

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 15, 2023

Rough Draft

**LINEHAN:** [RECORDER MALFUNCTION] pick up bills in the order they're posted outside the hearing room. Our hearing today is part of your public, your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. We do ask that you limit or eliminate handouts. If you are unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website 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. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska's Legislature's website to submit written, written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off your cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutrals 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 a 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. We will use the light system. You will have 4 minutes on green and one minute on yellow. And then, you need to wrap up. If your remarks were reflected in previous testimony or 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 microphones so our transcribers are able to hear your testimony clearly. I will introduce committee staff. To my immediate left is research analyst, Charles Hamilton. To my far left at the end of the table is committee clerk, Tomas Weekly. And now, I'd like the senators to introduce themselves, starting at my far right.

**KAUTH:** Kathleen Kauth, LD 31, Millard.

**MURMAN:** Senator David Murman, District 38, Glenvil.

**von GILLERN:** Brad von Gillern, District 4, west Omaha and Elkhorn.

**BRIESE:** Tom Briese, District 41. Welcome.

**ALBRECHT:** Joni Albrecht, District 17.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**DUNGAN:** George Dungan, District 26, northeast Lincoln.

**LINEHAN:** And the pages, if they could stand up, please. So we have Caitlyn, who is at UNL, a junior in political science. And we have someone new today. Is it-- say your first name. Landon, who is a UNL-- at UNL, as well, a senior in political science and history. Thank you. Please remember that senators may come and go during our hearing, as they have bills to introduce and 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 a critical part of our state government. And I am sorry we are late, Senator Wayne. We had Exec Committee that ran over.

**WAYNE:** It's OK. And I'm not in Judiciary, so it's a positive.

**LINEHAN:** So you want to talk really slow [INAUDIBLE] a lot of questions. OK, So we open the hearing on LB235.

**WAYNE:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I first, just want to take a brief second. I represent District 13, which is north Omaha and northeast Douglas County. The first one is-- what I'm handing out is going to be actually used in both this bill and the next bill. I just want to give a brief history because I am thankful for this committee, particularly Senator Linehan, Briese and Senator Albrecht, who's been on this committee and who helped, I think, great strides in north Omaha, as far as economic development that has come from this committee. First bill-- well, not one of the-- one of the first bills was LB544, two years ago. It was a tax credit for Urban Redevelopment Act. And that's where we started the conversation. And we passed that bill. It's an \$8 million cap. But I came to this committee and handed out big pieces of paper, the maps showing 24th Street, 30th Street and the individual lots and the lack of economic development because of ImagiNE and those kind of acts applied to such big organizations that left out small businesses. And the Urban Redevelopment Act allows for \$50,000-- up to a \$50,000 tax credit for small businesses who are trying to develop those individual lots. That has been taken advantage of and we are seeing some economic development. I also want to thank this committee on LB1107. Although I wasn't in favor of it, we did work out a partial agreement around

incentives that are in economic redevelopment areas. Again, it's the same coin that we use the term that we use, and we also put some extra incentives around extremely blighted. That also targets the same area that you'll see in these maps. Now, what this first bill does today, is it tweaks the Imagine Act for those who are located within a qualified economic redevelopment area. And there are some across the state. South Sioux City has one, Hastings has one. But the majority of the biggest ones are in Omaha, particularly around the area that we're focusing in on. And the one thing I learned quickly, we put in a child care tax credit for an incentive, but that child care facility had to be located on or headquarter on their physical location. What we quickly found out, through conversations, whether it be Lozier's, Airlite Plastic or any of the other organizations around the airport park or the airport area and so, I know this is not allowed props, but I'm just going to tell you. So above Abbott Drive and anywhere, actually, above-- well, this is called Storage Parkway, right about the blue line. You'll notice these property lines and there are manufacturers there, who want to do upgrades and also want to do a child care facility, but you can't get that credit on the Imagine, unless it's truly on their facility. And we have a lot of third shifts, second shifts and first shifts parents who are getting good parent-- paying jobs, but have no daycares around this facility. So what I would like to do underneath LB235, is allow that same tax credit to be used, in our hardest hit economic areas, for child care facilities that are created around the-- or in these areas that are within one mile from that company. So if Airlite Plastic or Lozier's and no, I haven't talked to them to use their name, I'm just using big employers-- decided they wanted to upgrade a facility, expand the facility and they were going to bring however many more jobs to qualified Imagine, they could also work with a local or, or start a local daycare within this same ERA and pay for their individual employees to go there and still receive the same kind of tax credit. For those who don't know, an economic redevelopment area is 100-- at least 150 percent poverty-- average unemployment rate and at least 20 percent poverty. So it's really one of our hardest hit areas. And so, as we look at the Lamp study and I'm going to walk through this on both, so maybe I'll just say at once here. Lamp study was the key behind LB1024 last year. And on the second page, you'll see the kind of area that is marked out. The money we set aside, the \$65 million and this year, Senator McKinney's amendment is asking for an additional \$35 million, is that highlighted is white-yellow area. It's one parcel of land. It's 65 acres. And Senator or Governor Ricketts, at the time, didn't want to have to worry about relocating anybody in

the northern part, so we keyed in on this area being the area we could help develop. The second phase of that is the bigger map you see here, which is airport park, too, of the other area that we are seeking to develop. And that'll be the next bill we're going to talk about, but I just wanted to give you context. So if you look around this area, again, on either map, you see that there's a lot of land lot that companies already own. And the only way we're going to grow these companies, if you look at every major headquarters now, there is a daycare either on site or near. Well, we need these companies to be able to compete, at least in north Omaha, by providing that same kind of daycare service and getting the same tax credit that they would get out in Sarpy County, if they were to build it on their physical headquarter location. So we limit it to one mile. I'm willing to limit it to a half a mile. But the key is for these companies to not-- either go out and work with current daycares or build their own, but they just can't do it on the land that they have today, because they're already tapped out. So we're trying to figure out how to create that. The second benefit to this is, if you talk to these individual businesses, one of the biggest problems we have when it comes to employment wages is you start off maybe, at one of these companies, making 15 bucks an hour. You get your first promotion, you actually lose your child care because you make too much. So we literally have-- if you were to talk to these companies who are in this light manufacturing space, we are having people turn down raises and turn down jobs because the amount that they make on the back end from their raise doesn't cover their child care. Well, this would offer that employee an additional benefit by their owner, their employer, being able to help provide some of that child care. And again, outside of these economic redevelopment areas, there's usually land in this development where they're already building a childcare facility on their land. But when it comes to east Omaha, downtown South Sioux City and downtown Hastings, there really isn't the same opportunity to acquire land and, and, and build those facilities for their employees. So that's the intent of LB235, is to allow these companies to have the same breaks that they would if they built a new headquarters in western Omaha or Sarpy County. And with that, I will answer any questions.

**LINEHAN:** Are there questions? Senator Kauth. Senator Kauth.

**KAUTH:** Thank you, Chair Linehan. Are there child care centers around in that area now or are there plans for them to be.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**WAYNE:** No. There's only one at the school. I can give you the location. It's the one that has 3-2-- on the left side of the box, you have like 9-2-7.

