

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

von GILLERN: And today-- or I'm the Vice Chair of this committee and will be substituting as the Chair for hearings this afternoon. The committee will take up bills in the order that are posted outside of the hearing room. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit or eliminate handouts. If you're 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's staff member will not be a part of the permanent record. If you're unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceeding, I ask that you follow these procedures. Please turn off cell phones and other electronic devices. I'm going to check mine right now. The order of testimony is the introducer, proponents, opponents, neutrals and the closing remarks. If you'll 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 distributed 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 your name for the record. Please be concise. Today, considering the weather and some other things, we're going to limit our testimony to 3 minutes so that we can make sure that folks get on the road and get home safely today. So green will indicate 2 minutes, yellow, one minute remains and then red, please wrap up your comments. If there are many wishing to testify-- we already recovered that. If your remarks are reflected in previous testimony or if you'd like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff: to my immediate right is legal counsel, Lyle Wheeler; to my immediate left is research analyst, Charles Hamilton, and to the far left is committee clerk, Tomas Weekly. Committee members with us today will introduce themselves, beginning at my far right.

MURMAN: Hello, I'm Senator Dave Murman from Glenvil. I represent eight counties along the southern border and the middle part of the state.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

BOSTAR: Eliot Bostar, District 29.

LINEHAN: Lou Ann Linehan, Elkhorn and Waterloo.

BRIESE: Welcome. Tom Briese, I represent District 41.

ALBRECHT: Hi. Joni Albrecht, District 17. Welcome.

DUNGAN: George Dungan, District 26, northeast Lincoln.

von GILLERN: Thank you. And our pages that are helping us out today, if you'd please stand, are Caitlyn-- she's from UNL. She is a junior in political science. And Tesla, who is a freshman at UNL, in business and law. Thanks for your help today. Please remember that senators may come and go during our hearing, as they have-- may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For 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 is a critical part of our state government. And with that, we will open for testimony on LB100 and we will welcome Senator Erdman.

ERDMAN: Thank you, Senator von Gillern. I appreciate it. I appreciate being first. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I represent District 47. Today, I want to present to you a bill, a very simple bill, that is associated with one of the greatest corporate partners we've had in the Panhandle in years, Clean Harbors, which is located just south of Kimball. Outstanding, outstanding corporation, very community minded, has done a great job there and they're expanding their operation. I have a handout here, if you could pass this out. I think it's important we look at that. So Clean Harbors has been in the Panhandle for almost three decades. A great opportunity for employment there. They employ a lot of people there. They have an opportunity to expand their operation. They have other locations across the United States. And they had come to my home three years ago and said, we are going to expand and we've chosen Kimball. And, and I was very appreciative of the fact that they could have been anyplace else in the nation that they have an operation, but they've chosen Kimball to be their site of expansion, a significant expansion, I might add. They're going to add \$180 million to the facility, there in Kimball. And last summer, when we did a tour of the Canal project, we

also visited, over in Kimball, at the Clean Harbors location and seen their construction. Outstanding opportunity for not only those who live in Kimball, but others in the Panhandle to have a high-paying job for a very reliable company. So what LB100 does, is we were visiting about LB100-- about the Imagine Act. It came to their attention that they were not eligible for LB-- for Imagine Act because it doesn't describe in, in the American-- North American Industrial Classification system, water treatment or disposal was not in that description. And so, all LB100 does is give them the opportunity to make an application for the, for the Nebraska Imagine Act. So adding wastewater treatment and disposal as a location would qualify these kinds of facilities for the Nebraska Imagine Act. Today, you'll hear from Clean Harbors. There are several people here today to speak on their behalf. And Clean Harbors is a North American company, one of the leading providers of environmental and industrial services. And they-- they've been operating, as I said, here in Kimball for nearly three decades. They could, as I said, chosen another place, but they chose Kimball because of the workforce commitment that people have there to, to working and that-- and the ability they have to do the things they need to do, in a location that is conducive to completing their jobs. So services applied by Clean Harbors includes hazardous waste management, emergency spill response, industrial cleaning and maintenance and recycling services. I know several people that have worked at Clean Harbors for a long time. They're a great place to work and people have a tendency to stay on the job once they get employed there. So Clean Harbors is building, as I said, a state-of-the-art incinerator that would incinerate, incinerate 70,000 tons of capacity in the Kimball facility. Construction on the project has been-- has started and the completion shall be-- and is estimated to be in 2025, at a cost of \$180 million. They're going to add 200 jobs to the local economy. And, and I might say, 200 jobs, to Kimball, is very similar to Facebook or PayPal to Omaha. That is a significant economic advantage for Kimball. And so, the expansion project will pump an estimated \$7 million-- \$17 million into the local economy. And so, Clean Harbors is expecting to receive benefits from the Imagine, Imagine Act, but they were denied of that because of qualifying-- it's not a qualifying location under the current statute. So, LB100 just changes the location or the opportunity for them to apply for the Imagine Act. I think one of the most important statements that you'll see in that document that I handed you is on the back page at the bottom. If you would like to turn there, I will, I will hit those two key points. And this is what-- this is the advantage that they would have if they get a chance to apply for the Imagine Act. One key point,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

the first one, is affordable housing plans. This remains a significant issue. Kimball is short of housing, as we hear in most places, even in the eastern part of the state. While housing isn't eligible for the Imagine Act, clearly, Imagine Act benefits will put to good use-- to help use-- for fin-- help us help use as financing for housing for Clean Harbor employees. They're going to have to do something to get the facilities built so people will have a place to live. Secondly, the Department of Economic Development has already informally said that the project is not qualified legislation, is not qualified legislation and they recommended, recommended a legislative fix. That's what LB100 is. Without this legislation, the Imagine Act, the Imagine Act likely is not an option for this project, putting further the, putting further the expansion of housing at risk. And so you're going to hear from Clean Harbors today what their plans are, how they plan on doing that, their, their ideas of how they'll get the housing established for the employees that they intend to draw there. And people have asked me, where are they going to find the employees? And the, the answer that I give is at one time, Cabela's had 2,200 employees. And so, I think the Panhandle of Nebraska would meet that need and that challenge and I look forward to having those people share with you their vision and what they want to do. I have been working with these people for three or four years. I've been nothing but impressed with their leadership and their commitment to the community. And so with that, I will, I will stop there and see if there is any questions.

von GILLERN: Thank you. Any questions from the committee? Seeing none, Senator Erdman, will you stay to close?

ERDMAN: Sir, I have a, I have a good friend that is passing Ogallala and there's a, there's a family meeting at 6:00 tonight. I'd like to try to make that, so.

von GILLERN: My apologies. Safe travels.

ERDMAN: If, if I don't-- if someone needs to close, my staff, Joel, could, could do that for me.

von GILLERN: OK. Thank you.

ERDMAN: Thank you. I want to just say thank you to those people who traveled all the way to Kimball here-- from Kimball to testify. They are Exit 20. If you want to know how far it is, it's Exit 20. OK, so

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

just do the math. It's 400, here, it's 20 there. That's how far they've come. Thank you.

von GILLERN: Very good. Thank you, Senator. OK. With that, we will open for proponent testimony.

PAUL WHITING: Thank you, Senator Erdman, for those kind words. Good afternoon. And thank you for allowing me to spend a few minutes discussing my company and our plans to expand our footprint in the state of Nebraska. I'm Paul Whiting, W-h-i-t-i-n-g, and I'm the senior vice president of facilities engineering for Clean Harbors. By way of background, Clean Harbors is the largest environmental services and hazardous waste disposal company in North America. Of note, we own and operate more than 100 waste management facilities, including the state-of-the-art incineration plant in Kimball, where I currently live and work. Clean Harbors acquired the facility in 1995 from Amoco and since that time, has made significant, significant investments and design improvements. Our Kimball facility sits on 640 acres and operates around the clock, every day, throughout the year. The company has a stellar safety record as recognized by OSHA, VPP, and is in the top 2 percent of all companies, in any industry, for safety in the United States. At Kimball, we actively employ a workforce, currently, of close to 200 people and pride ourselves in being an outstanding corporate citizen. I'm here today to discuss the \$180 million planned expansion of the Kimball facility and our request to slightly modify the definition of a qualified location within the Imagine Nebraska Act. In discussing our planned expansion with then Governor Ricketts and Director of Economic Development Goins, they both suggested we take advantage of the Imagine Nebraska Act, as it is a robust program designed to make Nebraska very attractive to expand operations. As such, the ability to participate in the Imagine Nebraska Act played a key role in our decision to expand in Kimball, especially given that we had two other facilities in Utah that were serious options for us. This expansion at our facility and the resulting new incinerator will reside in close to 200 new permanent jobs, about \$12 million in local wages and salaries, \$7 million in local construction contracts, \$2 million in ongoing local and regional supplies and labor and a bigger contribution to the city of Kimball. As we began to look at the specifics of the Imagine Nebraska Act, unfortunately, we uncovered that Clean Harbors' primary business, waste treatment and disposal facilities, was not one of the nearly 30 business activities listed as a qualified location. We immediately reached out to then-- our then Senator Steve Erdman and his staff, which resulted in this amended legislation, LB100, introduced on January 6 and referred to this

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

committee on January 10. Specifically, we are hopeful that this committee would support a retroactive change to the Imagine Nebraska Act, to specifically include NAICS category 56, within the definition of a qualified location.

von GILLERN: Mr. Whiting, can I ask you to wrap up your comments, please?

PAUL WHITING: Pardon?

von GILLERN: Could I ask you to wrap up your comments, please?

PAUL WHITING: Sure.

von GILLERN: I'm trying to stick to the time here.

PAUL WHITING: OK.

von GILLERN: Thank you.

PAUL WHITING: In summary, as you know, the lack of affordable housing in the Panhandle represents a significant issue. Specifically, should the act be updated with amended qualification, the resulting benefits would be used, in large part, to provide housing.

von GILLERN: Very good. Thank you. Let's see--

PAUL WHITING: Questions?

von GILLERN: --if there's any questions from the committee. Senator Linehan.

LINEHAN: Thank you, Vice Chair von Gillern. So you're saying if you-- you're already building so you're already committed there. But if you qualified for this act, you would use some or part of that money or most of that money to build housing or help people buy houses. What-- what's your plan?

PAUL WHITING: Yes. We, we just signed a purchase and sale agreement this week to acquire 60 acres of residentially-zoned land abutting the city of Kimball. We're actively working with the mayor and city council members to get that land annexed in. We have a site plan that we've developed for 120 residential housing lots. It's something that Clean Harbors has never done before. I've been with the company 34 years. We never built housing, but we realize that if we don't do

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

something, we're not going to get the employees and would have to get contract labor from the Gulf or whatever to run the plant. So we are actively moving in that direction, but it's going to take a lot of money, a lot of investment.

LINEHAN: Thank you, sir.

von GILLERN: Very good. Other questions from the committee? Seeing none, thank you for being here today. Long drive, safe travel.

PAUL WHITING: Thank, thank you very much. Thank you for your time.

von GILLERN: Other proponents? Good afternoon.

JOHN MORRISON: Good afternoon, Chairman von Gillern and distinguished Senators. I am John Morrison, J-o-h-n M-o-r-r-i-s-o-n, and I am the mayor of Kimball. I am here to support LB100. Kimball is a small community on the western edge of Nebraska, 20 miles from Wyoming. It started out as a small farming community. In the early fifties, there was oil discovered there and we had our first big boom. As that boom was kind of going away, in the mid-sixties, the United States government decided to come to our area and build 150 missiles. And so we had another boom. And then after the missiles were built, that went away. And after that, we had a couple more oil booms. In 1995, Clean Harbors came to Kimball and that finally gave Kimball something that brought stability to employment in Kimball. And since then, they have been a very good partner in Kimball. They support the town, they-- their employees support our churches and our schools. And so when they decided to-- and, and we're just like any other small town in Nebraska. You know, we, we weren't showing a lot of growth once Clean Harbors got there and we desperately need housing. So when Clean Harbors decided to expand, it was great news for Kimball because finally, we had something to give us growth. And we really need the growth, but we also need the housing. So we are looking really forward to the-- to Clean Harbors coming. There's already been some interest, on a local level and in new businesses coming to town. And I strongly support LB-- LB100. That's why I got up at-- I left town at 11:00 yesterday, in Kimball, and got here at 5:00 last night. So I would appreciate your support for Clean Harbors and LB100. Any questions?

von GILLERN: Thank you, Mayor Morrison. Yes, Senator Albrecht.

