

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 23, 2023

von GILLERN: [RECORDER MALFUNCTION]-- hearing. My name is Brad von Gillern. I'm from west Omaha, Legislative District 4. I'm the co-Chair of the Revenue Committee and will serve in that, in that role here this afternoon. Committee will take the bills in the order that they're 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 handouts. If you're unable to attend a public hearing and would like your position to be stated for the record, you may submit your position and any comments using the Legislature's website by 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be 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 all cell phones and electronic devices. The order of testimony is the introducer, proponents, opponents, neutrals and then 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'd 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. It's my request that you limit your testimony today to three minutes. We'll use the light system. Green will indicate two minutes expired; yellow, one minute remains; and red, please wrap up your comments. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my immediate left is Lyle Wheeler, legal counsel. To his left is research analyst Charles Hamilton. To the far left is committee clerk Tomas Weekly. Committee members with us today will introduce themselves, beginning at my far right.

KAUTH: Kathleen Kauth, LD 31.

MURMAN: Hello. I'm Senator Dave Murman from District 38. I represent eight counties and-- along the southern border in the middle part of the state.

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BOSTAR: Eliot Bostar, District 29.

ALBRECHT: Joni Albrecht, District 17.

DUNGAN: George Dungan, District 26, northeast Lincoln.

von GILLERN: Thank you. And our pages today are-- if you'd stand, please-- Amelia, who's a senior at UNL in political science and Caitlin [PHONETIC], who's a junior at UNL in political science. Thanks for your help today. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence today-- here today and your testimony are important to us and a critical part of our state government. And with that, we will open with the testimony presentation of LB745. Welcome, Senator Cavanaugh.

M. CAVANAUGH: Thank you. Good afternoon, Revenue Committee. My name is Senator Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h. I have the privilege of representing District 6, west central Omaha. I'm here today to introduce LB745. This bill is less complicated than the last ta-- cigarette tax bill increase that I brought. This pose-- LB745 proposes a tax increase on the package of cigarettes to \$2.14. This would put us in the 17th highest position of 50 states. At our current rate, we are 8th lowest. The increased revenue from the increase in tax would be divided with \$1, or approximately \$53 million going to the property tax credit fund; \$0.50, or [INAUDIBLE] \$26 million going to the newly created Medicaid waiver fund. The Medicaid waiver fund would do exactly as the name implies: partially fund the state portion of any Medicaid waiver service provided to Nebraskans. The fiscal note also estimates smaller increases in revenue to the General Fund, the State Highway Capital Improvement Fund and the Highway Allocation Fund. A review of the health impacts of cigarettes. According to the American Cancer Society, 80 percent of lung cancer diagnosis are smoking-related. The risk of the lung cancer for a former smoker after 15 years still remains 10 times higher than for a nonsmoker. It is estimated that healthcare costs caused by smoking is \$20.52 per pack. A \$2.14 excise tax, \$2.14 excise tax is only about one-tenth of that. The American Cancer Society research shows that, nationally, a 10 percent increase-- price increase reduces youth smoking by 6.5 percent or more, between 18 to 24 smoking rates, about 3.5 percent in young

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adults and 2 percent in adults. Any reduction in smoking rates is a reduction in the loss of productivity, healthcare costs and the lives of our neighbors. Money going to the property tax credits more-- money going to the property tax credit is money going to help pay for Medicaid services and a reduction in smoking. Thank you for your time.

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

M. CAVANAUGH: No. I'll open on my next bill.

von GILLERN: Any proponents for LB745? No proponents for LB745? Seeing none. Are there any opponents to LB745, LB745? Good afternoon.

ANSLEY FELLERS: Thank, thank you. Good afternoon. Thank you, Chair and members of the Revenue Committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s. I'm the executive director of the Nebraska Grocery Industry Association, and we're testifying in opposition to LB745, which would increase the cigarette tax from the current \$0.64 to \$2.14. This more than 200 percent increase in the cigarette tax would put Nebraska well above the \$1.78 U.S. median tax per pack and a \$1.00 higher than Iowa, South Dakota, Kansas or Wyoming. It's \$0.20 higher than Colorado. Meanwhile, 80 percent of Nebraskans live within 50 miles of the state line, making it relatively simple to go to surrounding states for cheaper goods. With such a loss, the Master Settlement Agreement fund would dwindle, tax collections would lower-- be lower than anticipated and retailers along the border would suffer. Additionally, cigarette taxes are regressive. According to the CDC, in 2021, 32.4 percent of adults in Nebraska who earned less than \$15,000 annually were smokers, whereas only 8.6 percent of adults who earned \$100,000 or more are smokers. If this proposal were to pass, the average adult smoker earning less than \$15,000 a year would lose more than 11 percent of their income to tax-- to this tax increase. Importantly, and maybe obviously, when lower income consumers spend more to smoke, they consume less of other goods and services. While always harmful, the adverse consequences of increasing taxes are particularly damaging right now, given our struggling economy and record-high inflation. For these reasons, we ask you do not advance LB745. Thanks for your time. And I'd be happy to answer any questions.

von GILLERN: Thanks for your testimony. Any questions from the committee? Seeing none. Thank you, Ms. Fellers.

ANSLEY FELLERS: Thank you.

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von GILLERN: Other opponents?

NICOLE FOX: Good afternoon, members of--

von GILLERN: Good afternoon.