**KAUTH:** Which map?

**WAYNE:** On this map on-- the little red house, right there? That's actually a community center. And next to it is a school. And that is the only childcare facility that is by that area and it's an after school program. And that's part of the reason why Airlite Plastic and Lozier's and I can't think of them, big company down there right now that does equipment-- Modern Equipment, have been trying to figure out how to build a daycare. And that's kind of what made this pop up, is they were applying for Imagine, but they couldn't qualify underneath there, because they couldn't put it on their site.

**KAUTH:** Is there space in that, because it's just a one-mile radius, is there space to put one? OK.

**WAYNE:** There's, there's plenty of--

**KAUTH:** Empty or open.

**WAYNE:** --empty or smaller lots that could be developed. But they're, they're small-- too small for a, a new manufacturer or a new extension of their warehouse. It's just not big enough for that, but it'd be good for a daycare. But they aren't contiguous to their land. So let's say Airlite Plastic wants to buy the land-- I don't know-- the big triangle between Lindbergh and Abbott Drive and they want to put a daycare there. Because it's not contiguous on their headquarters, they wouldn't qualify under Imagine. That's the problem.

**KAUTH:** Thank you.

**LINEHAN:** I'm sorry. Thank you, Senator Kauth. Are there other questions from the committee? Senator von Gillern.

**von GILLERN:** I want to make sure, I think I heard you correctly. Are some of those companies talking about joint-- joint venturing would be a business term, but just trying to jointly develop a daycare to serve more than one organization?

**WAYNE:** I cannot confirm or deny that.

**von GILLERN:** OK.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**WAYNE:** There's just been conversations.

**von GILLERN:** If, if they were--

**WAYNE:** If this were to-- if this--

**von GILLERN:** if they were, they would still comply with, with the way that you have drafted the bill.

**WAYNE:** --correct.

**von GILLERN:** OK. All right. That's probably a more appropriate question. All right. Thank you.

**LINEHAN:** Thank you, Senator von Gillern. Senator Wayne, could you explain for us that aren't as familiar-- I mean, I know where Airlite Plastics is, but I'm having a hard time with the maps. So which one is Airlite Plastics?

**WAYNE:** Airlite Plastic is the one directly north. Yeah, the one directly north. And then, to the west of that is another facility and then, Lozier's is to the left of that. Am I right? No.

**LINEHAN:** So these two.

**WAYNE:** No, no, no. Lozier's is to the directly north. Yeah.

**LINEHAN:** The top is north, right?

**WAYNE:** Yeah. Top is north.

**LINEHAN:** And what school is this, this little red?

**WAYNE:** That is Sherman Elementary School. That has the highest homeless in the, in the state and have some of the best scores.

**LINEHAN:** Is it because it's close to the homeless shelter?

**WAYNE:** Correct. They are bussed from both homeless shelters downtown.

**LINEHAN:** Are there questions from the committee? Is there a fiscal note on your bill?

**WAYNE:** It's like, well, kind of. Not, not really. No basis to disagree. There was no impact, supposedly, under Imagine. And I-- part of the reason is, I think, it's because you currently can't qualify.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

So how can you quantify who would be able to qualify, if they want to do a daycare? Because everybody knows right now you don't qualify, so they don't, they don't ask for it.

**LINEHAN:** But you're saying if you build a daycare in your facility, it qualifies for ImagiNE?

**WAYNE:** Correct. We added that for the 3rd District. They wanted to do daycare or they had a hard time establishing daycares. And so we put it, part of the incentive, that if they build it and it's on their headquarter property, that they get a tax credit for, for that and the cost of sending the kids to the daycare.

**LINEHAN:** And yours is if it's within a mile. Same thing.

**WAYNE:** Within a mile of an economic redevelopment area. And there's only like 14 in the state and they're small.

**LINEHAN:** Senator Briese.

**BRIESE:** Thank you, Chair. Thank you, Senator Wayne, for this. The current language limits to-- limit it to daycares at the qualified location. Was there a reason for doing that or is that an oversight? What's the purpose of that language?

**WAYNE:** Well, the purpose was, if I recall, there was conversations in Seward and not Ogallala, somewhere west of there, where there were manufacturers who were trying to help the community by building a daycare and they wanted to be able to qualify. And the only way we could limit it was to put it on their facility so they weren't building a daycare all the way across town, or-- and that may or may not benefit the corporation. So we limit it to the qualified location, which was their headquarter, their property. Which is fine if you have it, but east Omaha, they don't have extra property to do it, so we'd have to literally buy it somewhere else, most likely.

**BRIESE:** OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Senator Murman.

**MURMAN:** I assume part of the intent, intent of having a daycare in the facility is so that the parents can have more access to their children and monitor their children if necessary, too.

**WAYNE:** Correct.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**MURMAN:** And I, I do like the fact that with-- it's within one mile. So parents would still have pretty good access--

**WAYNE:** Right.

**MURMAN:** --to their children.

**WAYNE:** And we're willing to go to a half a mile if it's a, if it's a big concern. I didn't want to get into the 600 yard defeat, defeat debate because I-- it gets tied up with other other issues. So we just picked one mile, but we, we could do anything. We just-- trying to figure out how to help in this area. And again, this would apply to 24th Street, 30th Street. It wouldn't apply, really, in my district. I don't have a ERA, except for in this little area down by the airport.

**LINEHAN:** Is that the hook, in your district?

**WAYNE:** Yeah. The Hook.

**LINEHAN:** I'm sorry, Senator Murman. Did you have more questions?

**MURMAN:** Yeah. No, that's it.

**LINEHAN:** Are there other questions? So going back to the \$15 an hour and then they get a raise and then they lose their subsidy from the, from the state or federal government or whoever, because-- what is that income limit? You can--

**WAYNE:** I can get you that. It's-- I can get you that. Part of it has changed. I think there's a bill on it right now, so there's a, a-- I got to figure out what it is right now. We changed it.

**LINEHAN:** Well, we got another bill that we just execed on this morning that would-- might have some interlocking effect. I'm not sure.

**WAYNE:** But for me, it's one way to help with the cliff effect in some capacity. But it's also one of the biggest reasons why I think employers are having a hard time with that second and third shift is there's no daycares near or around any of these facilities.

**LINEHAN:** Would these daycares be open for second and third shifts?

**WAYNE:** Yeah. You could add that, you could add that to the bill. I don't hear like, yeah. We can make it a requirement.

**LINEHAN:** Well, I'm just-- because that is a problem for families.



Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**WAYNE:** Correct.

**LINEHAN:** You, you got-- so what usually happens, one works day and if they're lucky enough to have two parents, you can change shifts but.

**WAYNE:** Correct. And most of the, most of the daycares that are second and third shifts right now, in east Omaha, are out of people's homes. And so, having, maybe, a quality-- I ain't saying they're not high quality, I think they are. But having a different option might be good for them, too. And as we continue to grow this area, there's just going to be a need for it. So.

**LINEHAN:** OK. Any other questions? OK. Did you round up a bunch of testifiers?

**WAYNE:** Most of my successful bills don't have any testifiers, because usually, they say something to get me in trouble.

**LINEHAN:** Do we have any proponents? Do we have any opponents? Anyone wanting to testify in the neutral position? Would you like to close?