ALBRECHT: Thank you, Vice Chair von Gillern. And thank you for making the road trip. I understand what it's like working with a city. I was

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

on the city council for eight years. So my question to you is, will the city be-- if they have some acreage that they're looking at, would the city be helping out in any way with the infrastructure?

JOHN MORRISON: Yes. I mean, it, it-- to be honest with you, this is very new for us. But we, we, we obviously need-- know what we need. And yes, we will be, we will be seeing what we can afford, what the town can afford and what we can do to help. So.

ALBRECHT: Well, I'm sure we don't get-- we aren't privy to what happens with the Department of Economic Development and the Governor. So it would be interesting to find out how the plan lays out, so that we understand what we're [INAUDIBLE].

JOHN MORRISON: Our-- unfortunately, our infrastructure is, is aging. And to add any, any new subdivisions, we need to add to our infrastructure. But we also need to upgrade the infrastructure we already have.

ALBRECHT: I understand.

JOHN MORRISON: We had a major sewer break on Main Street last summer and it caused some damage to businesses, so that's what we're going to work with.

ALBRECHT: Thank you. Thanks.

von GILLERN: Very good. Thank you. Any other questions from the committee? Seeing none, Mayor, thank you for being here today. Safe travels.

JOHN MORRISON: Thank you.

von GILLERN: Next proponent testimony. Good afternoon.

CHRISTY WARNER: Good afternoon. I'm Christy Warner, C-h-r-i-s-t-y W-a-r-n-e-r, and I'm a councilwoman for the city of Kimball. Now, the words waste management usually bring the thought of garbage trucks and landfills. And while those are needed, it's not something that generally brings a large number of new employees to Nebraska. But if you take a tour of Clean Harbors' facility, it doesn't take long to see a very different type of waste management. From highly technical aspects all the way down to how clean the facility is. And then you find out that many of the things that they incinerate are the things that you and I use every single day: makeup, paint, cleaning solvents.

They are, without a doubt, professionally run and employ a variety of workers, from laborers to chemists to corporate. Their wages are significantly higher than the majority of employees in the area. And with such a low unemployment rate in the Panhandle, Clean Harbors is able to use those high wages to attract employees to move to Kimball, creating stable economic growth, which is exactly what the Imagine Nebraska program is supposed to be for. The community is excited to have Clean Harbors expanding their facilities and services in Kimball, and they are a great neighbor in the community and well-respected business in the Panhandle. They buy from local resources when possible and support local community events and programs. To be clear, they had a choice where they built their second incinerator and they chose to invest their dollars in Nebraska, doubling their workforce with 200 additional employees and their families that likely don't live in the area today, but will move here. Unfortunately, Clean Harbors is facing a housing shortage which doesn't help people move to the area. So what is Clean Harbors doing? They're looking into real estate, ensuring that their employees have a place to live. It speaks to their reputation and their integrity for being a top employer. But even top employers have a limit to the amount of money they can spend before revenue starts flowing. Without being able to participate in Imagine Nebraska, Clean Harbors does risk being able to further expand, which, in turn, affects the opportunity for economic growth for them and for the Panhandle. As a council member, I understand the consideration on how adding waste management would affect the program long term. But Imagine Nebraska is a capped program and adding this industry does not change the cost of the program. However, the high threshold for wages narrows the companies who can apply. There's concern for waste management might be too broad. There's always the option of the six-digit industry code. I can't think of a better way to use tax dollars than to know this Fortune 500 company, with over \$1,000,000 in payroll each month, will take benefits given through Imagine Nebraska to reinvest them back into the community and in Nebraska in multiple ways. This is a perfect example of what Nebraska hopes to get from the program: stable economic growth for responsible, reliable businesses who stay in Nebraska for decades, providing careers for the next generation. Thank you.

von GILLERN: Thank you. Questions from the committee? I just have one. Did you guys carpool?

CHRISTY WARNER: I did not, unfortunately. I drove part of the way this morning, in the wonderful weather.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

von GILLERN: OK. Be careful getting back. Thank you.

CHRISTY WARNER: Thank you.

von GILLERN: Thank you for your testimony. Any other proponents?

RICH FLORES: Good afternoon.

von GILLERN: Good afternoon.

RICH FLORES: My name is Rich Flores, R-i-c-h F-l-o-r-e-s. I am the chairman of the Kimball County Board of Commissioners. First off, I'd like to thank you for the opportunity to speak in support of LB100. I'd like to start with saying that I was born and raised in Kimball. As I was growing up, oil was discovered and the boom was on. We saw an influx of oilfield workers and dealt with the growing pains. Then came the Air Force and the implementation of the ICBM project. Oil is-- was an ebb and flow and the missile project gave us a much needed shot in the arm. As these projects go, they finished in the seventies and moved on. I lived through the ups and downs of oil, farming and missiles. Up until the early or until the late eighties and early nineties, Kimball suffered. Amoco then came in and built the start of the current facility that Clean Harbors owns and operates today. Clean Harbors purchased that facility in '95 and has made significant improvements to the operation. Since that time, they have become outstanding partners, both economically and civically. Clean Harbors has become much more than a company to us. They have become true neighbors. If we have a project that they-- that we could use their help, they're willing to donate time, equipment and dollars whenever they can. Over the years, I've seen a number of companies come and go. Clean Harbors, however, has been the most reliable in growth and civic participation that I have seen in my 70 years. They employ nearly 200 highly-trained employees and operate well within industry standards. And most of the employees are active members in our community. The expansion Clean Harbors is undergoing now will receive their-- will increase their workforce by more than 200 employees. As a result, housing has become an issue. Clean Harbors, however, is being proactive, by planning for a housing development of more than 100 homes. Let's think about this. Their \$180 million expansion and the addition of 100 homes translates into an expanded tax base. They want to take the Imagine Nebraska Act benefits and invest it indirectly back into Kimball and not take them back to the corporate office. The homes alone could be a \$25-30 million increase in the valuation or assessments and then trickle down effect on the added population of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

new workers and spending on cars, groceries, household items, etcetera could be significant. We drove 400 miles to be here today to support this bill, because people-- these people are decent and they run a top notch operation in Kimball, and care deeply about our community. And I urge you to consider the passage of LB100. Thank you for your time and consideration.

von GILLERN: Thank you for your testimony. Questions from the Committee? Seeing none, Mr. Flores, thank you for being here, again, today and safe travels home.

RICH FLORES: Thank you.

von GILLERN: Any other proponents? Good afternoon.

BRANDI BURKETT: Hi. Brandi Burkett. Even though I live in Omaha, I used to live in--

von GILLERN: Spell your name, please.

BRANDI BURKETT: What?

von GILLERN: Could you spell your--

BRANDI BURKETT: Oh, B-r-a-n-d-i B-u-r-k-e-t-t.

von GILLERN: Thank you.

BRANDI BURKETT: Even though I live in Omaha, I used to live in Sydney, and Kimball is a great city. And if you know what western Nebraska has gone through over the last like, 10 years and losing some big corporations, I think this would be an excellent addition. So please help them out. Thank you.

von GILLERN: Very good. Any questions? Seeing none, thank you. Any other proponents to LB100? Are there any opponents that would like to speak? Seeing no opponents, is there any neutral testify-- anyone testifying in the neutral capacity? Seeing none, we have-- what do we have here? Three letters for the record, all proponents, no opponents and no neutral testimony. That will close our hearing on LB100. Oops.

JOEL HUNT: Closing remarks.

von GILLERN: Oh, Joel, thank you.

JOEL HUNT: I will be brief.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

von GILLERN: Senator Erdman's--

JOEL HUNT: My name is Joel Hunt, J-o-e-l H-u-n-t. Just a couple of points. The fiscal note, I want you to notice, has zero on it, because all this does is add a location. There is, under the Nebraska Imagine Act, a top cap on the moneys that can be spent for waste disposal. We want to encourage you to vote this out of committee, 8-0, put it-- we'd like to put this on consent calendar or on a Christmas tree bill. So I just want to encourage you to do that. Or you could just give Senator Erdman a nice Christmas tree present. Because every year that-- in December, I give him an ornament for every bill that he introduces that becomes a law. You pass this bill, you put an ornament on his Christmas tree. Thank you.

von GILLERN: Thank you, Mr. Hunt. This will close our testimony on LB100. I read the letters into the record. So, we will open on LB498. Are you opening on behalf of Senator Linehan?

CHARLES HAMILTON: Yes.

von GILLERN: All right.

CHARLES HAMILTON: This is a very different side of the microphone to sit on over here. Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. For the record, my name is Charles Hamilton, C-h-a-r-l-e-s H-a-m-i-l-t-o-n. I am a research analyst for the Revenue Committee and I am here representing Senator Lou Ann Linehan today, who represents Legislative District 39. I'm here today to introduce LB498, which will provide a sales tax credit for certain franchise fees paid. Introduced-- Senator Linehan introduced LB498 to help close the gap between taxes levied on different types of video services offered in the state of Nebraska. While satellite video customers only pay-- face a tax burden of 5.5 percent through the state sales tax, cable video customers can pay over 13 percent for their video services, when combining state sales tax, local sales tax, franchise fees and peg fees. This difference in tax burden does not make sense. Similar services should be taxed in the same way. LB498 was drafted as a tax credit so that we effectively address this disparity, without negatively impacting the budgets of local governments, who rely on franchise fees being paid by cable providers. It is for this simple reason that we urge your support of LB498. Thank you. And to the best of my ability, if you'd like to ask me questions, I would be happy to answer any questions that I can.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

VON GILLERN: Thank you. Mr. Hamilton. We typically don't ask questions of staff that opens on behalf of a senator, but thank you for your opening today.

CHARLES HAMILTON: You bet.

VON GILLERN: We will open for proponent testimony. Good afternoon.

DAYTON MURTY: Good afternoon, Vice Chairman von Gillern and members of the Revenue Committee. My name is Dayton Murty, spelled D-a-y-t-o-n M-u-r-t-y, and I'm testifying today in support of LB498 on behalf of Charter Communications. Charter is a leading broadband connectivity company and cable operator providing superior high-speed Internet, voice, video and mobile services under the brand name Spectrum, to more than 32 million customers across 41 states. In Nebraska, we serve over 167,000 customers in 91 communities and in 2022, we paid over \$20 million in taxes and fees. And we invested over \$31 million of private capital to expand our network to reach an additional 4,000 homes and small businesses. LB498 addresses the disproportionate tax burden between various types of video service providers. As a cable video provider, Charter customers pay a state sales tax of 5.5 percent, local sales tax of up to 2.5 percent, franchise fee of up to 5 percent and peg fee, an average of \$0.41 per subscriber, for a total tax burden of over 13 percent. Meanwhile, DBS or satellite video service customers only pay a state sales tax of 5.5 percent. Although cable and satellite providers offer similar, similar video services, the Nebraska video service tax structure heavily favors satellite technology. This disparity results in part from a federal loophole, Section 602 of the 1996 Telecommunication Act, that prevents Nebraska localities from taxing DBS. LB498 would lower the tax burden on cable video services by the amount of franchise fees paid, without impacting our local government partners who heavily, heavily rely on these fees. It is for these reasons that Charter would urge your support of LB498. Thank you and I would be happy to answer any questions that you might have.

VON GILLERN: Thank you. Questions from the committee? Yes, Senator Briese.

BRIESE: Thank you, Vice Chair von Gillern. Thank, thank you for your testimony here today. What is the difference in cost to a typical customer of a cable service versus a satellite-based service?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

DAYTON MURTY: Senator, that depends heavily on different packages and bundles. We offer a number of different promotional rates and the, the price varies heavily, depending on other services that we offer and if they package those.

BRIESE: But a comparable package is there a-- can you compare prices on, say, a comparable package?