NICOLE FOX: --the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute. It's well-established that cigarette taxes are not a stable source of revenue. From a policy standpoint, cigarette taxes are regressive and would affect lower income adults and those with disabilities the most. If Nebraska increased the cigarette tax by a \$1.50, for a total of \$2.14 per pack, a pack-a-day adult smoker would pay an additional \$590 annually to the government. This tax increase would be on top of other taxes that are rising, such as increased sales tax due to current inflation and property taxes due to increased assessments and housing prices. In fiscal year 2022, cigarette sales in Nebraska resulted in the collection of \$45.8 million in excise taxes, \$25.5 million in state sales tax and \$6.6 million in local sales tax. According to the Tax Foundation, at its current \$0.64 per pack, Nebraska's ranked 41st highest in the nation. Missouri and Wyoming are the only neighboring states with lower rates. If this bill is enacted, the 234 percent increase will give Nebraska the 15th highest rate in the country and the highest among its neighbors. Lawmakers often think that raising cigarette taxes are a win-win, generating more revenue for state government and improving public health by making it harder to legally purchase cigarettes, but this is not the case. Research has found that higher tobacco taxes reduce usage by an insignificant amount and are more likely to increase smuggling, creating an illegal tobacco market without necessarily improving health outcomes. Economists at the Mackinac Center for Public Policy in Michigan have created a statistical model to estimate the degree to which cigarette smuggling occurs in all 50 states. Over the years, they have found that, as a rule, smuggling rates rise when a state adopts a cigarette tax increase and decrease when a neighboring state enacts a higher cigarette tax rate. The explanation is simple: adult smokers make purchases in states with lower taxes. Lost sales means lost revenues for Nebraska. According to a survey by, by Nebraska's Department of Health and Human Services, 7.7 percent of smokers indicated that they purchase cigarettes outside of Nebraska sometimes or all of the time. This number would rise if LB745 is adopted. Lost revenue resulting from LB745 would jeopardize funding for several important programs, including tobacco control efforts, capital projects, public health, workforce training and healthcare research. After a review of the evidence and sound tax policy, we believe an increase in the cigarette

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tax would do more harm than good to Nebraska. And with that, I'll conclude my testimony.

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

TIM KEIGHER: Good afternoon, Vice Chair von Gillern, members of the committee. My name is Tim Keigher. That is T-i-m K-e-i-g-h-e-r. I am here on behalf of the Nebraska Petroleum Marketers and Convenience Store Association in opposition to LB745. I think the two previous testifiers covered it well, so I won't bore you with repeating anything. And with that, I'd be happy to take any questions.

von GILLERN: You are so appreciated. Any questions? Seeing none. Thank you, Mr. Keigher. Appreciate that. Any other opponent testimony? Seeing none. Is there anyone that would like to testify in the neutral position? Seeing none. Senator Cavanaugh waived closing. We have 4 proponent letters and 3 opponent letters and 0 neutral letters. So that will close out testimony on LB745. And we'll open testimony on LB381. Welcome back, Senator Cavanaugh.

M. CAVANAUGH: Thank you. My name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h. I represent District 6, west central Omaha, Douglas County. I'm here today to introduce LB381. LB381 would install the Mental Health Wellness Act and authorize county sales and use taxes. Under LB381, a county may, upon the adoption of a resolution by an affirmative vote of at least two-thirds majority of a county board, put the question to the people whether to impose a sales and use tax of one-and-a-half [SIC] of 1 percent on transactions. The people of a county will get the opportunity to vote on whether to assist-- of whether to assess a half-cent sales tax at a primary, general or special election. As LB381 states, the question for the voters shall be, shall a county impose a sales and use tax upon the same transactions within the county on which the state of Nebraska is authorized to impose a tax to finance mental health services? LB381 identifies the real need to finance mental health services across Nebraska, but only if county boards and the people agree with imposing that tax. According to a Nebraska Legislative Research Office report entitled "Nebraska Law Enforcement Agencies on the Frontlines of Mental Health Treatment," 1 in 5 Americans will be impacted by a mental illness at some point in their lives. 1 in 25 of those individuals will be impacted by a series-- serious, chronic mental illness. These individuals comprise a substantial segment of the chronically homeless, often struggling with a co-occurring substance use disorder and are disproportionately involved in the

criminal justice system. The most alarming statistic from this research is 60 percent of mentally ill adults reported not receiving mental health services in the previous year. That is why I am seeking the option for a dedicated funding source for mental health services. The lack of mental healthcare disproportionately directs the mentally ill, especially the untreated mentally ill, into contact with our law enforcement and, unfortunately, our county jails. Sadly, I've heard the Douglas County Corrections Center referred to as Nebraska's largest mental health facility. Nebraska can do better to offer mental healthcare to our constituents, and LB381 offers that ability. You will hear from counties behind me about the need for mental healthcare in our communities. And with that--

von GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you. Will you stay to close?

M. CAVANAUGH: No.

von GILLERN: Any proponent testimony for LB381?

MARCOS SAN MARTÍN: Good afternoon, Senators.

von GILLERN: Good afternoon.

MARCOS SAN MARTÍN: My name is Marcos San Martin. That's M-a-r-c-o-s S-a-n M-a-r-t-i-n, and I'm here on behalf of Douglas County. I'm, I'm the assistant county administrator. And I want to say thank you for-- Senator Cavanaugh, thank you for introducing LB381. Very simply, this legislation creates an opportunity for counties to establish a half-cent dedicated source of nonproperty-tax-derived revenue to address mental health in their community. It will take a vote of the county board and it will take a vote of the count-- of, of the people in the county in order to implement it. Douglas County's Community Mental Health Center, it's also known as-- we call it CMHC-- it's the behavioral health provider tasked with carrying out our mandated Chapter 71 care provisions. Very broadly, CMHC includes inpatient services, a psychiatric outpatient care program, day treatment. Also under the CMHC umbrella is our detox program. That, that entity, CMHC, has a \$19 million budget, the majority of which is sourced by a combination of property tax and inheritance tax. So as Douglas County looking to the future, a dedicated, local option revenue source may lessen the reliance on property-tax-derived revenue, foreseeing that behavioral healthcare services will continue, continue to grow and continue to, to increase in demand across our state. I think it's also important to mention that we're living in a post-COVID world, as you,

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as you already know. Persons are still struggling to readjust, you know, including children who, in many cases, lost significant time in school. Urban or rural, meeting the behavioral health services demand was already a challenge pre-COVID, and now we're approaching a crisis post-COVID. If LB381 or similar legislation is passed, it, again, simply provides communities an option to determine whether behavioral healthcare is a community priority. Dedicated cause, local option sales tax is definitely not a novel idea, whether it be for transit or, or economic development, public safety, et cetera. So that's why Douglas County asked Senator Cavanaugh to introduce this bill. Again, we-- at Douglas County, we contemplate utilizing any of the revenue if, if this was-- if this were to occur, utilizing the revenue in a manner where we collaborate with Region 6 and, and determine what's our best strategic impact to the community. With that, I'm happy to answer questions.