**WAYNE:** I'll waive closing.

**LINEHAN:** OK. We waive-- welcome Senator--

**WAYNE:** Let's just say I think I--

**LINEHAN:** --Wayne, will open on--

**WAYNE:** --I think I had, I think I had a testifier, but that might have changed over the course of the debate.

**LINEHAN:** --LB350.

**WAYNE:** I'll tell you about it one day. Thank you, Chairwoman Linehan and members of the Revenue Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is north Omaha in northeast Douglas County. So again, I want to thank everybody for what they've done previously, especially with LB1024. And so, as, as we started going through and focusing in on the Airport Park District and the innovation hub, we quickly noticed that we need to make sure that it isn't just foundations. We need a private sector buy-in as we continue to develop. So I began to look at different tax credits to help the private sector engage in the development of-- of economic development. And LB350 will create a pioneer economic

development tax credit. This credit will be used for contributions to qualifying organizations, a list of eligible organizations and donations that qualify will be created and maintained by the Department of Economic Development. But what this does is it creates a tax credit to help local, growing businesses get resources they need. The bill incentivizes donations by creating an income tax credit up to 50 percent of the amount donated. This tax credit can be carried forward up to five years until the donor decides to use it. The Department of Economic Development determines that organizations and companies eligible for the program by verifying that it is a-- it fit underneath one of these categories. The organization must be identified as an iHub underneath the Nebraska Innovation Act, Senator McKinney's LB50-- LB450 of last year we passed or that the organization be designated as a community development institution. This is a selected, a selected list. And in order to be designated as such, you must receive certification by the U.S. Department of Treasury and must be eligible to receive funding from a community development institution fund. They operate our CDFI. This-- these are not just donations that can be given for anything. They have to be used for specific purposes: a project to make a site ready for industrial development is one and it must be owned by the qualifying organization; a project for construction for intermodal facility at a site owned by a qualifying organization; a construction of a sports facility or stadium that is owned by a qualifying organization; a project to provide funding for the creation and operation of accelerator programs for technology. Accelerator programs cannot last more than two years and have to have defined curriculum and mentorship components; and a project that is funded and supported by underrepresented communities that are located within a specific area and have fewer than 10 employees. And the revenue must be less than \$500,000. Again, we are focusing on small businesses for economic development purposes. The bill caps this at \$50 million per year. So I tried to limit it a little bit. And I got this basis from the Alabama-- Grow Alabama incentive. Again, the purpose of this, when you look at this development and I laid out what the Lamp [INAUDIBLE] study said it would take to do the whole thing, which, back then, was around \$131 million to get everything site ready and shovel ready. That's now grown to a little bit over \$200 million for the northern part, this big blue part. And we believe that we need to create and get more corporate buy-in to help build the rest of this out and raise capital to do so. And we look at the Pioneer tax credit as the ability to do so. If you recall, last year, I brought a bill to, to toy with the Community Financing Act, which applies to rural Nebraska. And what

it does is allow for rural projects to start and donors can donate to it and get a tax credit. So I just took that idea and I applied it to the Pioneer tax credit, broadened it a little bit. But at the same time, this is for the corporate community who wants to put in or individual community who wants to put in, whereas right now, I believe, in north Omaha, we are relying too much on the philanthropic community to do our economic development. So this gives us the ability and the leverage to start having conversations with corporations, that they get a tax break to develop in their own communities. So again, this is more about corporate engagement, this is about economic development and it's about creating an innovation hub zone, where we can help innovate and provide a different skill set for our community. I've said this multiple times to this committee. I think we cannot close the wealth gap alone, through just education. We have to start businesses and we have to have homeownership. By investing in a business and getting equity in a business, you are building wealth. By investing in a home and getting ownership in a home, you are building wealth. And again, this committee passed a first homeowner-- homebuyer tax credits for economic redevelopment areas. So we did that. And this is my attempt to do the same thing on the corporate side, by creating more economic incentives for key areas and our porous areas across the state to make some changes. And with that, I will answer any questions.

**LINEHAN:** Questions from the committee? OK. How come-- how can you get a fiscal note-- you have a tag-- limit it at \$50 million and every time I've [INAUDIBLE] the bill, it says it will be \$50 million. How come your fiscal note says it's going to be less than a million?

**WAYNE:** I think the Fiscal Office read the huge impact this is going to have and they want to make sure we pass this bill. So, yeah. I, I read that, too. Usually when I do an \$8 million cap, the fiscal note is \$8 million. Right? So, I don't know.

**LINEHAN:** They don't think it's going to work.

**WAYNE:** Maybe they don't. In Alabama, that was part of how, just on an anecdotal note on Alabama, that is how they raised money for a space command, through a very similar one. And it was only limited to, I think, theirs is capped at \$50 million. But they actually maxed that out on two projects for air-- Air Force Space Command, which that community raised a little over \$100 million from the private sector to bring them in. And that's kind of where I went with this one, because

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

it seemed to have the most relevant data of working in communities where they needed incentives and economic development.

**LINEHAN:** OK. Senator Dungan.

**DUNGAN:** Thank you, Chair Linehan. You might have said this in your opening and I apologize if I missed it, but how many iHubs currently exist?

**WAYNE:** None. DED has yet to put out the application. I think-- Senator McKinney has been talking about limiting to congressional districts, so we don't have 45 different iHubs. But what we have done to control spending, from the state level, is we have limit all the dollars for a iHub to be within two miles of the airport. So we're really trying to create this innovation. And if you don't know what an innovation hub is, for every dollar you invest in an innovation hub, that's done correctly-- a caveat with that-- you get \$23 on return. And for every innovator you bring to the-- to this district, the multiplier is by four, of economic development. And on usually, the innovators' average job is \$100,000. That's not me talking. I can get you all the studies on it. If you look at Cambridge, what, what Boston has done around that area. Saint Louis just announced that they are creating over 20,000 square feet of wet lab space, believe it or not. In the state of Nebraska, we only have 7,500, of which most is downtown at our-- Lincoln, in our innovation hub. And there's no businesses by there, so it hasn't quite taken off like it should have. But just wet lab space alone, there are 149 companies inside the University system who are looking for space just to be able to operate, for their startups. So we see this as a huge economic opportunity.

**DUNGAN:** Thank you.

**LINEHAN:** Thank you, Senator Dungan. Are there other questions from the committee? Seeing none, thank you very much. Are there proponents? Are there any opponents? Does anyone want to testify in the neutral position? Senator Wayne waives closing.

**WAYNE:** Thank you.

**LINEHAN:** Senator Wayne.

**WAYNE:** Consent calendar. Appreciate it.

**LINEHAN:** And we'll open the hearing on LB185. Good afternoon, Senator Cavanaugh.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 15, 2023

Rough Draft

**J. CAVANAUGH:** Good afternoon. Chair Lenihan and members of the Revenue Committee. My name is John-- Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h, and I represent the 9th Legislative District in midtown Omaha. And I'm here to present LB185, which would provide for \$500 million in tax rebate checks to eligible Nebraskans. I brought LB185 as an alternative option for the, the Revenue Committee and the Legislature to consider in discussing taxes. Nebraska has an unprecedented surplus right now and returning the money to taxpayers is appropriate. LB185 would give a one-time tax rebate to Nebraska taxpayers as an alternative to more permanent tax cuts, on top of the tax cuts this body has already passed. My fear is that with term limits, with policy-- politics being the way they are and the incentives are not there to, to look longer term than to the next election, The Legislature passed a historic amount of property tax credits in 2020 and then increased those amounts in 2021 and 2022, with a plan to increase again in 2023. The Legislature cut corporate income tax in 2021, cut them further in 2022, and the Governor is propose-- proposing even further cuts in 2023. And I'm not a betting man, but I would wager that there'll be further proposed tax cuts in 2024. I'm not going to take up too much of your time on this bill. This is an idea that came up during the debate on a tax cut package last year. And I brought the bill to continue that discussion and to provide the committee with some alternative proposals. I ask for your support for LB185, and I'd be happy to take any questions.