DAYTON MURTY: I could get that information and, and provide it. I, I don't have a, a comparable package comparison that I could share at this time.

BRIESE: But are you suggesting that this tax credit would go-- flow back into the hands of the ratepayers--

DAYTON MURTY: Because it--

BRIESE: --or not the ratepayers, but the customers?

DAYTON MURTY: --because it's a tax credit, it would not be directly reflected on the bill of customers.

BRIESE: Correct.

DAYTON MURTY: It would, it would go back to cable-- different cable providers and could be used for different investments in network or lowering prices. However, the corporate structure deems best to use that money. Other states, like Missouri, just recently provided an additional cap on franchise fees, down to 2 percent. The federal FCC guidelines is, is 5 percent, but states can lower that cap. The reason this was drafted as a tax credit was because our local government partners heavily rely on the fees that, that we pay through our franchise fees and we don't want to negatively impact those budgets.

BRIESE: OK. But there's no guarantee that you're going to lower prices accordingly for the customers. I guess that's my question.

DAYTON MURTY: No. Benefits to customers could be seen in, in a number of different ways. There's-- this would not be directly seen on the bill for the, for the customers.

BRIESE: OK. OK. Thank you.

von GILLERN: Any other questions from the committee? Senator Bostar.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

BOSTAR: Thank you, Senator von Gillern. I think to just follow up on Senator Briese's comments, you think in order to provide a more level playing field because, ultimately, I think that's the intent here. And without endangering local budgets, you think we could create a tax credit that just went to households that have cable service, that they could then refund themselves, which would, in effect, on the consumer side, you know, balance the scales, so to speak, on competitiveness in products.

DAYTON MURTY: That-- that's an interesting concept. I haven't done any research on any programs like that, but it's certainly-- I mean, it certainly sounds like it would have the same effect.

BOSTAR: Thank you.

von GILLERN: Any other questions from the committee? Seeing none, thank you for your testimony today.

DAYTON MURTY: Thank you.

von GILLERN: Other proponents for LB498? Seeing none, any, any opposition testimony to LB498? LB498? Seeing none, would anybody-- anyone like to testify in the neutral position? Seeing none, regarding LB498, we have one proponent letter for the record and one opponent letter, no neutral. So that will close our-- oh, and we have an ADA accommodation written testimony, one proponent letter submitted in that form. Thank you, Tomas. That will close our hearing on LB498 and we will open on LB623. Anyone know the whereabouts of Senator McDonnell?

BOSTAR: I'll call him.

von GILLERN: Thank you.

BOSTAR: He's closing another committee right now. He'll be here shortly.

von GILLERN: OK. Thank you.

_____ : [INAUDIBLE]

von GILLERN: Thank you. Let's just take a ten-minute recess. Let's start up again at 2:20.

[BREAK]

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Revenue Committee March 16 2023
Rough Draft

BRIESE: We have worked out good.

von GILLERN: Gave us a chance to take a little break.

BRIESE: You bet.

McDONNELL: What's that?

von GILLERN: Gave us a chance to take a little break.

McDONNELL: All right.

[BREAK]

von GILLERN: Let's go ahead and get-- open up on LB623. Welcome, Senator McDonnell.

McDONNELL: First of all, I'd like to apologize. Thank you, Vice Chair von Gillern. Members of the committee, I'd like to apologize for being late. I was presenting another bill in another committee. Also, Happy Saint Patrick's Day a day early, since I won't see any of you tomorrow and enjoy your four days off. Today I'm here to introduce LB623. My name is Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5. Today, I'm here to introduce LB623, which amends the Sports Arena Facilities Financing Assistance Act to allow limited live music venues to receive turnback financing. Incentivizing music venues is important for a number of reasons. For one, music concerts and music venues attract great artists, which attract and help retain our young professionals and workers. When folks are looking at moving or staying in Nebraska, a good music scene is something that many young people are attracted to. It is something to enjoy and be proud of, as our-- with our state. Second, the project would have a significant economic impact. In 2018, Eric Thompson, a professor from UNL, conducted a survey on individuals who attended live music events. The study found that an attendance, attendance member essentially spends \$62 beyond the price of a ticket, when they attend a Omaha performing arts event. I have handed out an amendment which becomes the bill. This is an amendment worked out with the parties involved with the, the League. As mentioned, the bill adds the live music venues to the list of venues under the Sports Arena Facilities Financing Assistance Act. A facility must accommodate between 2,250 people and 3,500 occupants. The turnback tax sends 30 percent of the funds to the Civic and Community Center Financing Fund, CCCFF, for projects across the state. Of the remaining 70 percent, the funds can be used one of two ways: to pay for government-owned

structures related to live music venue or to go, go, go to the political subdivision where the live music venue is located. The political subdivision must then use the funds for cultural enhancement within the political subdivision. In this way, live music venue can spur other artists and cultural events to further retain our young and older people. The political subdivision must say, at the time of the application, how it intends to spend the funds. A political subdivision in this act means any city, village or county. The people that will be testifying behind me today will be Lynn Rex and, and former Senator Burke Harr. I appreciate all the work they've put into this legislation. I'm here to try to answer your questions and I will also be here to close.

von GILLERN: Thank you, Senator. Any questions from the committee? Seeing none, thank you and appreciate your closing. First proponent testimony.

BURKE HARR: Senator von Gillern, members of the Revenue Committee, my name is Burke Harr, H-a-r-r. I am here testifying on behalf of Omaha Performing Arts Center, located in Omaha. First, want to state that, originally, we had our executive-- the executive director, Joan Squires, was testifying, along with Mike Cassling, a board member. But due to the inclement weather, you're stuck with me. So I will be reading their testimony or Ms. Squires testimony. But I want to say it's a privilege to be here on a no-question Thursday. So I'm appearing today as part of Omaha Performing Arts. As Nebraskans, we are all working hard to retain our young people and I know that's something we all care about passionately. A recent Forbes article cited top three things young professionals look for when searching where they want to live. Number one is job opportunities, number two is cost of living and three is lifestyle and culture. Young professionals often prioritize a city's quality of life and cultural offerings. This includes access to concert venues, outdoor spaces, recreational activities, nightlife and arts and cultural events. These activities are especially important to retain young people in our state. LB623 would help address the need for more lifestyle and cultural events for our young professionals. In Omaha, Omaha Performing Arts or OPA, already attracts over 350,000 people per year at the Holland Performing Arts Center and the Orpheum Theater and reaches students across the entire state. Now OPA is poised, poised to open Steelhouse Omaha, a state-of-the-art live music venue operated as a nonprofit. It has a capacity of 3,000 and is uniquely qualified-- is a unique venue for the state. Omaha Performing Arts has great record for success and already contributes over \$48 million a year in

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Revenue Committee March 16 2023

Rough Draft

economic development, through ticket sales, parking, restaurants, hotels and more. The Steelhouse will help increase that to \$61 million a year. It will generate \$1,000,000 in total sales tax annually. We are excited about the possibility of LB623. I have more testimony, but the key here is while this is a nonprofit, the proceeds go to a public entity, in this case, the city of Omaha, who would use those funds to incentivize future culture-- or more cultural events in the city. And so, that's what-- what's unique about this and this can be used in other cities, as well. Thank you.

von GILLERN: Thank you. Regardless of your earlier comment, we will open it up for test-- or for questions from the committee. Senator Briese.

BRIESE: Thank you, Vice-Chair. And thanks for your testimony here today and good to see you again--

BURKE HARR: Thank you.

BRIESE: --former Senator Harr. How many dollars are we talking about relative to this one project? How many sales tax dollars are going to get turned back?

BURKE HARR: For this project, so the way that the amendment is drafted, we're looking at approximately \$1,000,000 a year for 10 years.

BRIESE: OK.

BURKE HARR: And then-- and, and what I didn't get, but what has been asked at other hearings and I think, even by you, is, is the city asking for any-- or contributing any money for this? And just so you know, the city does contribute funding currently, for cultural events, but also in Nebraska, in Omaha, we're looking to use it for a cultural-- a large portion of that would go to a cultural center and the city has already contributed \$3.3 million for that.

BRIESE: OK. Very good. I do note in the fiscal note that, quoting, there is a potential for a significant reduction, unquote, in state sales tax revenue if this bill passes. I don't know if the amendment tweaks-- changes that or not, but is that true and if so, how, how significant?

BURKE HARR: Sorry. What was that?

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Revenue Committee March 16 2023
Rough Draft

BRIESE: How significant would that overall state sales tax reduction be? You know, it--

BURKE HARR: Hard to say, right?

BRIESE: --yes, hard, hard to say.

BURKE HARR: I mean, I, I, I can tell you what we, we are hoping the Omaha Performing Arts Center produces.

BRIESE: Sure.

BURKE HARR: What I can't tell you is if other cities take advantage of that or towns across the state and how much that would be.

BRIESE: But this project you're talking about right here that's already in place, you're talking about a million, roughly.

BURKE HARR: That's correct.

BRIESE: OK. Thank you.

BURKE HARR: Thank you.

von GILLERN: Thank you. Other questions? Yes, Senator Albrecht.

ALBRECHT: Thank you, Vice-Chair. Thanks for being here. Nice to see you. And thanks for the Christmas cards.

BURKE HARR: Thank you.

ALBRECHT: Just real quick, it says first-class cities. Is that what we're talking about here, just first-class cities?

BURKE HARR: It-- it's for cities-- so under the original legislation, it's for-- and it's hard to tell from the amendment, right, because you have to look at the underlying-- but it would be for towns and cities and I believe, counties, as well, across the state.

ALBRECHT: OK.

BURKE HARR: As long as there's an interlocal agreement with some of those, but Ms. Rex is coming up after me--

ALBRECHT: OK. Good. I'll visit with her.

BURKE HARR: --and she is the authority.

ALBRECHT: Thank you very much. Nice to see you.

BURKE HARR: Thank you.

von GILLERN: Other questions from the committee? I just have a quick question. The, the Steelhouse project that was constructed and, of course, the Holland Art Center and so on. There's significant city money and significant nonprofit money already put in, to, to construct those. I mean, this is not an ask--

BURKE HARR: To pay for Steel--

von GILLERN: --this bill is not an ask to build those facilities. This is an enhance-- enhancement that--

BURKE HARR: [INAUDIBLE] that is correct.

von GILLERN: --that is correct. OK.

BURKE HARR: Yeah. And that billing is to the tune of \$110 million.

von GILLERN: Thank you. Significant part of which was raised privately.

BURKE HARR: Yes, thank you. It's a great public-private partnership.

von GILLERN: Very good. Thank you. Any other questions? Seeing none, thank you, Senator Harr.

BURKE HARR: Thank you.

von GILLERN: Other proponent testimony?

LYNN REX: Senator von Gillern, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. A couple of questions here for you and I also wanted to read into the record on behalf of the city of La Vista. Mayor Kindig could not be here today. And so I would like to just-- what you're getting is a letter from him. And I'll just give you some highlights with respect to this. And I'm happy to answer any questions that you may have, because this basic amendment has two parts to it. That part which is grants, which the city of Omaha, for example, would be applying. And if they're accepted by the board for a turnback tax, that would be for grants, i.e. services to be for cultural purposes,

not for buildings, but for cultural purposes. The city of La Vista, the piece that they're interested in, is for a public parking garage. And you'll note that-- and I think this-- Senator Albrecht, this was your question. It's on page 3. Basically, you're talking about a nearby parking facility located within 700 yards of an eligible sports facility as described and must also be located in a city of the first class. So that, I think, answers that question, as it applies to this piece of the bill. This is a letter from Mayor Doug Kindig, who regrets he was unable to be here today. And they are in support of LB623 with AM824. On behalf of the city of La Vista, they support this bill. The proposed legislation will provide greater opportunities for municipalities to access and utilize turnback financing to build a public parking infrastructure necessary to support and service sports arenas and complexes and concert venues. In partnership with a private developer, the city of La Vista has been actively working to revitalize our 84th Street corridor, which is vacated by the relocation of several major retailers to neighboring jurisdictions, nearly two decades ago. This formerly substandard and blighted area is now being transformed into a new downtown destination and soon-to-be home to new businesses and entertainment attractions that will attract out-of-town visitors. To accommodate this new influx of people and commerce, certain public infrastructure is necessary. The city of La Vista has provided the infrastructure for public parking facilities, public gathering spaces and enhanced regional park, streets and sewers, while the developer is privately building a mixed-use development, including office, residential, retail and a state-of-the-art indoor/outdoor music venue. It goes on to say this project will not only provide the city and state with new revenue, but will add jobs and enhance opportunities for arts and cultural amenities in our community. So in essence, this bill has two pieces to it. One part deals with, basically, what is an a-- pretty extensive requirement that fits into the purview of Chase v. Douglas County, a Nebraska Supreme Court case, in 1976, about the use of public dollars. And so basically, with Steelhouse Omaha, we're talking about the city of Omaha, if they choose to do so, to apply for a grant, which we understand their propose-- proposing to do, an application for turnback tax, which they could then use for services, if you will, to provide to Steelhouse Omaha, making sure that they can continue advancing arts and culture and the kinds of things that cities are able to do. And I have a red light, so I'll be happy to answer any questions that you might have. And we appreciate your support.