VON GILLERN: Thank you, Mr. San Martin. Any questions from the committee? Seeing none. Thank you for your testimony.

MARCOS SAN MARTÍN: OK.

VON GILLERN: We're on proponents. Any other proponents that would like to speak today? And I'll hand off to Senator Linehan as the Chair.

LINEHAN: Good afternoon.

CHRISTA YOAKUM: Good afternoon, Senator Linehan 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 Board of County Commissioners. In my role as a county commissioner, I also sit on the Region V Regional Governing Board, and I'm here to testify on behalf of the county board in support of LB381. Behavioral health is at, is at the epicenter of so much of the work that we do in Lancaster County. The county board repeatedly is briefed on how the jail's adult population is currently at an unprecedented high, how the youth services juvenile population has dramatically increased to, to historic levels and how the crisis center is constantly at capacity. To tackle these issues, I've attended numerous meetings of advisory committees that include representatives across law enforcement, criminal justice and behavioral health disciplines: those officials who are on the front lines every day. And I've heard the same conclusion from all of them: our community desperately needs expanded behavioral health services. To lessen the impact of these needs on Lancaster County property taxpayers, Lancaster County recently made historic investments of a

once-in-a-lifetime American Rescue Plan-- Plan, Plan Act funding into community-based services. The county invested-- excuse me-- \$15 million in capital improvements and revenue replacements for local nonprofits, \$5 million for capital improvements to support the development of a family resource center for families in acute crisis, and \$2 million, \$2 million toward capital improvements to increase voluntary crisis residential services. However significant, the county's one-time investments of federal funding simply are not enough on their own to make these services sustainable. Lancaster County needs state and regional partnership to effect permanent and sustainable difference. I just testified yesterday at the Appropriations Committee to address potential cuts to the budget of Region V, our behavioral health program. Emerging potential cuts-- I'm sorry. Emerging from a pandemic that decreased treatment capacity, decimated the behavioral healthcare workforce and changed the face of the regional treatment, Region V is currently facing the generational challenge of serving the most vulnerable youth and adults in our community. And instead of gearing up for that fight, Region V is faced with a-- is facing a budget reduction of \$10.3 million. The county board believes that increased funding for behavioral healthcare is a sound investment in the community. As we see time and time again at the local level, individuals with access to behavioral healthcare providers have the opportunity to manage behavioral health maintenance and crises through medical interventions instead of through more costly and less effective criminal justice interventions that are funded almost entirely through property taxes. LB381 proposes a nonproperty tax option to support much-needed behavioral health services in our communities. We urge this committee to consider novel proposals like LB381 to fund smart investments in behavioral health that will drive down local service costs and provide sustainable, systemic property tax relief. Thank you for the opportunity to testify and for your service to this great state. And I'd be happy to answer any questions.

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

DUNGAN: Thank you, Chair Linehan. And thank you for being here. You mentioned the Regional Center at one point in time. Do you know what the current waitlist is at Regional Center?

CHRISTA YOAKUM: I don't know the number, but it is very long. We-- every entity, the mental health crisis center, the jail, and talking with other counties too, they're having a hard time getting people in. We have had people that have waited more than 100 days to get in.

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DUNGAN: Thank you.

CHRISTA YOAKUM: I don't know what it is currently, though.

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

CHRISTA YOAKUM: Thank you.

LINEHAN: Next proponent?

JOE KOHOUT: Here comes the chair. OK. The chair.

LINEHAN: I know. This is one's really high.

JOE KOHOUT: I feel like a kid-- I literally-- Madam Chair, I almost brought a, like, a booster chair today. I really-- I thought about it.

LINEHAN: [INAUDIBLE].

JOE KOHOUT: But then I didn't want to, I didn't want to run afoul of the display rule-- or, the displays rule, so. My apologies. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Joe Kohout, J-o-e K-o-h-o-u-t, and I appear before you today as a registered lobbyist on behalf of the Nebraska Association of Regional Administrators in support of LB381 to adopt the Mental Health Wellness Act. The Nebraska Association of Regional Administrators is an association of the six behavioral health administrators of the six behavioral health regions across the state of Nebraska. By way of reminder, Nebraska is split into six regions for the delivery of behavioral health and mental health services, these local units of government that the Nebraska Department of Health and Human Services Division of Behavioral Health partners with to engage in planning and service implementation. Each county is a part of a region and, as a result, appoints one county commissioner or, or supervisor to sit on the regional governing board. Those elected officials represent that county and participate in decision making. The regions purchase services from providers in their area. If necessary, services are purchased from other service providers across the state. The region is staffed by an administrator who, in turn, hires additional personnel to manage and oversee those contracts and services. The six regions have statutory authority and responsibility to develop, coordinate the publicly funded behavioral health services within the region, according to Nebraska Revised Statute 71-809. This system is built on strong and effective partnerships with the division-- the Department of Health and Human Services and our community-based providers. LB381

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proposes a nonproperty tax option and to support the much-needed behavioral health services in our communities. This proposal supports an innovative strategy for funding smart investments in behavioral health that drive down local service costs and provides sustainable and systemic property tax relief. I appreciate the opportunity to be here today in support of LB381. And on behalf of the Nebraska Association of Regional Administrators, I ask you to advance LB381. I will try to answer any questions that you might have.