**LINEHAN:** Thank you, Senator Cavanaugh. Are there questions from the committee? Will you just divide it up equally to every Nebraskan?

**J. CAVANAUGH:** Well, every taxpayer, yeah.

**LINEHAN:** Every taxpayer. So every taxpayer would get the same amount?

**J. CAVANAUGH:** Yes, yes.

**LINEHAN:** So if you paid \$100 in taxes, you would get the same amount back as if you paid \$1,000 in taxes?

**J. CAVANAUGH:** Yeah or, or a million or \$500,000.

**LINEHAN:** So what would, what would be the average check that would go to a taxpayer?

**J. CAVANAUGH:** That is a good question. I've been saying about \$400, but we'd have to really look at that math. And of course, I mean, I'm open to-- this is just like a starting point to give you guys the

option of what to do and put it in, kind of, the hopper as something you could do. If, in the infinite wisdom of this committee, you decided to implement it in any number of other ways that may be better, I'd be happy to be part of that conversation or, or help out.

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

**J. CAVANAUGH:** Thank you.

**LINEHAN:** Are there proponents?

**JOEY ADLER RUANE:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Joey Adler Ruane, J-o-e-y A-d-l-e-r R-u-a-n-e, with OpenSky Policy Institute. We're in support of LB185 because it would provide for an immediate return to Nebraska's current general-- to-- for an immediate return of Nebraska's current General Fund surplus to residents, without altering the state's income tax structure, which, we believe, is a more prudent use of the funds the state has at its disposal, particularly given current economic uncertainty and high inflation. Other states have also taken this idea up and would provide a more substantial benefit to the state's hard working families than they'd get under other income tax cuts proposed this session. LB185 would be the simplest and quickest way to return the state's current surplus to its residents. The bill would send around \$250 to each resident, including children and get the money into people's pockets fast. This has been a stated goal of several senators in response to the state's current finances. We believe this bill provides the best mechanism to return these funds to Nebraskans. We also support LB185 because it wouldn't leverage our temporary fiscal situation to make permanent changes to the state's tax code. We just began rationing down the state's top individual and corporate income tax rates and the bill would immediately return excess funds to residents without jeopardizing future services. Other states, including at least eight this year, have debated sending their surpluses back to residents via refunds. The trend started during the pandemic as states were awash with unexpected budget windfalls. Nebraska would certainly not be alone in issuing refunds with these extraordinary funds. Finally, people in the state, particularly low- and middle-income Nebraskans, have been hit hard by inflation and general economic uncertainty. LB185 would provide hardworking Nebraska families with an immediate and meaningful reprieve. For example, a family of four in Nebraska earning the median wage would receive about \$1,000 under LB185. But that same family would only see about \$50

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

under a 3.9 percent-- 3.99 percent top rate. We believe LB185 is the simple and fairest way to return the surplus to Nebraska families and will do so in a way that won't jeopardize state services in the future. It's for these reasons we support LB185. Thank you.

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

**KAUTH:** Thank you, Chair Linehan. So why would you give money back to children who may or may not be creating income--

**JOEY ADLER RUANE:** Sure. That--

**KAUTH:** --especially since they are claimed on their parent's taxes?

**JOEY ADLER RUANE:** --right. I think the thought process behind that was that since they also have expenses that come with having a child, it might be a good idea to give some money back to the family for that child.

**KAUTH:** OK. Thank you.

**LINEHAN:** Thank you, Senator Kauth. Are there other questions from the committee? Senator von Gillern.

**von GILLERN:** Thank you for your testimony. The, the other states that have done this, did they include children and--

**JOEY ADLER RUANE:** I do not know off the top of my head, but I can let-- I can figure that out for you and let you know.

**von GILLERN:** OK. All right. Thank you.

**LINEHAN:** Thank you, Senator von Gillern. You said that eight states are discussing or did you say eight states have done it?

**JOEY ADLER RUANE:** They're debating sending it back [INAUDIBLE].

**LINEHAN:** So nobody, nobody has passed a bill that does this.

**JOEY ADLER RUANE:** Let me make sure that-- I don't have that for sure. But I will let you know where the other states have gone. I think when we started writing this testimony, they hadn't yet. But that doesn't mean that they haven't acted so far. So I will double check.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**LINEHAN:** But you-- right now, you don't know of any state who's actually passed this?

**JOEY ADLER RUANE:** Uh-uh.

**LINEHAN:** OK. And you said, how much-- is it per person?

**JOEY ADLER RUANE:** Our general idea was that it would be about \$250 to each resident, including children. So a family of four would get \$1,000.

**LINEHAN:** Including people that don't pay income taxes?

**JOEY ADLER RUANE:** Uh, no. It would just be people that pay taxes.

**LINEHAN:** But it's not, because children don't pay tax.

**JOEY ADLER RUANE:** Yeah, I think our-- the-- I think the belief was that if their parents paid for it and were claimed, if that makes sense. I'm-- I think it was-- we could definitely revisit that and come back with something else if you-- if it was too complicated to do it like that.

**LINEHAN:** OK. Thank you. Any other questions? Seeing none, thank you very much.

**JOEY ADLER RUANE:** Thank you.

**LINEHAN:** Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position?

**J. CAVANAUGH:** I beat Senator Wayne's record, I think. Thank you, Chair Linehan, and thank you for the, the questions. And, and I should clarify, I apologize. So it's-- it goes to tax filers, but including for dependents. And so, as a testifier said, it was-- it would include children and it would go-- the way it's written currently, it would be a check would go to whoever filed the taxes. So me, being somebody who files taxes with four dependents, under this-- under that math, we would get a check for \$1,250 or no, \$1,500. And part of that is-- and, and it would be for filers. So you are correct when you say that it-- I think if you-- somebody who-- a lot of people who file taxes that don't actually pay and they just get back the rebate, this would be in that same category. And one of the motivations for that is, of course, economic stimulus. Putting money in the people's hands puts that back into the economy and it gets-- creates further economic stimulus,



Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

which we did see as a result of the federal investment in the last couple of years. I would point out, just in my research, I saw 17 states did this last year. And they had, to Senator von Gillern's question, lots of different variations, different amounts for children and different amounts for parents, some of them just for the, the filer. And some of them, I think, did it as we're suggesting here, which is just a straight check. Some of them did do it, you know, as that kind of a deduction.