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Revenue Committee March 16 2023
Rough Draft

von GILLERN: Thank you. I'll go ahead and ask a question. I think you did part one, Part two of the bill.

LYNN REX: Part two is the parking facility.

von GILLERN: Thank you.

LYNN REX: And that parking facility is a nearby venue, by another venue, but that deals with only cities of the first class. And again, that's a publicly-owned structure, as outlined on page 3 of the bill.

von GILLERN: Very good. Questions from the committee? Yes, Senator Kauth.

KAUTH: Thank you, Vice Chair von Gillern. Ms. Rex, what-- when you talk about cultural facilities, what does that include?

LYNN REX: OK. That's a great question. And I will find the exact language for it, toward the back of the bill. It outlines what we're really talking about, starting on page 8 of the bill, line 29. If the state assistance will be used to provide funding for promotion of the arts and cultural events, the application shall contain the following-- and again, just a backdrop. This is an application that goes to a five-member board, the Governor which has to be one that votes yes. The other four, you're going to need two plus that to get to this. So if the Legislature would be kind enough to advance this and it passes, which we hope that you will do, then the city of Omaha will be in a position to apply for this. So in terms of what this funding would be for, a detailed description of the programs contemplated, how such program will be in furtherance of the applicant's public use or public purpose, if such funds are to be expended through one or more private organizations and any other program information deemed appropriate by the board. In addition, you'll note that there's extensive requirements here, throughout the bill, in terms of what they have to submit as an application. And Senator Briese and I were having a discussion just a little bit ago, before this hearing. The distinction would be this, that it doesn't apply to an arts venue, but it does relate. So, for example, a city has the authority to contract with an American Legion to run a baseball program. Cities have the authority to run their own recreational program with their own city staff. They can contract for that. That's a public purpose. What they cannot do is say to the American Legion, for example, which is, by the way, a great organization. It could be the YMCA or any other organization. What

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Revenue Committee March 16 2023
Rough Draft

they don't have the authority to do is say, we're going to buy you the land. We're going to buy your bats. We're going to build you a stadium and you get to own it. That they cannot do, because that would violate Article XIII, Section 3, which is a prohibition against lending the credit of the state. So this bill recognizes that distinction.

von GILLERN: Very good. Any other questions from the committee? Seeing none, Ms. Rex, thank you.

LYNN REX: Thank you very much. Appreciate your consideration.

von GILLERN: Any other proponent testimony? Seeing none, any opponent testimony for LB623? Seeing none, any neutral testifiers regarding LB623? Seeing none and I don't see any letters on, on LB623, do we have letters? I think those are all LR23CA. We do. Six is on the backside here. We have zero proponent letters, one opponent letter and zero neutral letters, for the record. And Senator McDonnell, to close.

McDONNELL: Thank you. I, I know you have two bills after me. And again, here to try to answer any questions and if not, enjoy your weekend.

von GILLERN: Any questions from the committee? Seeing none, thank you. Drive safe.

McDONNELL: Again, I apologize for being late. Thank you.

von GILLERN: We will close our testimony on LB623 and we will open on LB118. Senator Brandt.

BRANDT: Good afternoon, Vice Chair of von Gillern and members of the Revenue Committee. I am Tom Brandt, T-o-m B-r-a-n-d-t. I represent Legislative District 32, Fillmore, Thayer, Jefferson, Saline and southwestern Lancaster Counties. Today I'm introducing LB118. LB118 makes two straightforward changes to the livestock modernization provisions of the Nebraska Advantage Rural Development Act. First, LB118 lowers the minimum investment required for a project under this program from \$50,000 to \$10,000. Second, LB118 creates a tiered application fee, where larger projects pay the current \$500 fee and smaller projects pay a lesser amount. Both of the changes in LB118 are intended to make the program more accessible to Nebraska's smaller and beginning livestock producers. Let me take a minute here to refresh your recollection on the livestock modernization program. This is one of several programs under the Nebraska Advantage Rural Development Act, intended to target rural economic development. The livestock

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Revenue Committee March 16 2023
Rough Draft

modernization program is aimed at Nebraska's livestock industry. This program incentivizes investment in livestock production with refundable tax credits to livestock producers equal to 10% of the new investment in a qualifying project. Currently, the program requires a minimum investment of \$50,000 for qualifying projects. LB118 would reduce the minimum investment to \$10,000, so that smaller producers can access the benefits of this program. As a livestock producer, I can tell you there are many different types of investments that we can make to modernize our production facilities that would not meet the \$50,000 threshold. Let me give you a few examples. Updating hog feeders, barn curtains and pens in a hog barn or purchasing an updated liquid manure spreader or a used feed wagon. These projects are no less worthy of tax credits than one producer building a new barn at a cost of \$1 million. LB118 also creates a tiered application fee based on the size of the proposed project. Currently, the application fee is \$500, regardless of the amount of investment. LB118 would reduce the application fee to \$100 for a project of less than \$25,000, \$250 for a project between \$25,000 and up to \$50,000, and retain the current \$500 fee for projects of more than \$50,000 and above. Again, this slight change is intended to reduce the fee burdens on small producers who apply for smaller projects. Thank you for considering this bill. And with that, I would be happy to answer any questions you may have.

von GILLERN: Any questions from the Committee? Senator Kauth.

KAUTH: Thank you, Vice Chair von Gillern. Senator Brandt, how many people currently use this and then, what do you expect-- how many more people will use it, at least?

BRANDT: I don't have an answer for you, but I can give you that number. We just passed this last year. I think Senator Murman was the sponsor last year. But we'll see what we can find out.

KAUTH: So we're just expanding it a little bit--

BRANDT: Yeah.

KAUTH: --to try to broaden out the base of people [INAUDIBLE].

BRANDT: Yeah. Right. Exactly. Yeah.

von GILLERN: Other questions? I just have a quick question. I presume that when the-- when this was originally drafted, the \$50,000 floor level was there for a reason and maybe to-- because of administrative costs or so on, is that, that-- are you aware of that?

BRANDT: I, I think what the-- I think what we were looking at, probably, was to encourage new investment. A lot of times, people think of new hog barns, you know, currently, 2,000-head facilities, about \$1 million. And you see a lot of those facilities, chicken houses, things of that nature. But to support our livestock industry, after a period of time-- you know, a hog curtain lasts about 7 to 10 years, depending on where you're at. Very expensive to replace, very necessary. This is a way to incentivise producers to keep their facilities up to date. If you can keep those barns up to date, while that producer may go out of the hog business, he certainly will lease it to another producer, hopefully, a younger producer, to keep producing.

von GILLERN: And is this for, simply, is it purely for capital investments or, or equipment or related expenses?

BRANDT: I'm going to-- Al Juhnke with the Pork Producers will be testifying after me and, and he can probably target that a little bit before you.

von GILLERN: OK. All right. Thank you.

BRANDT: Yep.

von GILLERN: Seeing no other questions, will you stay to close?

BRANDT: Yes, I will.

von GILLERN: Thank you, Senator. We will open for proponent testimony. Good afternoon.

AL JUHNKE: Good afternoon, Mr. Chair, and members of the Revenue Committee. My name is Al Juhnke, A-l J-u-h-n-k-e. I'm the executive director of the Nebraska Pork Producers Association. And I'm testifying here today on behalf of the Ag Leaders Working Group, which consists of the Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Farm Bureau, Nebraska Dairy Association, Nebraska Soybean Association, Nebraska Pork Producers Association, Nebraska Wheat Growers Association and Renewable Fuels Nebraska. And behalf of these eight-- on behalf of these eight organizations, we offer strong support for Senator Brandt's LB118, which updates the Livestock Modernization Act project dollar amounts and fees. And I just handed out the short sheet to you, just so you can see all the logos and hopefully you appreciate not having all eight groups come here and testify on the no-question Thursday. So, so that's where we're at. But

again, I want to thank you-- and Senator Murman's very familiar with this in the past too, as well as all of you who were here in the last year, when we passed this program. Livestock Modernization is a, is a great program. I think it's very unique to Nebraska. I think we're leading on it. I think other states look to see what we're doing to enhance our livestock industry. And this is one of the things that we think will work in the coming years. The \$50,000 minimum was a good start. I think it was just kind of-- as we, as we looked, where should we start? What should we do? Once it was passed, we had discussions in our board of directors. And our board consists of everyone from very small farmers to very large farmers. We have a very good mix on our board. And we quickly realized, as Senator Brandt said, that \$50,000 number is a pretty big number if you're a fairly small pork producer in our case, or cattle or dairy or anything. This is for all livestock. So to make, to make it fit for them, you know, our, our goal and I hope yours as a committee and as a legislative body is we're size neutral when it comes to agriculture. Right. We don't care if you have 20 sows or 200 sows or 2,000 sows on your farm, you do what's right for you. And this bill then, better fits that size criteria. So again, it just drops it down to ten. We didn't go to zero. You got to start somewhere, but \$10,000 seemed more attainable. And then we adjusted the fees, because paying a \$500,000 [SIC] fee for a \$10,000 project gets you \$1,000 back. That would be half of your, your tax credit. So this is a, a fix to a tax credit bill. And hopefully, as you move vehicles out of this committee, maybe that can become part of it. I don't think this is a major bill. And Senator Albrecht, you did that last year, with a bill. You moved a tax credit bill out that had a number of those smaller tax credit and fixes in it. So hopefully, that might be the, the answer to this one, too, going forward. So with that, I'm happy to answer any questions. And I know everyone's anxious to keep, keep moving.

von GILLERN: Thank you. Questions from the committee? Yes, Senator Murman.

MURMAN: Yeah, I did have requests, after last year's bill, to-- from smaller farmers to make it more equitable toward them. So I appreciate this bill. But could you address a little bit-- I know the original intention of the bill also, was to attract livestock development even from outside the state. Could you address a little bit about how that happened [INAUDIBLE]?

AL JUHNKE: Well, I can do that. I mean, not specifically, but I can tell you, to my knowledge, right now and I've been thinking about this

in the last week, I've heard of probably between 40 and 50 new barns that are being talked about or planned or, or moving forward or are starting to have hearings in local zoning commissions. So, you know, whether this is the sole reason, but it does show Nebraska, even with our high tax rates-- property tax and we know, if I, if I build a barn across the border in Iowa, up by your district, Senator Albrecht, I will pay oh, probably one-fifth the property taxes I would in Nebraska, on that same farm site for that new barn. So if you take the, the credit on that million dollar barn of \$100,000 over the ten or 12 years of the loan life of that new barn facility, it about makes up for the property tax difference. So I'm not making the decision anymore on Iowa or Nebraska based on property taxes. It's based on other things: workforce, availability of feed, water, other things, which is how it should be. We can compete with anyone if we're on an equal basis. And Senator Murman, I think this does help. And I know, as you know, too, there's a number of large dairy facilities that are looking to move from California and other states. And one of the reasons is, I mean, this, this goes up to a \$5 million project that you could get a 10 percent back. Now, it's capped every year at \$10 million. That's why the fiscal note is really zero on this. It's \$10 million a year for the next five years, so that amount doesn't change. Its first come, first serve. But people are looking at that. And I'm guessing a number of those new facilities will apply for this and qualify for it.

von GILLERN: Good. Any other questions? The question I asked earlier presumes this applies only to capital expenditures, if you buy a pickup truck or a gate or something like that, it does not qualify?