LINEHAN: Thank you very much. Are there questions from the committee? Do you, do you-- is there an idea of how much this would raise?

JOE KOHOUT: You know, that's a great question, Senator. I don't have that. I mean-- with each of our regions across the state, there's going to be a different-- that's going to-- it's going to vary, and it would have to go to the vote of the people. It would have to be approved by the county board to put it on the ballot. So I don't think this, this is going to be a situation where every, every county in the state is going to look at it. So I don't know the number off the top of my head.

LINEHAN: OK.

JOE KOHOUT: But I'll, but I'll certainly ask and see if there's a way to get that easily.

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

JOE KOHOUT: Thank you.

LINEHAN: Other proponents? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. Here to testify today in support of LB381. We want to thank Senator Cavanaugh for bringing this bill before us. This is one of those situations-- with NACO, we have a standing policy in favor of alternate revenue streams for county government. As you know, our primary revenue stream is the property tax. I think when all of you were knocking on, on doors, you probably heard about that more than just about any other tax. And so as a result, we are in favor of any sort of thing that we can, we can do to raise the necessary funds for, for providing government services. And certainly, mental health is a burgeoning issue within our state. I, I think the folks from Douglas County have very ably discussed-- and,

and Lancaster County, they've very ably discussed what it means to their communities. But you hear this from sheriffs in other counties. And I've talked to the Lincoln County sheriff before. He said that it's a creeping issue as, as far as he's concerned in his jail. And, frankly, it is-- it becomes a safety for law enforcement issue in counties. Mental health is a big deal. I think it was testified previously that the largest mental health facility in the state would-- is arguably the Douglas County jail. The costs for treating mental health in the state of Nebraska are only going up. When something like this bill falls in our lap, we're going to reflexively support it just because of the, the fact that it's an alternate revenue stream and it's specifically targeted to a very particular issue. I understand that there are some folks that, that will likely want to take exception or, or will probably have some conversation about the, the, the down-- the downsides of having a local option sales tax extended to the county government. And we're happy to work with all those stakeholders. You know, certainly want to do something that's going to be presented in an orderly fashion so that our, our taxpayers and our citizens understand exactly what it is they're getting into. But I will say that, by virtue of the fact that you require a vote of the county board and you also require a vote of the people, my expectation is that the people that are voting on that particular issue are going to make themselves very well-informed. My expectation is that they'll understand exactly what sorts of revenues are going to be raised and exactly what's going to cost them on an individual basis. And so for that reason, we urge your support of LB381. Senator Linehan, it's not my place. I, I believe that the answer to your question is it would raise roughly \$60 million for Douglas County. And with that, I'm happy to take any questions you may have.

LINEHAN: Thank you. Are there any questions from the committee? And you may not know this, but maybe somebody coming in behind you. The state does fund the regions, right? The state gives the different regions funding?

JON CANNON: I, I, I don't want to venture how, how much that is.

LINEHAN: OK.

JON CANNON: Yes, ma'am.

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

JON CANNON: Thank you.

LINEHAN: Other proponents?

MARY KELLY: Good afternoon.

LINEHAN: Good afternoon.

MARY KELLY: I'm Mary Kelly, M-a-r-y K-e-l-l-y, and I'm with the League of Women Voters of Nebraska. We support every Nebraska residents' access to a basic level of care that includes mental and behavioral healthcare. The League supports adequate taxes to help finance this basic level of healthcare for the citizens of our state. LB381's mechanism of a county election to enact a half percent sales tax to cover the cost of behavioral healthcare to its residents is consistent with our belief that government should be responsive to the will of the people and the state's primary responsibility to provide adequate funding for all levels of education, human services programs, aid to local government, government services and economic development. Recent statistics-- and that's that handout from NAMI-- statistics indicate that 62,000 Nebraska adults have a serious mental illness. Nebraskans are struggling to get the help they need. Of the 77,000 adults in Nebraska who did not receive needed mental healthcare, 41.9 percent did not access care due to cost. Lincoln County, home to North Platte, has 54 mental health providers for its 35,000 people, or 1.5 providers per 1,000 county residents. Contrast that with Lancaster County, where the rate is 2.3 providers per 1,000. Perhaps one of the starkest insights was that 29 counties in Nebraska have zero providers. The League recognizes that the Nebraska Legislature has begun to work to address this shortage of providers through the allocation of more than \$25 million in ARPA funding to the University of Nebraska's Behavioral Health Education Center in 2022. However, with a need this great, more help is needed. Allowing counties to implement a half percent sales tax with the approval of voters would create a steady stream of financial support for mental and behavioral health services. Local tax support for such services has been implemented throughout the country, including in Missouri, Colorado, California and Washington. The League of Women Voters of Nebraska urges the Revenue Committee to advance LB381 to create the financial means to expand needed mental health and behavioral healthcare to our citizens. Thank you for your consideration.

LINEHAN: Thank you. Are there questions from the committee? Seeing none. Thank you. Next proponent? Are there other proponents? Are there opponents?