**LINEHAN:** You know of 17 states that have actually done it?

**J. CAVANAUGH:** Did it previous-- last year, which, of course, we're, we're not talking about the same climate that we were talking about a year ago, of course, with COVID and things like that. And this was-- it started out as a suggestion, if Senator-- I know Senator Linehan recalls my suggestion, as part of a, kind of, a COVID stimulus on the national level, trickling down to the states and states doing it as a stimulus project. But I'm proposing it in the same vein, that it serves both the stimulus possibility, but also to return the excess tax dollars that we've collected to the citizens in Nebraska, in a different approach than a specific tax cut on the tax rate.

**LINEHAN:** Thank you. Senator von Gillern.

**von GILLERN:** I'll phrase this in the form of the question. How does this not simply fall under the category of wealth redistribution?

**J. CAVANAUGH:** How does it not fall into the categories of wealth distribution? So you mean, is it giving money--

**von GILLERN:** When, when, when it's a, when it's a disproportionate refund of taxes that were not paid in by an individual, that were paid in by other individuals that are being distributed on a broad basis?

**J. CAVANAUGH:** What's it-- first, we do this already with a number of other mechanisms, where we're-- people are actually getting more money back than they're putting in. And we do that for-- basically, for that exact purpose. It is, it is an economic stimulus, But it's-- those-- when you give money to people who are on the lower-- and, and they're going to spend that money and put it back into the economy and that's going to stimulate the economy overall. So, I mean, in the most, I guess, pure sense, it, it would probably qualify as that. Yeah.

**von GILLERN:** Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**LINEHAN:** Thank you, Senator von Gillern. Senator Dungan.

**DUNGAN:** Thank you, Chair Linehan. I might be getting too in the weeds here and I apologize. So if these checks go out and then, just sit in a mailbox and aren't claimed, would that money just then stay in the General Fund until it is utilized elsewhere? Because, I imagine, a lot of people who don't check their mail, don't have mailboxes, that are the same as when they filed their thing. So if this goes out in checks, what happens to that unclaimed money?

**J. CAVANAUGH:** That is a really good question. I don't have the answer to that. I would say that there is a mechanism by which people can file a form if they don't receive the check. So I think that, that may be a consideration. You know, I suppose there's the hope that if people know that there's a check for \$1,000 coming to their house, they're going to be on the lookout for it. But yeah, that may be a consideration. That might be a question that if we did go this method, they would have to speak with the department about how they address similar issues. I mean, I know you have the-- what is it-- lost and unclaimed property program through the department-- the Treasurer's Office. And I think money like this sometimes ends up there if people don't claim it after a certain amount of time.

**DUNGAN:** Thank you.

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

**J. CAVANAUGH:** Thank you for the conversation.

**LINEHAN:** Thank you. So we close-- oh, have we got letters for the record?

**TOMAS WEEKLY:** Yes. I thought maybe [INAUDIBLE]. You have it there, though.

**LINEHAN:** Oh. They're just not [INAUDIBLE]. OK. 36. 350-- so on 350, that was the one we just did, right?

**CHARLES HAMILTON:** That was the one [INAUDIBLE].

**LINEHAN:** Oh, OK. Well we'll have to-- we had an opponent, so we'll have to put that in the record. OK. I'm sorry. We didn't have any on-- what's the one that we just did? LB350, right? Not LB350.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**CHARLES HAMILTON:** LB185 is the one we just did.

**LINEHAN:** OK. So.

**CHARLES HAMILTON:** [INAUDIBLE] LB185.

**LINEHAN:** Hi.

**DeBOER:** Good afternoon, Chair Linehan.

**LINEHAN:** So now we'll open the hearing on LB36. Welcome, Senator DeBoer.

**DeBOER:** Thank you. This is my first time this year here. So good afternoon, Chair Linehan, members of the Revenue Committee. I think it's my first time this year. 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 appear to you-- before you today to introduce LB36, which would reduce the third income tax bracket from its current rate of 5.1 percent to 4.1 percent, over a course of time between now and 2027. I have a very excellent introduction that was written for me to read to you by my assistant. And he did a great job, Brian did, but I'm going to go off the cuff now. So sorry about that, Brian.

**LINEHAN:** It's really not a waste of time.

**DeBOER:** So last year, as you'll recall, when we had our income tax package, we moved the top rate down, but the second top rate stayed in the same place. My interest is keeping a relative distance between the top rate and the second top rate and that is why I've introduced this bill. But I understand that we may have capacity to raise the entire tax-- income tax system down more, so then a specific number wouldn't make sense. I'm not suggesting that I am married to 4.1 percent as some sort of absolute percentage that I'm interested in here. The reason I brought this bill is because I believe in keeping a progressive tax structure and not building too much regressivity into our tax structure. So my interest is keeping the top bracket and the second bracket at a distance, because we recognize that folks who are in that top bracket have a different income situation than those who are in the middle bracket. Obviously, the person who goes \$1 into the next bracket is very similar to the one who's one short of it, and that's why we have these marginal tax rates. So to tell you what I'm talking about here, this would be the tax bracket that would affect those who, if married and filing jointly, would be between about \$50,000 and \$74,000. So it's that income group of married filing

jointly. And if you're single, this would be between those who have \$25,000 and those who have \$36,000. So that's the income structure we're talking about. And that will include a lot of folks that have a lot of decent jobs in Nebraska. If you're making \$20 an hour, then on the, the work that we did last year, the reduction in your income taxes was \$11. So it seems to me that we would like to help out those folks who have some pretty good jobs in Nebraska to give them a tax deduction or a tax cut in the same way that we do others. And again, to make sure that we're keeping that progressivity in our tax code, because, for me, that's really important. If you ask children if you had ten kids and two-- and all of them but one had two marshmallows and one of them had 100 marshmallows and somehow, you needed to extract 20 marshmallows, you wouldn't take the same percentage from each kid. You take more from the 100-- the kids would figure that out. And so, I think that the idea of a progressive tax code is something that we all can understand and understand the value of that. Because if you have less money, you have less to spend on, sort of, the group effort that taxes are supposed to go for. And so, I think it's really important that we help out the middle class people, especially in a time of inflation. And, you know, our median income in Nebraska is not far off from this particular break in the tax bracket, between the, the second one down and the top one. And so, yeah. So I would ask this committee to, when they are considering their income tax package, to consider progressivity of taxes, to consider keeping those two sort of separations in place. The fiscal note on this one, we were talking about this earlier this morning. Once this would be fully in place, if you look at the fiscal note, in year '27-28, is about when this would be fully in effect and for that biennium-- or fiscal year, sorry-- that fiscal year, it would be \$132 million. And some might say, well, how is that possible, because that gets so many more people. That would take in a lot of Nebraskans, you know, the vast majority of Nebraskans would get a tax cut through this. If we bring down that second rate, that gives the vast majority of Nebraskans a tax cut, because that means that all the people in the higher tax bracket, as well, would get that one for their income, that is with-- within that tax bracket. And the question is, why would that be less than giving the top rate, who does not reach nearly as many people, a cut? And it's because you only have this little window, in a marginal tax rate, that you would be getting a reduced amount on. You only have that amount between, if you are married filing jointly, between \$50,700-\$73,700, according to my calculations. So that's only this small window. Whereas on the top rate, everything above \$73,700 would be reduced when we mess with that tax bracket or that tax rate. So

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

that's why that-- lowering that one is so much more expensive than lowering the one that's in the middle, because it's just less geography that we're handling there. So I would ask you to, if we don't do any other tax cuts, to put forward this bill to lower the second rate down to 4.1 percent. But assuming that there will be other tax breaks that happen, that we will consider the way in which we structure these relatives. And I trust this committee to be able to structure a tax package that way. Thank you. So that was not nearly as nice and riveting as Brian's would have been.