AL JUHNKE: So it, it-- Mr. Chair, it does apply to all equipment in the barn. So if you're-- as Senator Brandt said, if you're replacing curtains and upgrading your feeders or, or putting in more efficient fans or lighting or that type of thing, you know, this is, this is to extend and modernize your facility, so hopefully you produce longer. So in that case, the equipment qualifies. Implements-- machinery qualifies if it's single use and only for that livestock facility. So if you're buying a feed wagon and you're just using it for the livestock facility, that's great. By the way, you can't split that with your neighbor, either. It's just for you and your livestock facility. So if you're buying a manure spreader, if you're using it, you know, just for your livestock facility, that counts. And then, of course, it counts for building new or it counts for if you buy a used facility, as Senator Brandt said. Maybe, down the road, there's a hog facility, in our case, that's been sitting empty for a number of

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Revenue Committee March 16 2023

Rough Draft

years. And we know when buildings sit empty on the farm, they deteriorate. You could buy that and then do all the upgrades inside: the pens and the floors and the curtains and all of that would-- and now we got it back into production. We're producing animals and we're adding to the economy. So-- but it's, it's got to be just to that single use and it can't be a shared use with a neighbor or even a-- an uncle or something, down the road. It's just for that site and that facility.

von GILLERN: Very good. Thank you. Thank you for your testimony, Mr. Juhnke. And thank you for your testimony on behalf of--

AL JUHNKE: Thank you, Mr. Chair, and members of the committee.

von GILLERN: --the other organizations. Any other proponent testimony on LB118? Seeing none, any opponent testimony on LB118, LB118? Seeing none, any neutral testimony? Seeing none and I don't believe we have any letters. Senator Brandt waives closing so that will close our hearing on LB118. Thank you. We will open testimony on LR23CA. Welcome, Senator Riepe. Good afternoon.

RIEPE: Thank you, Chairman von Gillern and members of the Revenue Committee. My name is Merv Riepe, and it's M-e-r-v R-i-e-p-e, and I represent the 12th District of Nebraska Legislature, which is southwest Omaha and the city of Ralston. I am here today to introduce LR23CA. As you know, legislation to either reduce or eliminate the inheritance tax has been before this committee countless number of times, over a span of many years. However, the approach before us today is unique and unseen in recent history, certainly during my time in the Legislature. LR23CA would place the decision to prohibit the levy of an inheritance tax on the ballot for the general election, in November of 2024. A simple and straightforward proposal. There is strong evidence that a majority of Nebraska taxpayers prefer to eliminate this unfair tax and unpredictable source of revenue. Why not let them decide? I will. There's strong evidence-- well, no, I'm sorry. I'm going to close with that.

von GILLERN: OK.

RIEPE: I would take questions. If you have some that our additional people would--

von GILLERN: Thank you for your opening.

RIEPE: --and I will stay around for closing.

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Revenue Committee March 16 2023
Rough Draft

von GILLERN: OK.

RIEPE: And I have some followup comments or try to answer some questions that you might have at that time.

von GILLERN: Very good. Any questions from the committee? Seeing none, thank you, Senator Riepe. And we'll open for proponent testimony.

RIEPE: Thank you.

JIM SMITH: Good afternoon, Vice Chairman von Gillern and members of the Revenue Committee. I, I commend you on the no-question Thursday. I only wish I had thought of that when Senator Harr and I served on this committee together.

von GILLERN: We're not performing very well on that.

JIM SMITH: My name is Jim Smith, J-i-m S-m-i-t-h, and I am chief strategy officer for the Platte Institute. I am before you today to offer testimony on behalf of the Platte Institute and in support of LR23CA, as introduced by Senator Merv Riepe. For as long as I can remember, and certainly during my own time in the Legislature, the inheritance tax has been a topic of discussion. And as long as I can remember, the Platte Institute has actively supported legislation to eliminate or reduce the burden of this tax on the citizens of Nebraska. In 2022, the Platte Institute provided support and testimony for LB310, introduced by Senator Rob Clements and its provisions to reduce the inheritance tax rates for distant relatives and unrelated heirs and to increase exemption levels on all classes. During that testimony, the Platte reported on a recent poll, showing 78 percent of Nebraska voters, across party affiliation and across the state, favored going farther than the provisions in LB310 and ending the inheritance tax altogether. First and foremost, we believe LR23CA allows the voters of Nebraska to fully express their opinions on the inheritance tax. And by doing so, removes the burden on this body to make that-- to make what is a very difficult decision. But there are other compelling reasons for eliminating this tax method. Nebraska is one of only five states to still have an inheritance tax and the only one west of the Mississippi. And we know very well that being an outlier, in this regard, is not promising for Nebraska, with so many options for retirees and the workforce. The inheritance tax is one of many factors that taxpayers have used and will use to decide to remain or become a resident of Nebraska. To quantify this point, Jonathan Williams, coauthor of Rich States, Poor States, said by simply

eliminating the inheritance tax, Nebraska would move from 36th to 28th place on the recent edition of his publication. We believe there's also a moral and ethical basis to eliminating the inheritance tax. With our changing society, there are more and more cases that a caregiver to a sick or aging resident is a distant relative or not a relative at all. Even more an issue, the assets that are assets at issue are more often in the thousands of dollars, not hundreds of thousands or even tens of thousands. So while it can be argued that immediate relatives are exempted from a 1 percent tax on the first \$100,000, keep in mind that a nonrelative caregiver would be exempt at only a, a fair-- a, a few thousand dollars and then taxed at 15 percent. So in closing, we thank you for considering this bill and we thank Senator Riepe for bringing this bill forward. Thank you.

von GILLERN: Thank you for your testimony. Questions from the committee? Seeing none, Senator Smith, thank you for being here today. Good afternoon.

DOUG KAGAN: Good afternoon, gentlemen, ladies. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, represent Nebraska-- excuse me-- representing Nebraska Taxpayers for Freedom. Our members say don't be caught dead in Nebraska because they believe this tax has a negative effect on willingness to accumulate wealth through their hard work, savings and investing. Our inheritance tax appear as a grim reaper form of double taxation. We already pay tax on our income and property, so taxing assets bequeathed to heirs levies an additional tax. The exemption amounts are paltry. We believe this tax infringes on personal rights to our inherited property. It directly contradicts, contradicts the intent of wills. Heirs should feel free to use the accumulated family wealth as they choose. Parents should have the right to provide assets to their offspring or relatives with whom they have bonded. Those facing death should not suffer additional emotional distress and insecurity about whether their company or estate they have created will go to their children or close, sell or shrink because of inheritance taxes. Heirs may find it impossible to continue a business or venture. Posthumous taxation is tantamount to grave robbery. Forbes Magazine tagged Nebraska as a state in which not to die because of our high death taxes. Inheritance taxes present a disincentive to accumulate wealth and property. Sadly, many who suffer financially from this tax are those who have invigorated our economy. Individuals realizing that their assets will face taxation following their demise will consume more of their estate, a negative effect on future investment and capital accumulation. This tax punishes wealth creation. Morally, this tax taxes virtue, living frugally. Fees paid

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Revenue Committee March 16 2023

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to accountants and tax attorneys to complete paperwork further diminishes estates, as inflation appreciate-- as inflation and appreciation of property and salaries increase, more Nebraskans find themselves snared by this tax. Yes, this tax infuses local budgets, but only minimally. Counties claim that they use these funds to control property taxes, but sometimes spend the proceeds on extraneous expenditures. Example: Douglas County Commissioners voted on \$500,000 each year for this tax to help fund the UNMC clinic. Particularly because of our high inflation and possible recession, we urge senators to advance LR23CA to the full Legislature for debate. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, Mr. Kagan, thank you for being here. Other proponent testimony?

TOMAS WEEKLY: Sir, did you have a green sheet?

RICHARD CLEMENTS: I beg your pardon?

TOMAS WEEKLY: Do you have your green sheet?

RICHARD CLEMENTS: I don't have a green sheet.

TOMAS WEEKLY: Let's just have the next proponent come up and [INAUDIBLE].

BOB HALLSTROM: Vice Chair von Gillern, members of--

von GILLERN: Good afternoon.

BOB HALLSTROM: --the Revenue Committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the National Federation of Independent Business. I've also been authorized to sign-in, in support on behalf of the Nebraska Chamber of Commerce and Industry. Mr. Smith talked about the, the vast majority of states that have repealed or done away with their inheritance tax. We believe Nebraska should join those one way or another. And this is a good way to allow the voters to express their interest in repealing the tax. I think when you look at the inheritance tax, the unfairness that we pointed out in the past is that every step of the way sales, income, property taxes are imposed upon the accumulation of wealth, and then the final pound of flesh is extracted from the beneficiaries, after they've placed their loved one in the, in the grave. Mr. Smith talked about the caregiver example and the high tax rate that applies for distant relatives or unrelated parties that may take care of an

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Revenue Committee March 16 2023
Rough Draft

individual who passes away. Another one is even at the niece and nephew level. I've had clients, I've got my own personal example. Clients or my sister have not been blessed with having children. They happen to, in my sister's case, treat my children probably better than she does her sibling. But try this example on for size. If my sister leaves her estate to me, it comes to me with a \$100,000 exemption. I pay tax at 1 percent. And when I pass it down to my children, they pay at 1 percent. If she decides to leave me out of her will or I would happen to predecease her, when it goes to the nieces and nephews, the same final resting place, if you will, they pay at the higher niece-nephew rate with the much lower exemption. So that seems patently unfair. And for those reasons, we would ask the committee to advance the bill to the floor for consideration by the full Legislature. Be happy to address any questions that the committee may have on this Thursday.

von GILLERN: Thank you. I Thank you for your testimony. Any questions from the committees? Seeing none, thank you. Mr. Hallstrom.

BOB HALLSTROM: Thank you, Senator.

von GILLERN: Other proponent testimony? Good afternoon.

RICHARD CLEMENTS: Good afternoon, Senators. My name's Richard Clements, R-i-c-h-a-r-d C-l-e-m-e-n-t-s. I'm Rob Clements' younger twin brother. So I've been practicing law in Elmwood, Nebraska, for 47 years, principally handling estates and inheritance tax issues. And I, I support the, the advancement of LR23CA, for the following reasons. The first one is that the heirs of every decedent who resides in or owns real estate in Nebraska are subject to inheritance tax, except for a surviving spouse. That meets-- that makes every death in Nebraska a problem that attorneys like me have to solve. And there are no estate planning techniques to avoid that, such as revocable trust, joint tenant ownership, payable on death or transfer on death designations. Those allow passage of the, of the items to your beneficiary, but does not avoid tax, as long as the decedent retains ownership or use of the assets. So this, this causes a delay in receipt of those assets by the heirs. It, it causes legal expenses that I've been charging for 47 years on my clients, which I actually, would rather not do. The, the beneficiary is the other thing. The beneficiaries of small estates will pay about the same cost for inheritance tax proceedings as a beneficiary of multimillion dollar estates. It all-- because they all go through the county court, through the county attorney and have-- all have a similar process. And

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Revenue Committee March 16 2023
Rough Draft

so my point is that the, the saving of, of delay and dollars of, of legal and administrative costs is an important benefit of this bill. The other thing, it would also save time on the county court dockets and on the county attorney's time, to eliminate those, those proceedings. Page 2 is an example that I've given you, on two estates I handled this past year. The large estate has \$3 million. The small estate is \$300,000. Unfortunately, the small estate went to nieces and nephews and those people paid \$24,000 on \$300,000. The \$3 million estate paid about the same tax. Actually, in 2022, the tax rates were higher and the niece and nephew paid \$40,000. They had to borrow that money from Rob and I's bank to pay it, because they don't want to sell the family farm house. And the-- they're in college. They're trying to, trying to make a way on student loans. And it is a very high burden for that family. But their uncle died prematurely and that's what they're stuck with. So I would suggest advancement of LR23CA. And my point number 4 does mention that there is a Nebraska estate tax that you might want to consider sometime, too, that's still on the books.