LYNN REX: Senator Linehan, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. Shortly, you'll be getting a handout which outlines the number of municipalities in the state that have a local option sales tax. There are 256 of them: obviously Omaha, Lincoln, all 31 first-class cities. In addition, as you look at that, 110 of the 117 cities in the second-class and 113 of the 370 villages in the state have local option sales tax, all of which have been approved by a vote of the people. Our concern with this bill is not the purpose for mental health purposes. I think that's very legitimate. We would highly recommend that instead of allowing a county to have a local option sales tax on top of a municipal sales tax, which has not been allowed before except one time, and that was dealing with Gage County because the Beatrice 6 issue. A one-time exception. And by the way, they didn't get a vote of the people, which I understand was a crisis situation, but that is the only time the Legislature has authorized a county to have a local option sales tax on top of a municipal sales tax. Instead, what I would encourage you to do-- because I think the purpose and what they're talking about is extremely important-- is if you look at page 4 of the current bill, which is Section, Section 13-319, Section 6 of your bill, right now, counties have had, and for a long time, the authority to levy a county sales tax with a vote of the people as long as it's outside of a municipality that has a local option sales tax. So when you're looking at page 4, you'll note that it says a county by resolution of the governing body may impose a sales and use tax of 0.5 percent, 1 percent or 1.5 percent upon the same transactions as already outlined and piggybacking on what the state does itself-- within the county-- but underscoring this-- but outside any incorporated municipality, which is an adopted local option sales tax pursuant to the laws governing us. Look at the pur-- if you'd be kind enough to look on line 18, the purposes for which this can be used-- and I would suggest you amend this section to allow the use that they want to have this for. But again, not on top of a local option sales tax. Currently, county sales tax can be used to finance public safety services provided by a public safety commission; two, to provide the county share of funds required for any other agreement under the Interlocal Corporation Act or JPA; or three, to finance public safety services provided by the county. So we basically support the ability of the county to basically deal and use these funds and expand the purposes for which they can use them, but certainly not on top of a municipality that already has a local option sales tax. So with that, I'm happy to respond to any questions that you might have.

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

LYNN REX: Thank you very much. We really appreciate it. Thank you.

LINEHAN: Are there other opponents? Good afternoon.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, representing Nebraska Taxpayers for Freedom. We ask this committee to examine this bill in a wider context. Years ago, several Douglas County commissioners began planning financing for a new juvenile detention center and additional space required for judicial services but failed to alert the public until the planning and financing was well underway, thereby avoiding public input. Instead of building a modest structure or renovating the existing juvenile structure on county land, commissioners decided on a lavish tower in downtown Omaha with insufficient space to hold violent juvenile offenders. A real budget buster. Now, county officials are asking for a new tax to operate and maintain a new mental health center. We understand the need for mental health services. However, commissioners for years have wanted permission to levy a sales tax to fund other expenditures. Again, they envision a separate facility, despite urging from our taxpayer groups and others that the county should engage with UNMC for a joint facility or solicit surrounding counties for a regional facility. These alternatives would lessen the burden on the Douglas County budget and taxpayers. In addition, we now understand from the City County Building Commission that the county building again requires more space for county offices, probably placing another financial burden on taxpayers. Our main objection to this new tax is that a majority of Douglas County tax-- commissioners have been poor stewards of our taxpayer revenue. Like the county extraneously expending its inheritance tax, we believe this county board would spend this new revenue on other projects. Although commissioners pay consultants to assist their strategic planning, they grievously failed to strategically plan for a new juvenile detention center, mental health center and additional office space as a combined venture. Therefore, we urge this committee to indefinitely postpone LB381 until Douglas County Commissioners can improve their strategic expenditures policies. Thank you.

LINEHAN: Thank you, Mr. Kagan. Are there questions for the committee? Seeing none. Thank you very much. Are there other opponents? Are there any other opponents? Is there anyone wanting to testify in the neutral position? The neutral position? Seeing none. And I understand Senator Cavanaugh waived closing. So we had one letter. For the record, it's 1

opponent. And with that, we'll draw the hearing on LB381 to close and open the hearing on LB577. Welcome, Senator Cavanaugh.

J. CAVANAUGH: Good afternoon, Chair Linehan and members of the Revenue Committee. For the record, I am Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h, and I represent the 9th Legislative District in Midtown Omaha. I'm here today to introduce LB577, which would end the practice of home equity theft in Nebraska. LB577 is the result of a collaboration between a broad coalition of partners, including the Platte Institute, Pacific Legal Foundation, Americans for Prosperity, AARP, ACLU and Legal Aid of Nebraska. Our goal is to protect Nebraskans from losing their homes and all the equity in their homes for unpaid taxes that are only a fraction of the value of the home. Nebraska law currently allows for tax sale certificates to be sold to private investors, essentially assigning the rights to collect unpaid taxes, interest and fees to the purchaser of the tax sale certificate. After three years, the purchaser can apply for a tax deed, which gives them the right to redeem the property. This creates a windfall for investors and robs owners of the equity in their property. In practice, it looks like this: an investor purchases a tax sale certificate for the amount of the unpaid taxes. In one case, out of Scottsbluff, the amount was \$588. After three years, the amount owed by the taxpayer for the purchase of this certificate was \$5,268. This included subsequent taxes, fees and the 14 percent interest. The homeowners were given notice that they had three months to pay off the debt or lose their home, valued at about \$60,000. You can see why such an arrangement is attractive to investors. There's absolutely no risk. Either the debt is paid at a higher interest rate or they get the title to a property at an enormous windfall. The homeowner loses their home and all the equity they paid into it. This scheme is unjust and likely unconstitutional as a violation of the Fifth Amendment's Taking Clause. The case out of Scottsbluff is pending before the United States Supreme Court while another case in Minnesota with a similar statutory scheme is scheduled for argument next month. If the Supreme Court rules against the Minnesota law, it's likely the Nebraska law will be invalidated as well. LB577 seeks to protect Nebraskans by enhancing the notice requirements for counties regarding delinquent property taxes and tax deeds and by mandating that properties where the assessed value exceeds the amount owed go through a judicial foreclosure, foreclosure proceeding. Right now in Nebraska, people are having property rights taken from them without the benefit of so much as a hearing. LB577 is a crucial step to correcting this and setting us on the right path for taxpayers for the future of our state. I ask for your support of LB577. I'd be happy to take any questions.

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LINEHAN: Thank you, Senator Cavanaugh. Are there any questions from the committee? Senator von Gillern.

von GILLERN: Yeah. Thank you, Senator Cavanaugh. I'm, I'm trying-- forgive me. I was, I was trying to look here and see-- it feels like we've heard a version of this. Is there another bill that's very similar?

