** Thank you, Mr. President. --over the email. It says: Senator Kauth, during the debate last Friday for LB1067, you stated the amount of money the counties have in their inheritance fund for reserves. As I'm looking through the Appropriation Committee preliminary report for 2023-2024 and 2024-2025, this person is talking about the state's reserve, the CRF beginning balance was \$927,522,596, and estimates project it to rise to \$1.6 billion at the end of the biennial budget. Now they're talking about the state of Nebraska Reserve. That is Cash Reserve only. It also appears by the same document there is a General Fund Reserve. Can you help me with the concept it's bad for the counties to have the reserve fund inheritance or otherwise, but appears to be the general practice for the state? That's a question mark. So the answer--

**KELLY:** That's your time.

**RAYBOULD:** --we hope to hear more of. Thank you, Mr. President.

**KELLY:** Thank you, Senator Raybould. Senator Brandt, you're recognized to speak.



**BRANDT:** Thank you, Mr. President. And I'd like to thank Senator Clements for bringing LB1067. Fundamentally, I support getting rid of the inheritance tax if we can replace the revenues or at least some of the revenues to our counties out there. Without responsible replacement of revenues, the property taxes in 4 of my counties will be going up 3 to 4 mills. That is just a fact. I'd like to read a letter. And this is from a county commissioner, excuse me, a supervisor from Fillmore County. Good morning, Senator Brandt. My name is Wade Sluka from Fillmore County. I typed this email out last night as I couldn't seem to find sleep due to my thoughts about LB1067. I had the pleasure to visit the Capitol a couple of weeks ago. I went to testify-- I went to testify in opposition of this bill. I have spoken to many of my constituents about this bill. At first, they are all in favor of eliminating inheritance tax, and I couldn't agree more. I agree with the general purpose of this bill. I feel that inheritance tax is an outdated philosophy that should go away. As I testified, I am in line to inherit family farmland, and I certainly would appreciate not having to pay this tax. With all that said, this bill needs revision. It needs to address the unintended consequences. I have served on the Fillmore County Board of Supervisors for over 7 years now, and I have watched our expenses rise year after year. When I was first elected, a new motor grader cost the county roughly \$250,000. Similar machines today cost roughly \$400,000. The ever rising costs to continue to provide adequate services to you and our constituents is like fighting a losing battle. As the expenses rise, so will the property tax-- tax ask. The inheritance tax fund essentially serves as a reserve for Fillmore County. I am not sure of any quality businesses that do not operate with some sort of reserve. Why should a county budget be any different? Just last month, our county was in the middle of the worst blizzard I have ever seen in over 10 years. The expenses the county has had-- will have-- will have to pay is staggering. I know In Fillmore we have paid over \$30,000 just in contract help. This figure doesn't include any overtime for employees, additional fuel costs, additional repairs and maintenance which are inevitable. Without the inheritance tax fund to back us up, we would-- how would we pay these bills? There is no way to budget for the unknown. I would like to share a few figures with you. These numbers show that Fillmore County has used the inheritance tax fund-- what we have used the inheritance tax fund for from 2019 to 2023: to reduce property taxes by a transfer to the general fund, \$1,695,000. Security equipment upgrades covering all of our buildings, \$110,000. New equipment for dispatch, Mindshare and GIS, \$54,000. Replacing the HVAC system for the courthouse, \$228,000. I could go on and on, but these figures give you a good idea on what we use this fund for. A

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grand total of \$2,612,000 was spent on necessary equipment for the county. None of this total made us increase our property tax ask and helped to maintain our levy number. On average, \$522,000 is used every year from this fund and is not asked of our property owners.

**KELLY:** One minute.

**BRANDT:** Thank you. As I stated earlier in this email, I would have no problem seeing inheritance tax go away. I would love to see property tax disappear also. However, taxes are a necessity. Counties need guaranteed revenue replacement. I feel as an elected county official, it is my duty to ensure the people of Fillmore County are provided with essential services without continuous property tax increases. Thank you for your time and consideration. I know you have a tough job and your work is underappreciated. All I ask is you consider the county and the budgets when working through this bill. Wade Sluka, Fillmore County Board of Supervisors. Thank you, Mr. President.