VON GILLERN: Thank you. Any questions from the committee? Yes, Senator Murman.

MURMAN: Maybe this is a question better for your older twin brother or for someone behind you, but with the resolution, there's no fiscal note. So I'm just wondering, you know, we do hear from county commissioners all the time about they're going to have to raise inheritance taxes or excuse me, property taxes if they can't levy inheritance taxes. Do you have any idea how big of a tax increase if, if the-- if it would be passed onto property taxes, how big of an increase that would be?

RICHARD CLEMENTS: Rob told me last year when we were discussing this, was about 1.5 cents of their levy would be increased, roughly, on average. I know in Cass County, in the past years, this has been a slush fund of quotes for improvement to the county courthouse or improvements to the jail or other facilities that weren't critical. But it was nice to have \$1,000,000 to work with, if it's there from inheritance tax. But it doesn't seem to be a, a tax revenue that's consistent and therefore, not dependable and not depended on by most of the counties.

MURMAN: Thank you.

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Revenue Committee March 16 2023
Rough Draft

von GILLERN: Any other questions? Mr. Clements, thank you for being here today.

RICHARD CLEMENTS: Thank you.

von GILLERN: Other proponents for LR23CA? Good afternoon.

BRANDI BURKETT: The one I'm most excited about. Brandi Burkett. Do you need me to spell it again?

von GILLERN: Um-hum.

BRANDI BURKETT: B-r-a-n-d-i B-u-r-k-e-t-t. First off, I have a question for you all. Have you ever been given a birthday or Christmas gift and then been told you have to pay for it by whoever gave it to you? Well, ever since high school, you know, I've heard a lot about how we need to keep young generation in Nebraska and we need to keep young farmers here in Nebraska. The inheritance tax does not help young farmers, especially that are inheriting land, especially from their, from their family farms. It's a burden tax. It's not necessary anymore. I think it's time to find new forms of revenue, especially with gambling being approved, maybe find some avenues there or something else. We're only one in five states now, that-- with Iowa getting rid of theirs, we are only one in five states that has the inheritance tax and enforces it. You know, we need to make sure that family farms stop dying and corporations quit taking over our family farms, because it's becoming a monopoly. And I don't want to see a monopoly dictate the ag industry growing up over the rest of my life. So please stop having me pay for birthday and Christmas gifts. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you for being here, Ms. Burkett. Any other proponent testimony on LR23CA? Seeing none, we'll open for opponent testimony on LR-- oh, was there-- are you-- would you like to speak as a proponent?

RON PETERSON: Opponent.

von GILLERN: Opponent. We will open for open testimony. Yes, sir. You can move to the front.

JON CANNON: Good afternoon, Vice Chair von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of

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Revenue Committee March 16 2023
Rough Draft

County Officials, also known as NACO, here to testify in opposition to LR23CA. I appreciate that Senator Riepe has brought this bill, particularly as a constitutional amendment. I think there's a lot of ground for us to cover and I'll try and get through this quickly. Good thing I speak quickly, usually. You know, why do we have an inheritance tax? I've heard a number of people that have said, well, there's only five states that, that have it still. I will point out that of all the states that have it and almost all the states that have ever had it, Nebraska is unique, in that it goes directly to the counties. Whereas every other state, it goes generally into the state's budget and becomes, essentially, accounting dust. So this is a form of revenue that we use and it is our secondary revenue source, after the primary revenue stream being property taxes. And I've heard some comments about how, you know, it would be about 1 percent. I've, I've a got a couple of handouts for you. The first one is the results of a survey. I'll get into that in a second. The second one is an infographic that we have, the second full page of which actually goes through the rates and, and what they would look like if you took that-- those capital outlays that the inherent taxes used for and actually had that being borne by the property tax, I think you'll find that in Clay County, that the levy rate would have to go over to-- over \$0.60, while we're-- oh, by the way, we're constitutionally capped at \$0.50 on our levy. You know, those, those numbers don't lie. Now, in Clay County's case, the reason that it, that it goes so high is because they, they did what you're supposed to do. They used this as a reserve. They, they saved up their money and they started using it on projects. And so the information I've got in, in that chart in the second handout, that is our five-year average of, of all the-- that information. I know I'm not going to get through everything, so I'm just kind of going through this very quickly. I would like to, to give you the results of a survey. I know that there was a prior testifier that talked about having done a survey, where 78 percent of all Nebraskans, across party lines, wanted to get rid of the inheritance tax. And, and that's interesting. I think-- I can share with you the results of a survey that we conducted a month ago. And I've got really complete survey results for you. If you go to the-- I think it's the sixth or seventh page, 3 in 5 Nebraska voters say the inheritance tax is acceptable after hearing the details about it. Majorities across party lines find the inheritance tax to be acceptable. Going to the next page, going two more pages and, and it's seen as acceptable in all major regions of the state: the Omaha market, Lincoln and Hastings, Kearney and the rest of the state. Three in four voters support the state dedicating other tax revenues to

maintain county services if the inherent tax is eliminated. And then across party-- and also, most voters, on the next page, they oppose counties increasing taxes or eliminating services if the state eliminates the inheritance tax. Those are some pretty key numbers right there. Seventy-six percent, when asked the question if county governments increasing local property taxes in order to make up for the shortfall from inheritance taxes, 76 percent of your voters said that that's unacceptable. They would strongly-- either strongly oppose that or oppose that. When you shift the question to county government eliminating services and still maintaining the same property tax levy, 79 percent would, would oppose or strongly oppose. And I'm-- I see that I'm out of time. I've, I've got a whole bunch more that I could--

von GILLERN: You'll get asked some questions.

JON CANNON: All right. Thank you.

von GILLERN: Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you, Mr. Cannon. So one of the things that I think people talk about a lot with this debate, is whether or not counties actually rely on this money or if it simply creates a slush fund. I think we've heard that, from past times it's come up, I've heard a little bit here today. I apologize for missing some of the other testimony. I was in another room introducing a bill. Can you speak a little bit more towards the actual-- whether or not counties actually rely on this or if it just creates like a safety net that they don't actually need?

JON CANNON: Sure. Well, I wouldn't, I wouldn't say that a safety net is ever unneeded. Back in 2019, when we went through the floods, certainly having an inheritance tax act as a reserve in almost all, you know, 93 counties across the state was certainly helpful. But the second handout that I provided, I go through a number of things-- how the counties spend their inheritance tax money. You can see the major objects of expenditure through the-- from the inheritance tax fund. What we did was, we did a study of all the budgets from counties. We looked at what transfers we had from the inherent tax fund to either capital outlays or, or as a transfer to different departments. And you can see pretty comprehensively what counties spend the inherent tax fund on. When you go to the, the second full page, where it says that-- it has the title of potential property tax increases due to loss of inheritance tax revenue, again, these are based on five-year averages. We, we took the 2022 total tax rate, the levy from the

county, and again, we're constitutionally prohibited from going above \$0.50. We took the annual county inheritance tax, inheritance tax spending that was based on a five-year average of, of spending; we projected what the total tax rate, the levy rate, would be if the inherent tax went away. And you can see, Adams County goes from \$0.42 to 47.5 cents. Again, Clay, Clay County goes from 28.7 to over \$0.60. I think that's some-- somewhat significant. Douglas County. We go from 29.6 to \$0.32. That's a 2.4 percent increase in the levy. And if you know, if you own significant property, that's going to be a big deal. You know, going on Lancaster County, \$0.26 up to 27.6. And, and I, I think there are folks behind me from Lancaster and Douglas that'll go through a little bit more, particularly how they, they use their inheritance tax funds. But all the way on down the line, you can see that, essentially, what a lot of counties do is they will save up a significant reserve and then they will outlay that to significant projects, such as a road or a bridge or a series of roads and bridges. Law enforcement. I know that the Buffalo County sheriff, he submitted a letter for you all. And one of the things that he goes through is that they took \$1,000,000 from the inheritance tax fund and they used that on a radio system that's used by the Buffalo County Sheriff's Office, the city of Kearney's police department and the State Patrol. Again, that's, that's public safety, yet I think we're generally in favor of those sorts of things. And this is a cost that is not borne by the property taxpayers. And I think that second page of the infographic you're looking at there, illustrates what this does to the property tax levy, and I think that's really significant. I will note that attached to this-- for LR23CA, there has been an amendment that's been filed already, by Senator Myron Dorn. Certainly, he's a former Gage County supervisor., he understands the importance of this. I would require if, if we were to pass this, it would require dollar for dollar reimbursement, a revenue replacement from the state to every county, based on a five-year average, which we've got, kind of, displayed here for you. And if that were the case, you know, I, I can't take a position for the, the NACO board of directors on, on something that is existential to us. I mean, this is the number one item on our platform. But what I can tell you is I would immediately convene our board of directors to look at what that proposal would do. And I, I think that's something that we might be able to live with, if it's phrased correctly and written into the constitution. I would ask you all to listen to the folks behind me, ask them questions. They're going to come forward with stories about how their counties or their, their communities used the inheritance tax in ways that are very positive for all the people across the state. Again, I've been able to

illustrate for you how it affects the property tax, which I suspect that everybody in this room, when they were campaigning, heard about that. I would also suspect that the majority of you did not hear about insurance taxes when you were knocking on doors. With that, I'm happy to take any questions you may have, but I, I know the nature of, of today. If you would save your questions for the folks after me, I would certainly appreciate it.

VON GILLERN: Other questions? Senator Briese.

BRIESE: Thank you, Vice Chair von Gillern. And thank you for your testimony here today. Under current law, what will our average annual total inheritance tax collections be across the state going forward?

JON CANNON: Let's--

BRIESE: We just tweaked it last year and so, we don't have our-- I, I don't have a real good gauge. What is it now? What's it going to be?

JON CANNON: You know, we, we did a back of the envelope calculation, Senator. We figured probably about a 15 percent reduction in those five-year averages that I've, I've demonstrated. One of the unique features of-- when we passed LB644 last year, is we included a reporting mechanism, where we want people that are, that are PRs or administrators of an estate to file a form with the Treasurer. And then, the Treasurer is going to file, essentially, an aggregation of all that information to the Department of Revenue, which breaks things down based on Class 1, Class 2, Class 3 beneficiary, the amount of money that's going to each-- coming from each of those beneficiaries and also, whether or not the person was from out of state. And, and the reason I think that's important is two years ago, when this committee was hearing LB310, one of the questions that was raised was how many people from out of state are paying the inheritance tax? And I believe there was a question that said something to the effect of, well, is it fair for people that don't live here to pay for our roads and bridges? And I thought that's the best tax there is. But, you know, and, and I think that that would be some valuable information. But we, we don't start collecting that until June 30, of this year.

BRIESE: OK. But, but you have five-year averages, broken down by certain counties. How about statewide total-- ballpark?

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Revenue Committee March 16 2023
Rough Draft

JON CANNON: We can get you that information, sir. I, I don't, I don't have it available. And I, I wish I had included the total line. I apologize.

BRIESE: But fair to say, absent the Dorn amendment, we do something like this, we're going to, potentially, impose a 2 percent property tax increase, on average, across, across the state.

JON CANNON: That's probably very, very fair to say, sir.

BRIESE: OK. Thank you.

JON CANNON: Yes, sir. Thank you.

von GILLERN: Any other questions from the committee? Yes, Senator Murman.

MURMAN: I'm not sure if you-- when you mentioned Clay County, you did that on purpose or not, but that hit pretty close to home. I don't think there's any Clay County people here. But could you say again why you think Clay County has such a difference--

JON CANNON: Sure.

MURMAN: --between, between the two?

JON CANNON: So, you know, first, first of all, I have to commend your, your board of supervisors in Clay County. I actually know that one of them is a neighbor of yours. They've done a pretty remarkable job of saving up money through the inheritance tax fund, you know and, and saving it for that rainy day. And they've-- there's a number of problems-- I wish there was someone here from, from Clay County here to, to testify. But they've had a number of projects that, that are pretty vital to folks in the rural community, I think, that have, have, just been a result of that. But that five-year average, they'd, they'd saved up their money for a long time. Over the last five years, their average spending on those capital outlays has been such that if they had had to pay for that through the property tax, their-- this chart shows that the projected levy rate would be over \$0.60 and, and of course, they don't get over 50, but it, kind of, it really does tell you what the effect of, of their, their use of the inheritance tax has been in Clay County.