J. CAVANAUGH: Senator DeBoer had a bill earlier in the session--

von GILLERN: OK. [INAUDIBLE].

J. CAVANAUGH: --and I don't know the number, but hers was a notice requirement, and mine has I would describe it as a much more robust notice requirement--

von GILLERN: OK.

J. CAVANAUGH: --as well as the part about the judicial foreclosure proceeding.

von GILLERN: All right. Thank you.

J. CAVANAUGH: Thanks for the question, though.

LINEHAN: Thank you, Senator von Gillern. Are there other questions from the committee? Seeing none. Are you going to stay to close?

J. CAVANAUGH: I will.

LINEHAN: OK.

J. CAVANAUGH: [INAUDIBLE].

LINEHAN: Proponents? Good afternoon.

LAURA EBKE: Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Laura Ebke, L-a-u-r-a E-b-k-e. I am the senior fellow at the Platte Institute, and I'm pleased to be here today to testify in favor of LB577. We want to thank Senator John Cavanaugh for introducing it. The Platte Institute became interested in the issue of home equity theft a little over a year ago, when the case of the Fairs in Scottsbluff was brought to our attention by our colleagues at the Pacific Legal Foundation. Folks at Pacific Legal had hoped to be here today, but an organizational event prevented them from being here. So you should have a letter in your proponent box from Daniel Dew of the, of the organization. I would encourage you to take a close look at

that. There will also be some other lawyers behind me who handled cases like this here in Nebraska who can address some of the legal questions. Imagine that you've been chasing the American dream for 20 or 30 years to own your own home. Your house is paid off. It's not fancy, but it's yours. That means that your property taxes are your responsibility to pay since the mortgage company is no longer escrowing them. Imagine, then, that you or your spouse becomes ill and medical bills pile up. The bills from the county treasurer, treasurer for your taxes get lost in the mix and you miss the payment. The county wants its tax money and sells a tax lien to private investors who can later apply for a deed and complete title to the property and kick you out, sell your house and keep the proceeds above the taxes paid on the property and any interest or penalties. In the case of the Fairs, which-- whose story parallels this-- the, the amount paid on behalf of the property by the investors plus penalties was less than \$6,000, as Senator Cavanaugh suggested. The house sold for \$60,000, and they received none of the excess \$54,000. You may be aware that the Supreme Court cases-- that, that, that-- of Supreme Court cases like Pacific Legal, that, that they will be litigating next month. Likely, the court will hold that, that processes like Nebraska's are unconstitutional. And I will let you read the, read the rest. But, but I will say this. Understanding that LB577 is not prioritized, we encourage the committee and Senator Cavanaugh to search for an appropriate priority bill with a friendly sponsor to try and amend the bill into to provide some clarity through the remainder of 2023. Without that, counties may lose some money as they struggle with collecting tax revenues if the court declares this practice unconstitutional, because they won't know what to do next. I understand that there's some concern by at least some county treasurers concerning the notice requirements of the bill. If a more modest approach was desired, LB154-- which, which you mentioned, Senator von Gillern-- Senator DeBoer's bill might be substituted in, in terms of Sections 1 through 4 of LB577. Section 5 of LB577 is probably the most important in terms of providing clarification for county treasurers, assuming a favorable Supreme Court decision. Again, thank you to Senator Cavanaugh for bringing this bill. And if you have any questions, I'd be happy to try to answer them.

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

LAURA EBKE: OK. Thank you.

LINEHAN: Next proponent? Next proponent? Good afternoon.

JESSICA SHELURN: Good afternoon, members of the committee. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n. I'm the state director of Americans for Prosperity. We are here, obviously, in support of LB577. I know the Pacific Legal Foundation had reached out to me as well to let me know that they were speaking with Senator Cavanaugh regarding this bill. And it is a bill that we have worked on in many other states to try to rectify situations where the counties are getting this windfall from the property taxpayers' delinquent-- delinquency in paying their taxes. The one thing that I will say that maybe some of the other testifiers might not say is that, in the 20 years I've been around this body, we've done a lot of work to try to keep people in their homes. We all know, especially those of you on this committee, that we have a property tax issue in the state of Nebraska. And so when something happens, like former Senator Ebke was speaking to, where, you know, you own your home outright, you're now responsible for paying that property tax bill. And something happens and it falls through the cracks. And that causes you to lose your home. I know right after this bill was dropped this year, there were a bunch of articles of it happening here in Lincoln to individuals. That is something that we can try to avoid by passing LB577 and taking those steps to clarify the procedure to make sure that we're doing everything we can to notify those taxpayers so that they don't lose their homes. And I think that that is something that, as a legislative body, we would want to do to protect those taxpayers as much as possible and give them the opportunity to rectify the situation. So with that, I'll close.

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

JESSICA SHELURN: Thank you.

LINEHAN: Next proponent? Are there any other proponents? Good afternoon.

SUZAN DeCAMP: Good afternoon, Chair Linehan and members of the committee. My name is Suzan DeCamp, S-u-z-a-n D-e-C-a-m-p. I am the volunteer state president of AARP Nebraska here today to testify in support of LB577. And I would also add that I have been a registered abstracter in the state of Nebraska for the past 33 years. AARP advocates for the well-being of those aged 50 plus, particularly on issues that help seniors age in place and remain in their own homes and communities. Under LB577, the county treasurer would be required to send notification by certified mail to property owners whose property is being placed on a public tax sale for delinquent taxes