**KELLY:** Thank you, Senator Brandt. Senator Conrad, you're recognized to speak.

**CONRAD:** Thank you, Mr. President. Good morning, colleagues. I wanted to thank my colleagues for so many thoughtful points of debate this morning on such a critically important issue. I think that this perhaps is representative of our beloved Nebraska Legislature at its best. Working across the state, working across party lines to bring forward data, to bring forward perspective, to share voice from those on the front lines, to look with a sharp comparative analysis at how these issues play out in our sister states. And I'm grateful for not only the tenor of the debate, but, but the substance thereof as well. I want to also thank Senator Clements. He's worked really, really hard on this issue, as has the Revenue Committee. And you can see the thoughtfulness in their deliberation in bringing forward changes to the idea from where it started upon introduction, trying to bring forward ideas in relation to replacement revenues on the county jail reimbursement piece, which, of course, we, we still need to dig into more deeply about the completeness of that remedy or revenue alternative and how that would impact this debate. I appreciate that Senator Clements has already conceded that it's important to remove the original components which related to the tourism funds. And I want to add some additional globe-- global notes to the debate. Friends, when talking to county commissioners across the state that have contacted me, talking to constituents, here's a few general ideas and considerations that I've tried to be clear about in my approach to this measure. I am 100% open-minded to making additional adjustments

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or reforms to our inheritance tax and related issues in Nebraska. I do believe that the tax as currently utilized may ensnare far too many middle-class families and family farmers. And so we, we need to be thoughtful about making additional adjustments. But I also am taking a very pragmatic approach to this. When I ran for the Legislature and had the honor to be elected by my district three-- now three times, I promised to take hard votes on property taxes. And you might remember that that was the theme, of course, of almost every legislative session. But just last year when we were looking at similar issues in relation to the property tax burden from the community college system, and then taking that on to the state level in an effort to try and address and reduce property taxes locally, in my community and in some circles, that was not a popular vote or a popular policy solution. But I stand by it because I believe that it's incumbent that we do deliver on our, our campaign promises and pledges. So I, I appreciate that a majority of people, when polled, may want to see an elimination of the inheritance tax. But I contend, and I think it is clear, that by removing this, it will put undue pressure on Nebraska's most hated tax, the property tax. And so I want to take a consistent approach to standing up and giving voice and taking hard votes on issues that will put more property-- pressure on property taxes.

**KELLY:** One minute.

**CONRAD:** Thank you, Mr. President. Over all, colleagues, I'm also concerned about the, the general equities involved in removing this particular tax from our revenue structure in Nebraska and what that means in terms of equity. And if we remove this and put more pressure on other revenues, including property taxes, what-- I just-- I'm concerned about the overall fairness and what that means by putting more tax burden on working Nebraskans and seniors. And so I, I want to be very clear about that. I also want to lift up a question, perhaps rhetorical today, but serious in nature. Friends, what is our overall vision regarding revenue streams and taxes in Nebraska? We've seen a perpetual and consistent cut, cut cut cut cut cut, cut, which I anticipate and I understand that's politically popular, but what--

**KELLY:** That's your time.

**CONRAD:** Thank you, Mr. President.

**KELLY:** Thank you, Senator Conrad. Senator McDonnell, you're recognized to speak.

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**McDONNELL:** Thank you, Mr. President. Good morning, colleagues. The discussion-- and I rise in favor of LB1067. And I appreciate the work that Senator Clements put into this, this bill. When we're discussing the amount of dollars, as Senator Raybould mentioned earlier, in the state of Nebraska, her numbers were a little bit off based on this. And I'll hand this out to each one of you about the-- from the Investment Council. When I was elected in '16, got here in 2017, we had a \$1 billion problem to solve. And we worked hard and went through the budget twice as Appropriations Committee. There was 3, 4 of us that were brand new. So that was-- that was a learning experience for all of us. And during this process we've gone through, you look at where we are with our Investment Council and how many dollars we're, we're actually right now have as a state of Nebraska. And I'll, again, I'll hand these reports out to you. I'm going to start with the first report from 2017. At that point, we had \$3.6 billion in our operating investment pool, which is our state's checkbook, \$3.6 billion. Today, well, let's go back to the last report they've done was at the end of 2022, they were at \$8.5 billion, we as a state. Now right now, hopefully by the middle of March, we're going to get the update at the end of '23, and we're thinking that's going to be \$9.6 billion. But as of-- as of today, we have, we think, over \$10 billion. But every day the market is open, every hour the market is open, we are bringing \$200,000 into the state. That's, that's a great job by our Investment Council. That's the work they're doing. But I don't think it's fair when we talk about counties and what dollars the counties have on hand, because I can't speak for all 93 counties. I will speak for Douglas County. I will speak for those people that are serving in those positions on Douglas County. I think they are doing a good job. I think they look out for those dollars. Now, me being in favor of LB1067 doesn't mean I'm not in favor of trying to find dollars for those counties. And basically, it's not basically just to offset LB1067. It's to pay for those unfunded mandates that we've handed down year after year in this Legislature. I have an amendment that I'll introduce here as soon as I'm done speaking that brings in \$50 million. It talks about the idea that if a person is being incarcerated, being held, and the idea of we should be paying for that because it's going to end up being over a year eventually and that's based on a state statute. It's also based on another bill I introduced that the Douglas County Sheriff, Aaron Hanson, brought to me that we all want our judges to be protected. We want the people in the courthouse to be protected, and we want to make sure anybody that's actually going through that process is protected. But who should be paying for it? At that point, I believe the state of Nebraska should be paying for it. We've got to pay our fair share. I am definitely in