MURMAN: I'm glad you didn't say that it's because more people die there.

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Revenue Committee March 16 2023
Rough Draft

JON CANNON: I, I certainly hope not.

von GILLERN: Any other questions from the committee? Seeing none, thank you, Mr. Cannon.

JON CANNON: Thank you very much. Have a, have a great weekend. I said that yesterday.

von GILLERN: Thank you.

JON CANNON: I meant that for today.

von GILLERN: Drive safely. Next opponent. Good afternoon.

JOE LORENZ: Good afternoon, Senators. My name is Joe Lorenz. I'm the Douglas County finance director, and I'm here today to give you our perspective on the inheritance tax and what it enables our county to do. So she's handing out my talk sheet here, but I'll start on it and tell you that Douglas County average proceeds have averaged about \$14.7 million a year over the past five years. So as the state's largest county, we're, we're also the-- probably the largest recipient of the inheritance tax. On average, about 1,200 estates per year are subject to inheritance tax in Douglas County and go through the probate process. That represents 0.2 percent of the Douglas County population. You know, the county has about 575,000 people. And I can tell you that in my 12 years of attending Douglas County board meetings, we've had very little people come in and want to discuss inheritance tax, which is very different from the property tax issue. Douglas County is a little different in that we're an urban county, so we use our inheritance tax proceeds primarily to fund essential and mandated social services. No inheritance tax proceeds are transferred to the Douglas County General Fund. So there's a table there, on the charts we handed out, that show where inheritance tax spending goes. Three to four million go to our health center, which is our long-term care facility for people, \$3 million goes to the community mental health center, \$1.5 million goes to general assistance. This year, \$4 million was going to our health department. \$500,000 goes to our veterans group and \$500,000 also goes to state institutions for-- where they do the assessment for, for mental illness. So you can see that we are funding social services with our money. And if this average of \$14.7 million of inheritance tax proceeds were eliminated, we would have to increase our levy by 2.55 cents or 8.6 percent. There would be an 8.6 percent increase in property taxes if we would want to maintain the current level of social services. So that would not be

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Revenue Committee March 16 2023

Rough Draft

received well by, by our residents. Or the other option is that we could receive money in offsetting revenue or we could get new enabling state legislation for fee increases that would generate more revenue. Or alternatively, we could get increased funding from the state for things like criminal justice services, which are increasing at significant rates for the county. And I guess my last point, in closing, is as the macroeconomic environment is changing, as we're going from a situation of easy federal money and low interest rates to tighter spending and high interest rates, eliminating the inheritance tax would take away our county's financial flexibility. And we would really be facing a tough problem of how to continue these social services for our residents who are most in need of them if we had to reduce our funding. Thank you.

von GILLERN: Thank you. Thank you for your testimony. Questions from the committee? I, I have a couple quick questions. The-- what's the total budget in Douglas County, just so I can get an idea of what the-- kind of percentage we're talking about here?

JOE LORENZ: If you count the total ARPA spending, we're probably at about \$500 million. If you take away the ARPA and the federal spending that we've had for the past few years, we're probably, you know, more in the \$425 million range.

von GILLERN: OK. So the inheritance tax is maybe, two percent-ish of the total budget. And then it seems-- and I'm not questioning the judgment here, but it seems odd the, the-- that an unpredictable tax is using to fund essential and mandated social services. I'm a little surprised at the listing here.

JOE LORENZ: Yeah. Yeah. And I, I could address that. Sure. Douglas County is big, big enough that [INAUDIBLE] is pretty consistent. It's a law of large numbers, that we are always in, kind of, a, a \$12-18 million range, just because we're a large enough county. Like I say, it's a law of large numbers. So ours is actually very dependable.

von GILLERN: OK. Any other questions from the committee? Seeing none, thank you for being here today.

JOE LORENZ: Thank you.

von GILLERN: Next opponent. Good afternoon.

RON PETERSON: Good afternoon. My name is Ron Peterson, R-o-n P-e-t-e-r-s-o-n. I am chairman of the board of Hall County Board of

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Revenue Committee March 16 2023

Rough Draft

Commissioners. I appear before you representing the Hall board-- Hall County Board of Commissioners and the taxpayers of Hall County. This legislative resolution is a threat to the viability of Hall County's financial well-being. Unless the Legislature is willing to replace the revenue provided by the inheritance tax, eliminating it will severely cripple the county's ability to serve our constituents. Inflationary, inflationary pressures that we are experiencing on fuel, salaries, health insurance and equipment costs have put the county in a very precarious position. With the spending lid that we operate under, we cannot keep up with these costs without the possibility of layoffs or service reductions. I would like to point out we are also affected by actions of the state, as the following example shows some actions that impact our budgets. I've been the head of the union negotiating team in Hall County and I've seen the pressure from our unions to address pay discrepancies, after the state gave the corrections officers a 40 percent increase in pay and the state patrol is providing a 22 percent increase. As a county, we don't have the spending authority to give these kind of level of increases, yet we compete with the state for similar positions. If you eliminate the inheritance tax, I have no doubt that we will not be able to keep these positions filled. Earlier this year, we settled with the unions prior to the state giving these increases. Each union has since asked us to reopen negotiations because of the state's action. It did not matter that we had a four-year contract in place that had been signed just months earlier. Finally, I hope you understand that the Legislature impacts counties by passing unfunded mandates that put additional pressure on our ability to do the important work we do. We are looking at the expansion of our courthouse that could cost our taxpayers an additional \$30 billion, because we are going to be assigned another county court judge and a juvenile hearing officer, without the space to currently accommodate them. Again, the inheritance tax revenue will help cover these costs. My question to you is how does Hall county cover these costs without the inheritance tax? We hear all the time that property taxes are too high, but this resolution will do the opposite of reducing property taxes.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you, Mr. Peterson. Next opponent. Good afternoon.

JOEY ADLER RUANE: Good afternoon, Vice Chair von Gillern 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, space, and I am the policy director at the OpenSky Policy Institute. I'm here today to testify in opposition to

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Revenue Committee March 16 2023
Rough Draft

LR23CA. Eliminating the inherited tax would deprive counties of one of their few revenue sources, forcing many counties to choose between cutting vital services that residents rely on or raising property taxes and it could widen the wealth gap. In fiscal year '20, the inheritance tax raised \$63 million statewide. The amount of inheritance tax collected varied significantly from county to county, ranging from \$353 in Sherman County to nearly \$12 million in Douglas County. The average county revenue from the inheritance tax was almost \$700,000, while the median county revenue was about \$340,000. Eliminating this revenue threatens the ability of counties to deliver essential services, without increasing property taxes, in many parts of the state. In Nebraska, the role of counties is closely tied to state government. Counties are required by the state to provide numerous services and are limited in revenue sources that they're able to use in order to pay for them. Inheritance tax revenue contributes to keeping roads safe, administering elections and supporting businesses through [INAUDIBLE] and licensing, among many other services. Counties also play critical roles during emergencies, dealing with droughts, floods, fires and other natural disasters. For most counties, alternatives to the inheritance tax revenue are few. Without an increase in state aid, they'd be forced to enact some combination of reducing services, drawing down their reserves or raising property taxes to counteract the loss of revenue due to LR23CA. The inheritance tax also helps to create a more equitable tax code. Wealth has become increasingly concentrated at the top of the income spectrum and the inheritance tax is a progressive way to access that wealth. That was the goal of the federal estate tax when it was adopted in 1916, to serve as a backstop to the income tax and catch wealth that would otherwise go completely untaxed. Many of the largest estates have significant amounts of unrealized capital gains. Because capital gains on assets like real estate and stocks aren't taxed until they're realized, usually by being sold, many are never subject to the income tax. The inheritance tax allows counties to help tap those resources to pay for services that all residents rely on. Nebraska's inheritance tax is also structured in a progressive way, with changes made last session, not only reducing the rates, but also increasing the threshold subject to the tax. Because those tax holdings-- those holding significant wealth are predominantly white, the inheritance tax also helps address the racial wealth gap. White households also are 4.5 times more likely to receive an inheritance from family members than black households and those inheritances tend to be larger. Increasing the inheritance tax rather than cutting it will continue to help address these disparities, as recommended by the Institution

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Revenue Committee March 16 2023
Rough Draft

[SIC] on Taxation and Economic Policy. Finally, we understand there's an amendment to reimburse counties for their lost revenue, but are concerned it would make the tax code even more regressive. The proposal would presumably use general funds which would come from sales tax, which are generally regressive and income taxes, While the state has funds to make a multimillion dollar commitment now, counties may find themselves in a difficult position when the state's coffers to become less-- are less flush, within the next five years. Thank you for your time and happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you for your testimony--

JOEY ADLER RUANE: Thank you.

von GILLERN: --Mr. Adler Ruane. Any other opponent testimony on LR23CA?

MISTY AHMIC: Sorry. I got a little cold.

von GILLERN: Good afternoon.

MISTY AHMIC: My name is Misty Ahmic, M-i-s-t-y A-h-m-i-c, and I am a Seward County commissioner. I'm testifying today as someone who is familiar with the struggle of maintaining a budget that includes health insurance expenses, paying for the rising costs of infrastructure-related projects and materials and is always looking for ways to save money for our taxpayers. Just like everyone else, we struggle with salary increases. But as a, but as a county next to Lancaster, that is home to many state agencies who have been fortunate enough to afford tremendous raises in pay for their employees, we still struggle to keep our workforce. In 2021, we transferred \$300,000 of inheritance funds to our general fund to provide tax relief, relief to our constituents. In 2022, that number was \$1 million. This is a direct result of wage increases and inflation. We had to utilize these funds, in addition to our unused budget authority, to stay under the lid and to not dramatically increase the ask of our residents. As county board-- our county board utilizes our inheritance funds sparingly. We do not consider these a slush fund. Right now, we're dealing with unavoidable repairs to our courthouse elevator that come at a price tag of \$85,000. Fortunately, we can utilize inheritance funds to pay for this. Additionally, we must deal with our HVAC, HVAC system at \$65,000, and the rekeying of our doors at \$4,000. We have elected to use some of our ARPA funds for these two items, but as a

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Revenue Committee March 16 2023
Rough Draft

small county, we did not get much in ARPA funding and it feels as though many forget these are not endless funds. If you prohibit-- end inheritance funds and there are no proposed legislation to supplement this revenue for counties, I ask how we will deal with these unexpect-- unexpected expenses. What will happen when our windows need to be replaced, when our inheritance funds run out and we can't hire employees, because we can't make a transfer to our general fund to keep up with a competitive wage game? We could go to bond, but not for the items I have mentioned. And we can't just keep raising taxes because we have the lid. I haven't been doing this for 20 years like some of my counterparts and some of the faces you are used to seeing up here, but it doesn't take that long to know how crucial these funds are to basic county service. I'm also young enough to be someone that could stand to inherit something someday. And I can say, with full honesty, that I would be happy to pay my 1 percent, so now that my roads are being maintained properly, that if I need to utilize the elevator to reach a county office, it's available and that I won't have to pay more in property taxes annually. Thank you so much for your time.

von GILLERN: Thank you. Any questions from the committee? Seeing none, thank you for your testimony today.

MISTY AHMIC: Thank you.

von GILLERN: Next opponent, please. Good afternoon.