**LINEHAN:** Thank you. Are there questions from the committee? Senator von Gillern.

**von GILLERN:** Yeah, I just wanted to make sure I heard-- and thanks for-- this is actually a question that I was working on earlier today and you kind of-- I think you filled in the gap. That window is the \$50,000 to the 70-- \$73,700. Is that what you said?

**DeBOER:** If you're filing jointly.

**von GILLERN:** Jointly. OK.

**DeBOER:** So once you get your standard deduction and all that, so if your, if your-- we figured it out based on a standard deduction, rather than an itemize-- itemization. So it would be between \$50,000-\$73,000, approximately.

**von GILLERN:** And, and in that tax-- in that bracket, some, some folks, jointly or individually, they do qualify for some earned income tax credits and some other things. So-- that would--

**DeBOER:** I'll trust your word on that. Yeah, I'm sure, I'm sure that, if they're jointly, I'm sure

**von GILLERN:** I, I, I-- I'm not stating that as a fact, because I, I believe that's the case, but [INAUDIBLE].

**DeBOER:** Yeah. I, I also believe that, but I'm not 100 percent sure.

**von GILLERN:** OK. All right. Thank you. And then my last question, there are some other, there are some other tax reduction bills that have been proposed. Has this been coordinated with any of those? Are you aware of those others?

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

**DeBOER:** I am aware of those other bills, which is why I have said, if, for some reason--

**von GILLERN:** OK.

**DeBOER:** --this committee elects not to do any of those--

**von GILLERN:** OK.

**DeBOER:** --please consider this one.

**von GILLERN:** Thank you. Appreciate it.

**DeBOER:** If it, if it does elect to do some others, please consider the spirit of this one, which is to separate the, the top and the second one down.

**von GILLERN:** Got it. Thank you. Appreciate it.

**DeBOER:** Um-hum.

**LINEHAN:** Thank you, Senator von Gillern. Are there other questions from the committee? So you're talking about the 5.01 percent?

**DeBOER:** Yeah.

**LINEHAN:** I'm sorry. Did somebody raise their hand and I ignored them?

**DeBOER:** Yeah, they did. Oh, sorry.

**LINEHAN:** So if that one went away-- if that dropped, you're saying you could support dropping that rate? The 5.01, that's the second one down.

**DeBOER:** Uh-huh. I'm saying I would support-- this bill is to lower that one.

**LINEHAN:** OK.

**DeBOER:** I would like to lower that rate.

**LINEHAN:** All right. OK. Do you have proponents here?

**DeBOER:** I don't know.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 15, 2023

Rough Draft

**LINEHAN:** Let me ask just to see. Are there proponents? Are there opponents? Anyone wanting to testify in the neutral position? Letters, we had one proponent, two opponents, one neutral. Nobody representing the group, so-- OK. Would you like to close?

**DeBOER:** If there are any questions that have been generated in the last 10 seconds, I'll be happy to answer them.

**LINEHAN:** Any questions from the committee? Thank you, Senator DeBoer, for being here.

**DeBOER:** Thank you, Senator Linehan.

**LINEHAN:** OK, then we'll go to LB211, adopt the Property Tax Circuit Breaker Act. Here she is. Senator Blood, welcome.

**BLOOD:** So good afternoon, Chairwoman Linehan, and the entire Revenue Committee. My name is Carol Blood. That is spelled C-a-r-o-l B-l-o-o-d, and I represent Legislative District 3, which comprises western Bellevue and eastern Papillion, Nebraska. So today, I am bringing forward LB211, because I believe it's time to bring the concept of a circuit breakers bill into our tool belt, to combat the effect of high property taxes, as a smart way to move forward with relief for many Nebraska citizens. So it's time for the state of Nebraska to join the 18 other states and Washington, D.C. and move the needle forward to deliver Nebraskans the help they need. So in Nebraska, low-income taxpayers often pay a larger percentage of their income in taxes than high-income taxpayers do. As you all know, when it comes to property taxes, what you pay isn't based on your ability to pay, but on the value of your property. These types of taxes are disconnected from an owner's ability to pay. One type of targeted tax break for this problem is referred to as a circuit breaker program. This is what we hope to accomplish with LB211. LB211 creates a new mechanism for delivering tax credits to individuals whose properties-- whose property taxes are too high in relation to their annual income. This concept is called a circuit breaker because the income tax credits are triggered once property taxes reach a certain percentage of a person's income, similar to how electrical circuit breakers are triggered when electricity surges. If-- it properly addresses the tension between rising property taxes and stagnating incomes, for instance, our senior citizens. Most of you remember last fall, when Governor Ricketts held a press conference to encourage people to claim their property tax credits. Shortly after that, the Platte Institute rightly called out the shortcomings of this effort. This effort is a

taxpayer active rather than taxpayer passive program. In other words, Nebraska taxpayers have to put in work if they are to claim their tax relief that they have already paid on their property taxes. Taxpayer passive, passive relief comes from simply lowering the tax burden on the front end. At the press, at the press conference, it was also revealed why the taxpayer active approach is a problem. Nebraska's property tax credit for the year 2021, for returns filed in 2022, was worth approximately half a million dollars, but \$200 million worth of property tax credits, at that time, remained unclaimed. So if you do the math, only \$0.60 per tax relief dollar actually got delivered to Nebraska taxpayers. Nebraskans claimed only \$0.60 on the dollar in property tax credits for tax year 2020, as well, which left \$50 million with the state, out of \$125 million appropriated for property tax credits. As was noted in an article from the Platte Institute, tax relief should deliver more than \$0.60 per dollar appropriated. This bill creates a residential refund-- refundable income tax credit and a separate ag refundable income tax credit. The overall amount for the residential circuit breaker would be capped at \$126 million and the ag circuit breaker would be capped at \$74 million. The bill's residential relief would go to taxpayers with adjusted gross incomes, AGIs, of less than \$100,000 for married couples filing jointly or \$50,000 for any other taxpayers who rent or own their primary residence in Nebraska. For homeowners, the credit calculation is based on the property taxes paid on the value of their home. For renters, 20 percent of their rent paid for the taxable year would be eligible for a credit, credit. As income increases, the circuit breaker credit calculation assumes that taxpayers can afford to spend more of their income on property taxes. Qualified taxpayers would receive refundable income tax credits equal to the amount of their property taxes that exceed the set percent of income, up to the maximum amount of the credit. The ag land, land circuit breaker, in LB211, would be available to individuals who own ag land or horticultural land that is part of a farming operation that has a federal AGI of less than \$350,000-- the most recent-- of the most recent taxable year, AGI or adjusted gross income is defined as gross income minus adjustments to income. Gross income includes your wages, dividends, capital gains, business income, retirement distributions, as well as other income. The tax credit would be calculated based upon the amount by which the ag property taxes paid exceeds 7 percent of farm income. Eighteen U.S. states and territories are currently utilizing this system to address tax grievances. So I ask that we, perhaps, consider enacting this tool in Nebraska to help working class families and other workers across



Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

our state. With that, I hope you don't ask really detailed questions because I have barely got my brain wrapped around this one.