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favor of property tax relief. I am in favor of eliminating the inheritance tax. But also I'm in favor of paying our bills as a state of Nebraska. And that's something we have to do. If we look at the unfunded mandates, concentrate on those, we can actually offset some of the loss from the inheritance tax. But also I do stand behind our financial strength as a state of Nebraska right now. And again, I'll hand out the Investment Council that I read earlier, but I believe we have over \$10 billion in our checking account. And that's not pension funds. That's not trust funds. That's actually the dollars and you'll see the list. I just want to make sure that when we're having these discussions and how we're going to invest that next dollar and every dollar is important. It's not our dollars. It's the state of Nebraska. It's the citizens' dollars. How do we invest that dollar for the next generation? I also agree with the Governor that we should be thinking seven generations ahead.

**KELLY:** One minute.

**McDONNELL:** Let's make sure that we're at least thinking about the next generation, and actually what our bills are being that we've pushed down on the counties, our unfunded mandates, making sure that we pay our own bills. So I will be dropping an amendment here shortly. And I would remainder of my time if Senator Clements would-- Senator Clements, would you like the remainder of my time? I got 30 seconds I think.

**KELLY:** Senator Clements, you have 35 seconds.

**CLEMENTS:** Thank you, Mr. President. Thank you, Senator McDonnell. There was a comment that this would make low-income people pay more. I'm going to just talk about what the average size estate is we've been figuring from the tax levies, children, inheriting an average of \$500,000, some more, some less. Nieces and nephews only \$166,000 estate. And nonrelatives--

**KELLY:** That's your time, Senator.

**CLEMENTS:** Thank you.

**KELLY:** Thank you, Senator Clements. Senator John Cavanaugh, you're recognized to speak.

**J. CAVANAUGH:** Thank you, Mr. President. Senator Clements, could I ask, would you yield for a question? Oh, Senator Clements.

**KELLY:** Senator Clements, will you yield to a question?

**CLEMENTS:** Yes.

**J. CAVANAUGH:** Thank you, Senator Clements. I just wondered if you wanted to finish that thought that you were just having if you could answer it. I wanted to hear the rest of that. The size of-- the average size of estates.

**CLEMENTS:** Yes, thank you. Won't take me very long. The, the figuring from the inheritance tax receipts in the tax amounts and the number of heirs, the average children are inheriting a \$500,000-- are, yeah, splitting a \$500,000 estate. Nieces and nephews, \$166,000 is the average estate. And the average estate size for a nonrelative is only \$131,000. That's not even a house most places. So I'm just saying that this isn't millions of dollars of, of wealthy people that are dying. It's all kinds of people are dying with a few large estates, but a lot of smaller ones. Thank you, Senator.

**J. CAVANAUGH:** Thank you, Senator Clements. That, that was interesting. I was just doing some quick math there. So that's for children, we'll just do the 500,000, say it's only one child. But he did say split, so, I mean, I could use my own kids as an example. I've got 4 kids and if they split 500,000, that means they average \$125,000 apiece, which means that I think 1% on that means my kids will be paying about 250 bucks if I'm right about that. So I don't know. That's neither here nor there, but that is interesting. And that's a good point by Senator Clements. And I-- the, the, the problem, of course, is not-- that we're talking about here is the effect that this has on the counties. And I think we've had some really good conversation, and folks have pointed out the kind of misinterpretation of the reserve as an indicator of whether or not counties can bear the cost of losing this money. Senator Raybould, I think, talked about, you know, all the different things that counties use these for. And we've heard lots of good examples. Senator Brandt, talking about the increased cost of a road grader. And I think he was using Fillmore County as an example. And Fillmore brings in \$790,000 a year and saying a grader costs \$400,000 now. And those are the types of things that counties are using this money for is, you know, some kind of one-time big costs. And so these trust fund balances or the reserve balances are not necessarily just an indication of how much they're bringing in, in these, these funds and whether or not they're in a position to bear the loss of revenue. And this is kind of a broader conversation we've had about a lot of tax policy in my 4 years here, 3.5 years here, is we're talk about we look at cash reserves and we say we can afford to decrease our income by this amount and had this conversation say, yes, we could-- then you can spend down the reserves, which is maybe not a