CHRISTA YOAKUM: Good afternoon, Senator von Gillern and members of the Revenue Committee. My name is Christa Yoakum, spelled C-h-r-i-s-t-a Y-o-a-k-u-m, and I'm appearing before the committee in my capacity as chair of the Lancaster County Board of Commissioners. I'm here to testify on behalf of the Board in opposition to LR23CA. The County Board strongly opposes any action to repeal or reduce inheritance tax without counterbalancing revenue measures. And you'll also be hearing from other elected officials and you've heard from some about the importance of these funds to county governments across the state. County governments like Lancaster County are facing tough times, from continued recovery from the flooding of 2018 and 2019, to co-- the COVID pandemic, to dramatic inflationary pressures. Budgets are tight. Property tax is our primary source of revenue. And I don't need to tell you all how sensitive our constituents are to the property tax rates. Not to mention, many counties are currently at their levy limit. All this underscores how important inheritance tax funds are to county budgets and the flexibility of these funds provide to the

best-- to best serve our constituents. Here in Lancaster County, we budget an estimated \$5 million per year, but our actual receipts have varied over the past five years, from \$5.1 million to \$10.3 million. Lancaster County uses 100 percent of this-- these funds for property tax relief each year. With our valuation, \$0.01 and levy authority brings in \$3.3 million. Therefore, replacing that budgeted revenue with no additional planned state allocation would require a 1.5 cent levy increase in local property taxes, just to retain the equal amount of budgeted funding for critical public safety and infrastructure needs. We applaud the Legislature's leadership in reducing the tax burden on our constituents and we also appreciate today's opportunity to discuss the continued vitality of the inheritance tax. However, eliminating the inheritance tax, through LR23CA, without Senator Dorn's thoughtful and forward-looking amendment, AM139, would have a disastrous effect on our county's revenue and would undermine the successful work wrought by this Legislature to reduce property tax over the last several legislative sessions. Just last year, the Legislature adopted wise and reasoned amendments to LB310, the modernized inheritance tax rates and exemptions, to the great benefits of inheritance taxpayers, while also retaining the inheritance tax as a critically important tool in the fight against property taxes at the county level. This committee today is presented with the same opportunity to create a multiplicity of an advantageous policy outcomes. And therefore, we would urge this committee to advance LR23CA, only with Senator Dorn's amendment, AM139, to ensure that Lancaster County can continue to provide significant property tax relief to our constituents. Thank you for the opportunity to testify and for your service to this great state. I'd be happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee?

CHRISTA YOAKUM: Thank you.

von GILLERN: Seeing none, Commissioner, thank you for being here today. Next opponent.

RICHARD JAMES: Thank you for this opportunity. I'm Richard James, R-i-c-h-a-r-d J-a-m-e-s, from Richardson County. President Ronald Reagan said, subsidize something and get more of it, tax it and get less of it. So let's tax death and get less of it. Now my wife says I'm not any good at humor, but I saw you smile a little bit, so I hope that helped.

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Revenue Committee March 16 2023
Rough Draft

KAUTH: That was awesome.

RICHARD JAMES: It's important to have common ground, and I think we can all agree we're not too keen about taxes, but we can also probably agree that virtually every one of us wants some services, So the issue becomes how do you fund it and how you-- how do you equitably fund it. Wne Senator Murman and I were in college in the seventies, Professor James Kendrick, in his ag marketing class said, let your prophets run and cut your losses short. Well, property tax, sales tax, service taxes, various kinds of taxes like that, all are kind of a drag on things. The tax that is not is an inheritance tax and probably, also, estate tax. So an estate tax or an inheritance tax is a little bit like compound interest. Let somebody be productive for decades and decades and then when they die, tax them. But I'm actually on the same side as the proponents, because I think what we need and we're having, I think, the wrong discussion. What we need to be talking about is whether or not we ought to have an inheritance tax. To me, it's a slam dunk. We need it. What we ought to be talking about is what is the exemption level? It should be done with exemptions. And I think the conversation should be, what are the exemption levels? If you want to recruit people in the state and retain people in the state, have them free reign to be productive and generating in their productive years. And then when they pass away, then levy the tax. And part of the strategy of how you do the exemptions is the closer the relationship to the deceased, the lower the amount of tax and the higher the exemption on the inheritance. And the low-- the weaker, like, if you were a niece or a nephew or something, you got a lower exemption and you get a higher tax rate. This should help businesses stay relatively intact, if that exemption is set correctly. So farms and other kinds of businesses aren't decimated by a huge tax load, but allowed to grow when their founder is in their prime years. And with that, I'm out of my time, but I would love to debate you because I think we got a lot more common ground than is recognized.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, Mr. James, thank-- oh, Senator Kauth has a question.

KAUTH: Not a question, but thank you for the joke. I'm going to use that. That was fabulous. Not a question, I just appreciated your humor. That was awesome.

von GILLERN: Yeah.

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Revenue Committee March 16 2023
Rough Draft

RICHARD JAMES: Thank you.

von GILLERN: You're funnier than you thought. Any other questions? Thank you for being here today. Any other opponent testimony? Good afternoon.

MARVIN KOHOUT: Chairman, members of the committee, I'm Marvin Kohout from Saline County. I've been a county commissioner there for 18 years, so I've been through a few budgets. Saline County, maybe, does things a little bit different on our inheritance tax. We-- since you collect taxes in Saline County on May 1 and September 1 and you start your budget July 1, most of our budgets aren't fully funded. We have to wait for the tax money to come in. So what we use is the inheritance tax money to fund things until the money does come in from the taxes.

von GILLERN: Sir, could I-- I'm sorry. Could I have-- could I ask you to spell your name, please?

MARVIN KOHOUT: Sorry. M-a-r-v-i-n, and Kohout, K-o-h-o-u-t.

von GILLERN: Thank you.

MARVIN KOHOUT: Sorry. So we have to make transfers to different agencies at the start of our fiscal year. Some of the transfers go to our roads department, our general fund, wellness budget, aging services, juvenile services grants, law enforcement grants and the bailiff fund. All of the criminal justice grants that we do have, you pay the bills and then you expect reimbursement from the state. So, I mean, those have to have some money in there in order to pay the bills. So we make about 30 transfers a year out of the inheritance tax fund. But then when money is available, it goes right back into the inheritance tax fund. I was going to say, if we didn't have the inheritance tax fund, we would probably have to levy for another half a million to three-quarters of a million, to use as our cash reserve to fund everything for the year. We did add on to our courthouse about five years ago. We ran out of space, so we added about 50 percent more space. We paid for most of it with the bond, but then we put in \$1.5 million of inheritance tax money, because you're always going to have some things that you didn't think about. And that's how we used it to expand our courthouse. When we had the floods, way back before the '19, those are the ones like in '14, somewhere around there, when the bridges, culverts and everything were lost. How do you build them back as quickly as possible? Well, you work through NEMA and FEMA. The only

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

problem is, again, we pay for it up front that you get reimbursed. One of our, our last FEMA payment took six years to get it reimbursed. So you have to have some money in between time, to, to keep functioning. So that's why the inheritance tax is more of our emergency fund. We also used inheritance tax funds for tuckpointing our courthouse, our old jail building. We also had to replace some windows and doors. And when your air conditioner or heating system goes out in the summertime or winter time and you didn't budget for it, that's what we do use it for. We also use it to balance our budget. Last year, our final budget required \$982,000 of inheritance funds to balance it. Last year, it was about \$1.5 million. Two years ago, it was about \$2 million. Three years ago, it was about \$2.75 million. Four years ago, it was a little over \$1 million and then five years ago, it was about \$1 million. So we use it to balance our budget.

von GILLERN: Very good. Thank you for your testimony. Any questions from the committee? Seeing none, Mr. Kohout, thank you for being here today.

MARVIN KOHOUT: Ok. Thank you. I hope you have a wonderful St. Patty's Day, Committee. I'm not Irish, but I will be tomorrow.

von GILLERN: We all will be. Any other opponent testimony?

RICH FLORES: Good afternoon, again.

von GILLERN: Good afternoon.

RICH FLORES: Rich Flores, R-i-c-h F-l-o-r-e-s, board of the-- I'm the chair of the board of county commissioners in Kimball, Nebraska. I appreciate the opportunity to speak in opposition to our LR23CA. Kimball County and I'm going to ad lib a little bit, because I'm not near as [INAUDIBLE] some of these, some of these guys, but we need this inheritance tax. We get about \$100,000 a year in this particular deal. We do save it up over time. And then when it, when it hits, it comes in handy. We used it last year to-- we had \$117,000 increase in our insurance premiums. We had two graders that were-- went down on us. We have 850 miles of county roads that we, we service, currently, with eight graders. That's 100 miles apiece. So we-- you know, the, the wear and tear on equipment is pretty, pretty big. We had our boiler system-- and it is pretty aged, in our courthouse and the chiller is also pretty aged, the air conditioning system. We have to replace both of those this year, so we're talking about 500, almost \$600,000 in expenses for that. If we did not have the inheritance tax

fund to fall back on, we're not sure where we'd get this money from, because we're right up against our, our our limit now, because we're at \$0.49 right now and we can't go much higher. And, you know, we've got some anticipated growth. We talk about, you know, keeping good people and retaining-- hiring good people for these positions and having to compete with some of the companies that are there. We have good people in our courthouse. They-- we would-- five solid days of budget hearings since last year and every one of them cut their budgets, I mean, we're talking to the hundreds of dollars, rather than the thousands and tens of thousands of dollars. And this, this is a very important part on, on how we kept, kept afloat, so to speak. So that's pretty much what I've got. We should have some questions.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, again, Mr. Flores, thank you for being here.

RICH FLORES: Thank you.

von GILLERN: Other opponent testimony? Any other opponent testimony? Seeing none, anyone to testify in the neutral position? Seeing none, we have letters. Let's see. We have 48 proponent letters received, 13 opponent, zero neutral. And we have one ADA accommodation written testimony, in the opponent. Senator Riepe to close.

RIEPE: Thank you, Mr. Chairman and committee members. First of all, I'd like to thank everyone that testified today, regardless of which side they testified on and all of those that drove some distance, possibly, to be here to just participate. That's important in our democracy. And I very much appreciate that. A point that I have to make, too, is in talking with Governor Pillen's staff and this is not directly from the Governor, but the Pillen staff have told me that the Governor is in support of elimination of the inheritance tax. The other one that I wanted to talk a little bit about in closing was the marketing principle of keep what you've got and get more. And so what that means to me is, a lot of the people that move out of Nebraska because of the inheritance tax, a good planner will tell you, move out of Nebraska six months and a day before you die. And so we lose all of the-- that wealth to other states. I'm not contending that it's strictly because of the inheritance tax. It might be some weather. And we do have one attraction that will keep them here and that's grandkids. The other one is get more and that is a matter of encouraging people to move into Nebraska, sometimes corporations execs, business people, that we have a favorable tax environment. I've said to people, you know, we don't have mountains. We don't have

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 16 2023
Rough Draft

oceans. We do have high taxes. And so, we have to work on that to be more attractive. I also wanted to take and, and reiterate and it was stated several times, so I'll try to be very brief on this, that Nebraska, again, is one of five remaining states. The other states are all up in the northeast part of the country. We're the only state west of the Mississippi that has the inheritance tax. And we talk about letting the voters have the final say. We do that more and more here in Nebraska, I think, in recent years, than I'm accustomed to, but it is a valid approach. Also, as Senator Smith pointed out, ALEC, the American Legislative Exchange Council has said we could move from-- favorability, from our position of 36 to 28, which is a positive move, not a negative move. Also, I know there's been some dispute about-- regarding the validity of the Platte Institute and it's 78 percent-- and everyone has surveys and their percentages seem to show favorability for them. My contention would be, is, well, let's go to the ultimate, ultimate survey and that is the voters. And so I say put it up to the voters and let's see what goes. I would take any questions and hopefully, I can provide some information.

von GILLERN: Any questions from the committee? I only have one.

RIEPE: It's late in the day.

von GILLERN: Excuse me?

RIEPE: I said, it must be late in the day.

von GILLERN: It is. It's getting late. Yeah. I just have one, Senator Riepe. The amendment that was proposed by Senator Dorn, was that a friendly amendment that was worked on with you?

RIEPE: I would consider that an unfriendly one.

von GILLERN: Excuse me?

RIEPE: All it is is a tax, tax transfer.

von GILLERN: OK.

RIEPE: I don't-- I'm, I'm not into tax transfers.

von GILLERN: Clearly, clearly stated. Thank you. Any other questions? Seeing no other questions, this will close our hearing on LR23CA. Thank you, everyone.

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Revenue Committee March 16 2023
Rough Draft

RIEPE: Thank you all.