**LINEHAN:** Are there questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Chair Linehan. I do have one and it might be too technical. It's on Section 4. It talks about a qualifying residential taxpayer who paid rent for the right to occupy. So are you subsidizing people's rent by doing that, if they're, they're getting a tax credit for their rent?

**BLOOD:** Yes.

**KAUTH:** OK.

**BLOOD:** So renters are definitely-- yeah. I don't need to look at the bill to tell you that. Renters are definitely included. And we consider that they're probably spending at least 20 percent of their income on rent. But again--

**KAUTH:** Thank you. See, you knew it.

**BLOOD:** --that would be-- I did. That's not a technical question. That's I better know my bill question. But it-- it's when we get down to the graphs and we break it down, that I don't-- do not have that memorized. And I would be the first to tell you that. But, you know, the thing is that we give out a lot of property tax credits. And Senator, one of the things that I've always found really concerning is that, yes, the property owners pay property taxes, but they pass that on to the people who rent from them. And it feels like if we want to really give tax relief to Nebraskans, we have to really look at the big picture. And would I be open to, to, to changing this around and taking out categories, adding categories. Yeah, absolutely. I just want to get this conversation started. Last year, we did bring this bill, a little bit differently written, to this committee. And unfortunately, I had a hearing at the exact same time, so it was my staff that had to present it. So we thought we'd take another run.

**KAUTH:** Thank you.

**BLOOD:** Um-hum.

**LINEHAN:** Thank you, Senator Kauth. Are there other questions from the committee? You said residential and ag, but you didn't say anything

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

about commercial. Or is that-- you mean commercial, too, in residential?

**BLOOD:** Ag and horticulture-- I said, ag, horticultural, residential and renters.

**LINEHAN:** Right. So there's, there's residential and commercial because, in the constitution, you can't-- we can treat ag different, but not residential and commercial.

**BLOOD:** Oh, I was not aware of that. And that was not brought up when we drafted the bill.

**LINEHAN:** Oh, well, a lot of new people.

**BLOOD:** That's a conversation we're going to have to have.

**LINEHAN:** Yeah, because I don't think you can give residential something you don't give commercial.

**BLOOD:** Fair enough. Which is why you're Chair of Revenue.

**LINEHAN:** We had a lot of conversations. So are there any other questions from the committee? Seeing none, thank you.

**BLOOD:** Thank you.

**LINEHAN:** Are there proponents?

**JOEY ADLER RUANE:** Good afternoon, again, Chairperson Linehan and members of the Revenue Committee. My name is Joey Adler Ruane, J-o-e-y A-d-l-e-r R-u-a-n-e, and I'm the policy director at OpenSky Policy Institute. I'm here today to testify in support of LB211 because property tax circuit breakers are an effective way to provide targeted tax reduction to those whose property taxes are high in relation to their incomes. The residential circuit breaker is available to taxpayers who rent or own their primary residence in Nebraska and have adjusted gross incomes of less than \$100,000 if they are married and filing jointly or \$50,000 for other types of filers. For homeowners, the credit calculation is based on their property taxes paid on their home value, up to 200 percent of the county average assessed value for a single family home. For renters, the credit calculation assumes that a portion of their rent, 20 percent in this case, pays property taxes based on-- passed on by the property owner. Just as with our current homestead exemption, a type of circuit breaker, as income increases,

LB211's credit calculation assumes taxpayers can afford to put a greater percentage of their income towards property taxes. For a taxpayer who meets the income criteria, the amount of refundable income tax credit in LB211 is equal to their property taxes paid minus a set percentage of their income, as determined by the mill-- the bill's marginal rates, up to a maximum credit amount. The ag circuit breaker in LB211 is available to individuals who own agriculture or horticultural land that has been used as part of the farming operation, that has less than \$350,000 in federal adjusted gross income. The income tax credit would be calculated based on the amount by which the ag property taxes paid exceeds 7 percent of the farm income and there would be one credit per farming operation. The use of circuit breakers as a means to offset property taxes has garnered support across the country, where 18 states had similar programs as of 2019, and in Nebraska, where they have been mentioned as a possible solution to Nebraska's property tax challenges in both the Tax Modernization Committee final recommendations, in 2013, and a December 2014 Revenue Committee report on property taxes. As the state looks at ways to address the financial burden of property taxes, especially on those who least-- are least able to afford them, LB211 provides targeted property tax reduction to those who need it most. Thank you for your time. Happy to try and answer any questions you might have.

**LINEHAN:** Thank you. Are there any questions from the committee? Do you have any breakdown and Senator Blood's going to hear this question, too. Do you have any breakdown of how much of the fiscal note would go to renters versus owners?

**JOEY ADLER RUANE:** No, but I-- and I don't know that, that would be easily find out-- easily to find out. But I will try and work with Connie to get that for you.

**LINEHAN:** OK. Do you understand if commercial is left out?

**JOEY ADLER RUANE:** I did. I heard your question and I tried to get an answer before I got up here, but I haven't yet. But I, but I will definitely have somebody look into it for, for you, as well.

**LINEHAN:** Are there any other questions from the committee? Seeing none, thank you very much. Are there other proponents? Are there any other proponents? Are there any opponents? Any opponents? Is there anyone wanting to testify in the neutral position? Good afternoon.

**JON CANNON:** Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, here to testify today in a neutral capacity on LB211. Last year, for a substantially similar bill that-- brought by Senator Blood, we were opposed. And I, I want to clarify why we have changed to a position of neutrality. You know, last year, our, our opposition was primarily for the complexity of the mechanism. I'll go into the-- you know, ifs and the ands and, and buts about that here in just a second, but generally, we favor targeted property tax relief. We think that's an effective mechanism for delivering relief to the citizens of our state. And when it comes right down to it, a mechanism for delivering that sort of relief is just that; it's just a vessel to get us to where we want to go. This shares many similar features to the homestead, as has been described, specifically in our constitution we have. It's Article VIII, Section 2(11). We provide for, explicitly, the exemption of, of homestead. And that's, that's provided in our constitution. And it doesn't apply to agricultural land. It does not apply to commercial. It's just for, for the homesteads that are actually owned and occupied by a person that's paying taxes. So the mechanism that we have here, I want to go through it just a little bit because I think it's kind of important to understand. There's a, there's a series of applications that, that take place over three different tax periods. You know, first, what you do is you've got the, the qualifying year, where you're paying your property taxes. In, in the next year, so the year after you've paid your property taxes, what you have to do is you have to make an application to the Department of Revenue. And that application is, you know-- and you have to-- there's certain things you put on the form. You have to put your, you know, name, address, all that good stuff. You have to put the property taxes that you paid on your parcel, whether you're agricultural or residential. And then you get a-- and you have to do that between January 1 and April 15 of, of that tax year, following the year in which you paid your property taxes. So, you know, in 2023, presumably, I pay my property taxes in 2024, I'm going to make this application for a certification. The Department of Revenue gives me a certification by December 31 of that year, so 12/31 of 2024. And then, in the next succeeding tax year, I get to file my refundable income tax credit, using that certification from the Department of Revenue. So like I said, that mechanism takes place over three different tax periods. The homestead has the advantage of being something that is pretty automatic. I make my application in, in 2023, I'm going to receive my homestead exemption, you know, at whatever percentage is, is determined by the Department of Revenue, that same