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terrible idea in some instances, and in others it might be a bad idea. We want to maintain a certain amount of cash reserve. If you're well over that, of course we can give tax relief to Nebraskans. And we can afford that and it's sustainable. And I have obviously, I have proposed, if you all recall, things like giving direct cash relief back to Nebraskans in the form of rebates or refunds. And making sure that those are equitable. We started off this conversation, if you all recall, about a week ago when Senator Clements said this is a regressive tax and I appreciate the desire to eliminate regressivity in our tax system. But what we'll see here is that this would actually make our overall taxes a more regressive--

**KELLY:** One minute.

**J. CAVANAUGH:** Thank you, Mr. President. --putting more pressure on lower income folks, in the form of increasing the, the necessity to fund our local governments out of property taxes. But my point, I'll push my light again, but my point is that we can't-- we can't just say there's a good amount of cash now so let's eliminate a source of revenue. These counties are going to have to fill in that revenue at some point. If we're going to rely upon Douglas County to deplete its \$19 million revenue or reserve, that would happen in one and a third years, which means that then the next year, Douglas County would have to increase their property taxes. And so it's a misrepresentation of these facts to say that these counties can do that. So even if you grant the premise and say that Arthur County could sustain 28.8 years, that just means that Arthur County, it'll take that long to deplete that, that reserve. But that's the outlier example, of course.

**KELLY:** That's your time, Senator.

**J. CAVANAUGH:** Thank you, Mr. President.

**KELLY:** Thank you, Senator Cavanaugh. Senator Blood, you're recognized to speak.

**BLOOD:** Thank you, Mr. President. I stand opposed to both the amendments and the underlying bill, and would like to say that this is a symptom of what I have been preaching from the very first year that I've been here of unfunded and underfunded mandates where we placed so many burdens on our local political subdivisions, and now we're trying to again place more burdens upon them and acting like it's not going to make a difference. And so, although many of us want to see the same relief that Senator Clements does, this is not how we need to do it. We should have started a long time ago, and we've known this and

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ignored that fact. With this, I know that Senator Raybould had much to say after her last time on the mic, and I would yield any time to Senator Raybould.

**KELLY:** Thank you, Senator Blood. Senator Raybould, you have 4 minutes and 15 seconds.

**RAYBOULD:** Thank you, Senator Blood, for this time. I truly appreciate it. You know, I wanted to just touch on what Senator McDonnell said about I would love to see this last for seven generations. Well, I can tell you that the state of Nebraska is quite fickle. It hasn't even last one generation. So I mentioned earlier that state aid to cities and counties was eliminated; \$1.4 million to Lancaster County, \$1.6 million to the city of Lincoln. So honestly-- and jail reimbursements. So when I became a county commissioner in 2011, jail reimbursements were also eliminated. And throughout my time as a county commissioner, as we tallied up the dollars, the state of Nebraska stiffed Lancaster County for \$5.8 million. So when we enact something or when we appropriate something this year, next year it could very well be slashed. The counties would be in a much worse position if that were the case. I know Senator Erdman had challenged me on some of my numbers, and I really encourage each one of my colleagues. I know we're so busy, we don't have time to really dive in deep to each one of the legislative bills that cross our desk. But I really encourage you to pull up the fiscal notes, because I love fiscal notes. You know I love numbers, and I wanted to refer people to the fiscal note that the Nebraska Association of County Officials came up with that the fiscal analyst, by the way, said that they concurred with, with only the exception in their estimation of an annual increase in the inheritance tax. I concur with the fiscal analyst on this one. I do think the increases, annual increases projected forward were a little bit too aggressive. But here is what it says: In fiscal year-- and you can pull it up on your laptop and look at the fiscal note for LB1067-- it says: In fiscal year 2022-23 Nebraska counties received a total of \$98,965,338. On average, the amount of inheritance tax collected 10% each year, meaning that in fiscal year 2024-25, the expected inheritance tax is to be \$119,748,059. There are differences, as I pointed out, among many of the counties with different population size. But in their conclusion, this is what they concluded with. Based on the analysis above, there would be a drastic shortfall in revenue to counties from the loss of inheritance taxes if percentages of tax rates to beneficiaries were reduced and ultimately eliminated; an overall estimated fiscal decrease of \$121 million to counties, less the total annual appropriations approved by the Legislature for the Department of Corrections that I think Senator Wayne has talked about



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in the past and what they're currently offering from \$35 to \$100 a day--

**KELLY:** One minute.

**RAYBOULD:** Thank you, Mr. President. --for county jail reimbursement assistance that is not to exceed \$3.9 million. Keep in mind, this bill, LB1067, puts a cap of \$3.9 million. I may have said billion, \$3.9 million when you just heard that counties in 2022-23 had \$98 million. If anybody out there besides me can see that huge disparity, we know that we are doing a disservice to our counties. Such reduction would result in the necessity to raise property taxes, fail to provide state and federal unfunded mandates, reduce providing necessary programs and services, or a combination of some or of all of these matters. That's why it's essential that we continue to support inheritance tax unless supplant it with Nebraska permanent funding.