with a warning that failure to pay this debt could eventually result in the loss of ownership of the property. A second notice would be sent by personal or resident service three weeks prior to the date of the sale and would include information on how to avoid the loss of their property. And a third notice would be sent by personal or resident service after a tax sale certificate is issued to a purchaser at the tax sale. AARP believes that these extra steps in the notification process would help protect homeowners from losing all of the equity they had built up in their property, which, for some, could represent their life savings. While property owners should be aware of their responsibility to pay their taxes on time, many of them, particularly the more vulnerable elderly population, don't understand the complicated tax lien and foreclosure process. They may not even be aware that a third-party has paid their property tax and down the road will be able to acquire their property for much less than what it is valued at, leaving them with nothing. Nearly 80 percent of older adults own homes. With the recent rise in home values, older adults who have owned their homes for a significant period of time are "equity rich." A home is often a person's most valuable financial asset, representing a lifetime of hard work. That's especially true for older Americans, who have higher rates of physical and cognitive disabilities and are more likely to live on modest, fixed incomes, which makes it easier for them to become victims of tax foreclosures. A report by the Pacific Legal Foundation reveals that governments and private investors have pocketed hundreds of millions of dollars in hard-earned home equity at the expense of often elderly and struggling homeowners. In Nebraska, between 2014 and 2021, about 300 homes were taken as property tax debts in the seven counties that were studied. Homeowners caught up in this process lost an average of 86 percent of their home equity, for a total of about \$17 million. LB577 also requires a purchaser of a tax sale certificate to go through the judicial foreclosure process for property that's assessed at a higher value than the tax sale certificate redemption amount, which would be the delinquent tax amount together with interest and fees. This process ensures that any equity in the property after payment of outstanding liens would be returned back to the property owner, allowing them to keep the equity they had built up in their property. AARP supports LB577, which would help achieve our goal of allowing older citizens to live independently with dignity and remain in their homes and communities as they age. Thank you to Senator Cavanaugh for introducing LB577 and to the committee for the opportunity to comment. And I would try to answer any questions if you have any.

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

SUZAN DeCAMP: Thank you.

LINEHAN: Are there other, other proponents?

SCOUT RICHTERS: Hi. Hello. Scout Richters, S-c-o-u-t R-i-c-h-t-e-r-s, here on behalf of the ACLU of Nebraska. We first want to thank Senator Cavanaugh for bringing this bill and the committee for its time today. The ACLU of Nebraska believes that equal access to housing is a civil right, but the persistence of systemic barriers continues to push safe and stable housing out of reach for many Nebraskans. The ACLU of Nebraska is committed to ending barriers to fair housing and ensuring fair-- and ensure fair housing opportunities for all Nebraskans. Home ownership has long been regarded as part of the American dream. Owning a home means the owner is able to accumulate wealth by accessing credit, building equity and reducing housing costs. However, home equity theft that occurs in Nebraska and, as you've heard, the 11 other states that allow this practice, dismantles that part of the American dream for, for the most vulnerable Nebraskans. We know from data and anecdotally that it is the most vulnerable people, including people of color, the elderly, those with mental and physical health conditions and those with low incomes who are targeted by this practice. For example, WEX [SIC] in Chicago found stark racial disparities that show home equity theft disproportionately impacts communities of color. As you heard from the previous testifier, elderly people are particularly vulnerable, given the increased prevalence of health issues, fixed incomes and long-time home ownership among this population. Additionally, the current law in Nebraska implements the Takings Clause of the Fifth Amendment, as you heard from Senator Cavanaugh, requiring the government to provide just compensation to the owner whenever it takes private property for public use. This just compensation is not happening under current practices with respect to home equity theft here in Nebraska. It is evident that both legal and policy reasons demand that Nebraska end its practice with respect to home equity theft. And, and for those reasons, we offer our full support for LB577 and urge the committee to advance this bill.

von GILLERN: Thank you for your testimony.

SCOUT RICHTERS: Thank you.

von GILLERN: Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you for being here.

SCOUT RICHTERS: Thank you.

DUNGAN: What specifically do you believe about these new proposed notice requirements is going to, to change this problem? I mean, it sounds like everyone agrees this issue's here. And so what about these new notice requirements do you think is going to have a positive impact?

SCOUT RICHTERS: Right. And I think most proponents agree that the most important aspect of the bill is that Section 5. But as far as the notice requirements, I think it's really important that homeowners have-- first have notice of the actual right to redeem the property and not just that the taxes are delinquent. So a notice that shows what the delinquency actually means is very important, which is covered by LB577. And I think publishing the address, the actual address of the property, gives the property owner and other stakeholders the actual opportunity to learn what property is at issue. And then I also think that the, the treasurers have-- some treasurers do send those courtesy notices and, by their own account, shows that receiving notices is effective for many people and reduces the rates of those delinquency. So I think all of those show just how important an effective notice really is in these cases.

DUNGAN: Thank you. And also I wanted to touch on this too because I've not asked this question yet. I anticipate that there's going to be a response which, I don't want to put words in anybody's mouth, that this may be overly burdensome or expensive or something like that for those who have to give out these notices. Do you have any thoughts on sort of how to balance those two things and whether or not you think that that's a, a legitimate complaint or if it's outweighed by the benefits? What are your thoughts on that?

SCOUT RICHTERS: I think utilizing some of the proposal in LB154 by Senator DeBoer could be helpful. But again, I think Section 5 is the most important. But also, we know how important and effective notices are. And so I think that is a very important aspect of the bill. And I think a testifier following me can, can also speak to that more, so.

DUNGAN: Thank you.

SCOUT RICHTERS: Thank you.

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von GILLERN: Any other questions from the committee? Seeing none.
Thank you, Ms. Richters--

SCOUT RICHTERS: Thank you.

von GILLERN: --for your testimony.

SCOUT RICHTERS: Thanks.

von GILLERN: Next proponent? Good afternoon.