tax year and then, the tax loss is reimbursed in the following tax year, so that everything else that, that occurs in a different tax year is, kind of, on the back end of things. You know, and, and again, I'm just going to say there are-- there could be some very valid reasons why we might want to defer having that property tax relief go out. That is a policy consideration solely for the Legislature. I'm, I'm just kind of pointing out the differences between what we have and what's being proposed here. You know, but again, it is still an application process. There are two points of contact. You have to apply for your certification and then you have to file your income tax return the following year. So there is an, there is an added level of complexity that-- and again, that-- there may be perfectly valid reasons for adding that, that layer in there, depending on, on how late you're trying to get this out. And, and you know, when you're talking about state funds, I mean, we want to draw interest on those. I, I get that. So anyway, that's really all I had to say. I just wanted to walk through the mechanism of it and, and say, you know, here are the differences between what we've got currently and I'm happy to take any questions that you might have.

**LINEHAN:** Thank you, Mr. Cannon. Are there questions from the committee? So you're saying this is an extension of the Homestead Act?

**JON CANNON:** It, it looks very similar to Homestead. However, if, if we do make it-- like, if we want to graft it onto Homestead-- and you, you could come up with a different category. You know, for instance, we, right now, we've got over age 65, we've got totally disabled individuals and then we've got disabled veterans. You could add a different category that says, you know, for persons that are-- that have a, a low income, you, you could do that.

**LINEHAN:** So there's a constitutional amendment passed so we can do the homestead so they can treat it different than commercial?

**JON CANNON:** Yes, ma'am. That-- that's again, Article VIII, Section 2, is-- that goes through all the things that are allowed to be exempted. And so-- and I think the distinguishing feature of, of the homestead exemption is that we're not doing anything with, with value. We're not valuing residential property, property any differently than we're valuing commercial. Obviously, we value ag differently, as-- however, at 75 percent. But what that does is it has that mechanism where we value them the same. We levy against the whole amount for the homes-- for homestead exemption purposes. And then there's a reimbursement

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

based on whatever percentage of exemption that, that qualifying taxpayer gets.

**LINEHAN:** So the fiscal note is \$190 million.

**JON CANNON:** Yes, ma'am.

**LINEHAN:** So we're already-- on the homestead, it's what, at \$120 million-- will be, next year?

**JON CANNON:** Yeah, if it hasn't blown past that already.

**LINEHAN:** So if you-- don't you think if the Legislature is spending \$310 million on property tax relief, it would be, it would be some pushback on property tax-- people who collect property tax? Because that's what this does, right? It just-- counties don't lose any money. Cities don't lose any money. Schools don't lose any money. It just-- the state starts paying their bills.

**JON CANNON:** Right. And so, with, with this bill, if I'm a property taxpayer, the property tax process proceeds the way it always has.

**LINEHAN:** Right.

**JON CANNON:** And then, what someone is doing is they're, they're, essentially, claiming refundable income tax credit, like we did with LB1107. And that is, is handled solely at the state. And so, I mean, from, from the perspective of the counties, and I, I don't want to speak for the cities. I don't want to summon Lynn Rex here again. But from the perspective of, of the counties and I assume all the other political subdivisions were made whole, the process continues as it always has. The, the price tag is something that-- I mean, again, that's a policy decision for the Legislature.

**LINEHAN:** All right. Are there any other questions from the committee? Seeing none, thank you very much.

**JON CANNON:** Yep. Thank you very much. Have a great weekend.

**LINEHAN:** Thank you. Are there any other positions in neutral? We're not done. I wish it was [INAUDIBLE]. Aren't we here tomorrow?

**KAUTH:** Jon's out.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 15, 2023

Rough Draft

**LINEHAN:** Maybe you're done. Is there anyone else wanting to testify in the neutral position? OK. Would you like to close?

**BLOOD:** I should've had him present my bill. I, I appreciate the input and we, maybe, should have said this in our introduction, but the homestead policy that we have is a circuit breaker bill.

**LINEHAN:** See, I learned something today.

**BLOOD:** All right. Yeah. Last year, I said that [INAUDIBLE].

**LINEHAN:** And I should have figured that out.

**BLOOD:** And I didn't want to insult your intelligence, so I didn't say it this year, so I try not to be redundant. So last year, Senator Linehan and Senator Briese, you-- I always brag about my long memory when it comes to debate. We had a conversation last session on the floor where we discussed the ability for Nebraskans to automatically receive their tax breaks. And the statement was made that Nebraskans are smart enough to fill out their paperwork and ask for their money. And I've really never thought that Nebraskans weren't smart enough to do this. I just have always felt that Nebraskans shouldn't have to come to us with their hands out, asking for money that's clearly due to them when we provide tax relief. You know, I always think of that movie, *Oliver*, like, please, sir, more sir. And, and I know that that's not our intent. I, I get that. We've done a lot with property tax relief. When you think about how we started, when there was no money and where we're at now, it's crazy. But Nebraskans work really hard and I don't feel we should make them jump through additional hoops when they try to claim these funds. And granted, there's paperwork in the process. And-- but, you know, I'm not really criticizing what's been done in the past. I'm just saying that we never truly try anything new to make the tax pay the system taxpayer passive, so we know that those who truly need the relief are really getting the relief. And what we have is a platform here, that we can hold on to and work on over the summer. But we do have an ability to do something different that we've never done before and we can really help the people that truly need it. And what does that equal? That equals disposable income that they then turn around and they pay their bills and they buy things in their communities, because we know that most tax relief is spent locally. So it's a win-win for all involved, if we can figure it out. And the fiscal note is kind of crazy because in some ways it's going to alleviate them of some responsibilities. And I feel like sometimes, when a-- one of our organizations within

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 15, 2023  
Rough Draft

the government doesn't want to do something, they make sure that it's a really nice, fat fiscal note. And I am a little concerned about the fiscal note, but at the same token, expected the fiscal note to be what it was.

**LINEHAN:** Other questions from the committee? I, I think you would find the renters are a huge part of the fiscal note, because I don't-- it's 20 percent of people rent. So that would be-- I'm guessing that-- you should check with the Fiscal Office, but I-- I'm guessing a lot of that is renters.

**BLOOD:** We can find out for you and hopefully, they'll have an answer.

**LINEHAN:** All right. Any other questions?

**BLOOD:** All right. Thank you all.

**LINEHAN:** Well, wait, wait, wait. Letters.

**CHARLES HAMILTON:** Oh, yes. [INAUDIBLE].

**LINEHAN:** Yep. Somewhere. That's what happens when I--

**BLOOD:** I like the two opposition letters online. Did you see those? They both say I oppose the bill. Nothing else.

**LINEHAN:** --Yes, two of them. So you have four proponents, two opponents and zero neutral. Thank you very much for being here.

**BLOOD:** Thank you, friends.

**LINEHAN:** And that's it. Believe it or not.