**KELLY:** That's your time, Senator. Thank you, Senator Raybould. Mr. Clerk, for items.

**CLERK:** Thank you, Mr. President. An announcement, the Natural Resources Committee will have an Executive Session now in Room 2102; Natural Resources now, Exec Session, 2102. Additionally, your Committee on Enrollment and Review reports, LB61 and LB1104 to Select File, LB61 having E&R amendments. Your Committee on General Affairs, chaired by Senator Lowe, reports LB1204 to General File with committee amendments. A new A bill, Mr. President. LB358A introduced by Senator Walz. It's a bill for an act relating to appropriations; appropriates funds to aid in carrying out provisions of LB358. That's all I have at this time, Mr. President.

**KELLY:** Thank you, Mr. Clerk. Senator Dorn, you're recognized to speak.

**DORN:** Thank you, Mr. Lieutenant Governor. And last time I was up on the mic, I was, explaining a little bit about how as I was a county board member for 8 years in Gage County, a little bit how down there we use the inheritance tax, we-- and this number what Senator Raybould and Senator Clements gave out there, they differ a little bit, but \$2.5 million roughly in that fund or whatever. When I was on the county board, we, we averaged in-- income into there or inheritance of a little over \$600,000. Now, I think it's \$900,000 here so it's grown some. But we in Gage County, we use that fund for, I call it, special projects or special things that they come up. One thing that you needed to do in the budget process, as you-- you start always in May, in April or May, working on your budget. You continue to work through

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it and you have to have it finalized to have the public hearings and everything up to the state by September 20 or around that time, it has to be up to the state and certified that that's your budget. Part of going through that budget process, though, when you have a fund like this, like an inheritance fund that sits over there in its own category, then if you don't-- if you don't put in the budget that you're going to spend all of that, none of it can be spent during that next budgeted year. In other words, if you put in there \$0, if you have something that you come-- comes up, and, and some project that you had a motor grader go down or you had something that bigger that for a county the size of Gage County that you needed to have now, those funds to use for that, you would have had to go back through that budget process, have those public hearings, and you would have had to, I call it, basically reopen the whole process to go back in and then allow yourself to-- the ability to spend those dollars out of that inheritance fund. So in Gage County, what we always did was we were very careful on how we spend it, but we allowed ourselves, just as we do with the state budget up here, we allow ourselves the ability to use those funds if we needed to, or spend those funds, or allocate those funds out, so that that's why it sometimes shows, I call it, a little distortion here that we're spending that much. No, we weren't spending that much out of the inheritance fund, but it had to have the ability to spend it so that in that budget process you didn't have to go back to step one and start over. When I was on the county board, we had a fund, and it had grown probably in the \$3.5 million neighborhood. We had a road project north of Beatrice. It was called the four, 4.4 miles of Hickory Road project, which goes on the north edge of Beatrice to the Koch nitrogen plant, which in the fall for about three months, they would have 200 loaded semis coming out of that Koch nitrogen plant. That was a gravel road. We got tired of all the expense upkeep for it. To show you how sometimes things go, I call it, in a circle or whatever, the South Beltway here, that was a 30, 40-year project before it got done. Senator Ballard's working on the East Beltway. The Hickory Road project down in Beatrice, when we finally were able to do that, had a letter from somebody that 40 years earlier, the county had told him to move their fence so that we could do that project. So that's how long that one was also in the work. But we took \$2 million out of the inheritance fund of that \$4.4 million cost to pay for that. The rest of it we squeezed out of our budget so over the next two, three, four years so that we could pay for that \$4 million project of the-- of the county down there. To show you what that meant, our average tax asking--

**KELLY:** One minute.

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**DORN:** --or our property tax collection-- thank you-- at that time was around \$8.2 to \$8.4 million. So there was no way we were going to fund that project unless we went to a vote of the people. And because we had the inheritance tax, because we had been frugal over the years saving those funds specifically for that project, and then other county budget projects, we were able to complete that road. Many, many of the residents were so thankful for that. It saved on property taxes. We didn't have to have a special vote to go and ask the people of Gage County if they would support a levy increase or a property tax increase now to pay for that road. So many counties or many counties use them for that same type of purpose to fund certain type projects. Some use it in their general funds. So thankful at Gage County we did the way we did, that we were able to use those funds very efficiently for some very, very strong projects. Thank you.

**KELLY:** Thank you, Senator Dorn. Senator Raybould, you're recognized to speak, and this is your third and final time on AM2580.

**RAYBOULD:** Thank you, Mr. President. I just wanted to go back to an example, and I'll do it really quickly with you. With Senator Clements, I talked about a family inheriting \$500,000. Senator Cavanaugh started to go do the math, but he forgot one really important step. So the \$500,000, if it goes to your children, there is that \$100,000 exemption. So it reduces your tax liability for inheritance tax from \$500,000 to \$400,000. You take the \$400,000 times 1% and that equals \$4,000. So the total amount your 4 children would inherit would be \$496,000. \$4,000 goes to the counties for the inheritance tax. And so then you'd have to divide it up between your 4 children. So that is one of the things I want to say. And tomorrow I'm happy to, to cover 3 topics tomorrow: unfunded mandates, the proposed lid to counties and then also give you a lot of fundamental, easy-to-see examples about what the county would get this year or next year. So one county that I wanted to talk about representing Jefferson County is some of the comments that they have been sending, sending us and that I don't think my colleagues have a chance to read. And I can tell that because we're filibustering this, the, the Chamber is virtually empty. So I hope that doesn't indicate, number one, that people's minds are already made up. And number two, they, they may not even care on, on this matter. But it is fundamental to the counties, having been a Lancaster County commissioner. This is from someone in Burwell, Nebraska, and they said: I'm opposed to LB1067 because the local revenue received from the local inheritance tax functions like a cash reserve. It is administered and spent in many different ways in all 93 counties. My argument against removing the inheritance tax from the need for local revenue is a fewer-- is a fear that property taxes

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may increase. Garfield County, I think I said Jefferson so I apologize, Garfield County has one town in the whole county, Burwell, Nebraska, home of the Nebraska big rodeo. Garfield County has a total population of under 2,000. Our county receives revenue collections from property taxes, motor vehicle taxes, occupational taxes, miscellaneous fees, state aid, etcetera. With a population so little, it only goes so far in our budget. We are fiscally responsible and are accountable for every penny. We need the inheritance tax to help supplement revenue for Garfield County and other smaller counties are in agreement with us. Many of Nebraska counties are extremely rural, with little retail activity. In these remote areas of the state, the ability to shift away from the inheritance tax towards local revenue sources, besides property tax, may be limited than in the more urban areas. This is why only reform options must weigh the impact to all counties. I hope you can see the importance to repeal this bill for the sake of county government. I am campaigning this year for reelection. I pound on doors and talk to people face to face. Not one person has complained about the inheritance tax. Constituents want the continuous services of road and infrastructure maintenance, ambulance services, law enforcement and many other services essential to our county that do not want to be cut and are thankful that we, as a small county, have these services. We try very, very hard to budget responsibly; and the inheritance tax helps us do that very thing. We strive to maintain efficient operations and I believe that there is--

**KELLY:** One minute.

**RAYBOULD:** Thank you, Mr. President. --that there is little, if any inefficiency to cut. Although LB1067 would also provide for reimbursement for state prison bud-- prisoners lodged in the county jail, we have no jail. And the County Visitors Promotion Fund from lodging tax imposed, some counties have none of those in place. The impact to the smaller counties would be devastating if the inheritance tax would be repealed. All counties need to be considered, populationwise and retail activity and by taxable sales within their jurisdiction. We as commissioners listen to our citizens and we know the everyday needs in our county. And I ask, please don't make me make the decision of mental health problem in my county that we can not make a payment to. We need both. Please do not take the inheritance tax away from counties. We need this local revenue. Thank you, Mr. President.

**KELLY:** Thank you, Senator Raybould. Senator Erdman, you are recognized to speak. Senator Hunt, you're recognized to speak.

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**HUNT:** Thank you, Mr. President. Good morning, colleagues. Good morning, Nebraskans. I have not spoken on this bill yet, and I have been listening to the conversation back and forth. I've been mostly considering the communications I have received from members in my district and constituents in my district and people who, you know, represent my county board and things like that. And we received some interesting input on inheritance tax from the Sarpy County commissioner that was sent to Omaha area senators. And he shared-- I know some numbers were shared that don't really need to be repeated, but what he said that piqued my interest mostly was he said: My challenge to any senator wanting to repeal the inheritance tax is how do you explain replacing/shifting tax revenue paid by non-Nebraska resident beneficiaries to Nebraska resident taxpayers? That is the great question. And that really gets to the bottom line of the fact that if we pass this bill, Nebraskans aren't going to actually save money in the long term, because all of the things that we are doing to have revenue in the state to provide services and have the quality of life that we believe in, in this state, that's going to have to be made up somewhere else. And it's going to hurt Nebraska residents most of all, of course. He continues: It begs the question, who would you be representing more? Please note inheritance tax is not a tax on estate. It's a tax assessed to those beneficiaries inheriting assets from the estate. He continued: I know I'm throwing a lot of numbers at you, but I would sincerely appreciate your careful consideration of the negative effect repealing the inheritance tax would have on the vast majority of property taxpayers, versus the small number of beneficiaries who are actually assessed and pay the tax. What we could talk about is taxes on wealth and assets, which is not a conversation that we're having here today. But, you know, that would be a different thing to look at certainly. What I want to rise and share today is I'm so proud today to have my brother here in the Chamber. My brother, Matt Hunt, is 4 years younger than me. We grew up close. We played a lot of video games together. I think that's mostly what we bonded over more than anything else. But he and I are very different. We both found our way, interestingly and sort of serendipitously into public service as adults. My brother joined the Navy in college, and I ended up, you know, engaging in public service through various types of volunteering and activism and advocacy and then went on, obviously, to hold public office. And so, you know, I think it's interesting that we grew up so differently and we have kind of some different values and backgrounds. But we both value the institutions in this country and in this state and, and kind of found our way into public service somehow and I think that's really interesting. But I'm so proud of my brother. He recently separated from the Navy, where he most recently served in

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the White House as part of the White House Communications Agency. And he was in IT there to the President, serving both President Trump and President Biden. And one thing he would do is go in advance for trips that the President would take and secure the hotel, secure all the communications, secure the email and phones and all of that kind of thing. And I really hope that when he gets older, he writes a tell-all memoir about everything he saw and heard because he's-- he has a very serious sense of duty. Like he would never reveal anything, even to me in private, that he wasn't allowed to say.

**KELLY:** One minute.

**HUNT:** Thank you, Mr. President. But I know that he's got a lot of interesting stories, and I just want to thank my brother publicly on the record for his service and tell him how much I look up to him and how glad I am that he's back home. Thank you.

**KELLY:** Thank you, Senator Hunt. Senator Conrad, you're recognized to speak.

**CONRAD:** Thank you, Mr. President. And, good morning again, colleagues. I definitely want to echo my friend Senator Hunt's sentiment in terms of her salute to her brother, which is well deserved. And we're glad that he's back in Nebraska and joining us on the floor today. Colleagues, in my last time, I just ran out of time on the mic, but I wanted to talk about the pragmatic lens that I'm trying to bring to this debate and ensuring that I am unafraid to take hard votes when it comes to issues related to property tax as I know I, and most of us, promised to do so on the campaign trail. I also want to talk about how the inheritance tax fits in to ensuring a more equitable approach to our overall tax burden in Nebraska, which takes into account and looks comprehensively at the tax burden on all Nebraskans from the state and local levels as well. And I think a straight elimination thereof will exacerbate existing inequities. I also want to make sure to put down a marker in this debate, because I know we have a lot of additional revenue and tax proposals before us this session, that we should rightly and robustly debate. But I want to have a clear understanding from those in leadership, in the majority of the body about what is the overall vision. What is the overall vision when it comes to ensuring that we have requisite revenues to carry out critical obligations in state and local government, wherein we have seen significant tax cut over significant tax cut year over year over year that primarily benefit the biggest corporations and the wealthiest Nebraskans? And there seems to be no end in sight. So my question is what, what is the vision? I commend my friend Senator Erdman, even

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though I disagree with the approach. He has set forward a comprehensive vision about tax and revenue policy in Nebraska. But when it comes to all of these other pieces, I have yet to fully hear or understand or appreciate what the administration's position is, what the Revenue Committee's position is for our overall vision, to ensure we have appropriate levels of revenue that are levied in an equitable manner, to ensure that we can fund our great public schools and our critical infrastructure and our natural resources needs and our economic development needs and our healthcare needs in this state because I think we, we need to have a clearer sense of that instead of this piecemeal approach. The other primary objective that I've heard from supporters of this measure is that we, we have to eliminate the inheritance tax no matter what, at all costs, because it dings us on national rankings. Friends, that's fair to bring in as a point in the debate, but I don't think the conversation should end there. And I think it's also important when we lift up comparative analysis for how issues like this play out in our sister states that we have an understanding about their overall revenue structures. Many of our sister states have a more progressive approach to state and local tax burden. Many of our sister states have different revenue streams available to them that lessen reliance on things like property tax and--

**KELLY:** One minute.

**CONRAD:** Thank you, Mr. President. --and removal of the inheritance tax would only exacerbate. Other states have increased revenues because of legalization of marijuana or more sensible approach to drug policy that brings in additional revenue. They may bring in more tourism revenue. They may have more oil and gas and mineral and natural resources. So I think that, again, it's fair to bring in kind of a, a comparative analysis for what the inheritance or estate taxes look like across the country. But we need to be very thoughtful and ask follow-up questions about how other states that have removed this have approached that and how that impacted their bottom line. I think there is a great deal of energy and movement amongst members to see some sort of changes to the inheritance tax. But to figure out how to blunt the impact--

**KELLY:** That's your time.

**CONRAD:** --to the county level. And thank you, Mr. President.

**KELLY:** Thank you, Senator Conrad. Senator Riepe announces some guests in the north balcony. Students from the Wildewood Elementary in

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Ralston, Nebraska. Please stand and be recognized by your Nebraska Legislature. Senator McDonnell, you're recognized to speak.

**McDONNELL:** Thank you, Mr. President. Colleagues, as I said earlier, I was going to hand out a couple different documents. And that's based on where we were in 2017 and where we were at the end of, of 2022. So again, back to the, the discussion and why I'm in favor of LB1067, but also, why am I in favor of making sure that the counties have that, those outside of this bill, make sure that those unfunded mandates that they've been given over the years are funded by the state. And I think if we look at that idea of the, the, state, state prisoners are being held at the county level, the idea of those sheriffs that are guarding on all 93 counties, those judges and all of our citizens that are going through that courthouse, I think that is something. And I did introduce that amendment. It's with the Clerk right now. We will be discussing it as we go further into this in the next few days. So I will yield the remainder of my time to Senator Clements.

**KELLY:** Thank you, Senator McDonnell. Senator Clements, you have 3 minutes, 35 seconds.

**CLEMENTS:** Thank you, Mr. Chairman. Thank you, Senator McDonnell. Well, I want to just let you know that I am working on finding some revenue replacement, and I think it's reasonable to-- for the state, like I did with the county jail proposal. And I think Senator McDonnell and Senator Wayne are also looking into some more of the corrections expenses of the counties. I think we'll be hearing from them as well. The main thing I'm still trying to do is to preserve Nebraska's population, especially people who have assets that are of wanting to move out of Nebraska. And the other point, the, the data that I have shows that about 12,000 estates are processed in a calendar year. And those 12,000 people are paying \$74, maybe \$80 million worth of tax. And they're not-- I think 40% of them might be out of state. And there are people who are not using the services. I prefer to have people pay for the services they're using, and we have a very small number of people using a few services paying for maybe 10% of, 8% of the counties' budgets. And so I am just really seeing it as a fairness issue. That's why I like Game and Parks has a fee to go enjoy the park. That's fine. You pay a fee. Well, we got a million, million eight population here that's using all the county services, and we have 12,000 people per year that are using a few, but not nearly what everybody else is getting to use. And so that's why I think it's important for those of us who are using county services to pay for them and not put it on--



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**KELLY:** One minute.

**CLEMENTS:** --other people. It's a redistribution of wealth situation. And the, the assets that are being taxed by inheritance tax have been taxed real estate every year with property tax and income tax on other-- on the other assets. So I am looking to eliminate this double tax and also attract people to stay in Nebraska. Thank you, Mr. President.

**KELLY:** Thank you, Senator Clements. Mr. Clerk, for items.

**CLERK:** Mr. President, your Committee on General Affairs, chaired by Senator Lowe, reports LB875 to General File with committee amendments. Additionally, your Committee on Judiciary, chaired by Senator Wayne, reports LB175, LB870, LB1115, LB1312 to General File, all having committee amendments. Amendments to be printed: Senator McDonnell to LB1067. Name adds: Senator DeBoer to LB175; Senator Conrad to LB946. Notice that the Appropriations Committee will have an Executive Session, Room 10-- 1003 today at 1:30; Exec Session Appropriations, Room 1003 at 1:30. The Transportation and Telecommunications Committee will have an Exec Session immediately following the public hearings today in Room 1202; Transportation and Telecommunications Exec Session following the public hearing in Room 1202. Finally, Mr. President, a priority motion. Senator Lippincott would move to adjourn the body until Wednesday, February 28, 2024, at 9:00 a.m.

**KELLY:** Members, you've heard the motion to adjourn. All those in favor say aye. All those opposed say nay. We are adjourned.