JENNIFER GAUGHAN: Good afternoon. My name is Jennifer Gaughan, J-e-n-n-i-f-e-r G-a-u-g-h-a-n. I am the chief of legal strategy at Legal Aid of Nebraska and oversee the legal work Legal Aid does statewide. Thank you for the opportunity to appear today on behalf of Legal Aid and testify in support of LB577. My written testimony provides much more information about Legal Aid in the tax sale process. I have experience with how low-income tax-- I'm sorry-- with how the tax sale process impacts low-income homeowner, homeowners. Along with other Legal Aid attorneys, I represented two different sets of elderly low-income homeowners. You've heard about one today, Kevin and Terry Fair from Scottsbluff. And the other one is Sandra Nieveen from Lincoln. And we challenged the constitutionality of the tax sale process in Nebraska. The Supreme Court determined our process was constitutional. However, Legal Aid and lead counsel, Pacific Legal Foundations, have filed petitions with the U.S. Supreme Court to review both of those cases. And as Senator Cavanaugh said, the U.S. Supreme Court is going to hear another case called Tyler versus Hennepin County, challenging a process similar to Nebraska's in April. And there's the possibility that the Supreme Court of the United States will hold laws like Nebraska's are un-- will be unconstitutional in the near future. Under Nebraska's law, property owners are not provided timely notice that their taxes have been sold, that they have a right to redeem and that failure to redeem may result in the loss of their home. The county is never required to provide actual notice to property owners like that. The law allows counties and tax lien investors to essentially hide the ball from property owners by waiting three years until the very end of the redemption period before requiring the tax lien investor to provide the first and only notice to the property owner of their right to redeem or lose their home. That leaves the property owner with just three months to pay taxes, along with 14 percent interest, or lose their home. There's no reason to wait three years to provide this notice. And for many property owners, this delay provides no realistic opportunity to come up with the money to be able to keep their home. The current system is

predatory. In both the Fair and Nieveen cases, the county paid the-- was paid the taxes owed by the private investor. It is the private investors who stand to pocket the more than \$50,000 profit representing the equity that these elderly homeowners stand to lose. LB77 [SIC] accomplishes two main things. It values homeowners' retention of their property over the forfeiture to private investors. It requires the county to provide actual notice of-- that the taxes are sold along with the right to redeem and consequences for failing to do so at the earliest stages, times when the homeowner is most likely going to realistically be able to act to redeem their home. And second, it provides low-income property owners with the right to recoup their equity in the form of the surplus proceeds through the judicial foreclosure process, which already exists under Section 77-1901. For these reasons, Legal Aid supports LB577. And I would be happy to answer any questions that you have.

von GILLERN: Thank you, Ms. Gaughan. Any questions from the committee? Yes, Senator Dungan.

DUNGAN: Thank you again, Vice Chair von Gillern. And thank you for being here. Generally speaking, it sounds, it sounds like you bring to the table some experience of working with people who this has happened to, right?

JENNIFER GAUGHAN: Correct.

DUNGAN: You have some very hands-on experiences dealing with these issues. How familiar, in your experience, are homeowners with the legal definitions of their property or the legal descriptions of their property?

JENNIFER GAUGHAN: No one knows the legal description of their property. It's-- you know, a legal description of something like, the southwest corner three inches from the tree of the Belmont addition to whatever, you know. That's what the legal description of your property is. Nobody knows what it is.

DUNGAN: And, and that lack of knowledge, how does that sort of have an interplay with what we're talking about here? Does that have an effect on the knowledge of sort of property taxes and delinquency?

JENNIFER GAUGHAN: I think-- you know, the first step of this-- after the-- the first step of the process, this tax sale process, is for the county treasurers to publish a list in the newspaper of the delinquent property-- taxes of delinquent properties that are going to be subject

to sale. That list that they publish in the paper is only of the legal description of the properties. So if there's 600 properties that are subject to a tax sale-- which was what happened in Mr. Fair's case in Scotts Bluff County-- it's a list of 600 legal descriptions of properties, which nobody knows. If that's intended to give notice to homeowners, that provides actually no effective homeow-- effective notice whatsoever to any homeowner because nobody knows the legal description of their property.

DUNGAN: So fair to say the intent behind that modification would be trying to give actual notice versus some sort of legal fiction of notice when, in reality, that's not telling anybody what's up?

JENNIFER GAUGHAN: Correct. Because if you actually see the physical address in the paper, that at least provides a better opportunity for either yourself or a neighbor or a friend or family member to say, hey, I know who that person is, and I should tell them that I just saw their property listed in the paper.

DUNGAN: And are a lot of-- are those listings in the paper then also generally online, on, like, an online database from the newspaper?

JENNIFER GAUGHAN: They're-- they are-- the, the treasurers, as I understand it, are required to post it to the-- I think it's the Neb-- there is a, a list through the state, I think the Department of Revenue, that lists all of the properties that are subject to a tax sale.

DUNGAN: So also fair to say that if you listed the actual address and did, like, a Google search, it might show up more. And so it's going to give people another possibility to find out ways if they're delinquent or if they're up for this?

JENNIFER GAUGHAN: That is-- sure.

DUNGAN: OK. Thank you.

LINEHAN: Thank you, Senator Dungan. Are there any questions-- other questions-- excuse me-- from the committee? Thank you very much for being here.

JENNIFER GAUGHAN: OK. Thank you for the opportunity to testify.

LINEHAN: You bet. Are there other proponents? Good afternoon.

MINDY RUSH CHIPMAN: Good afternoon. My name is Mindy Rush Chipman, M-i-n-d-y R-u-s-h C-h-i-p-m-a-n, and I'm here testifying in my personal capacity as a pro-bono attorney in support of LB577. I'd like to personally thank Senator Cavanaugh for bringing this bill. And I'm not going to repeat what the previous testifier said, because she really is the expert in this matter. But I wanted to just share a story as a pro-bono attorney. I live in a small community in Cass County and my spouse is also an attorney. And so sometimes we get phone calls from our neighbors. Our town has 233 people that live in it. So any legal issues that any of those community members have, we hear about them. And in the last year, we've heard about the problem of home equity theft a handful of times, and I want to just share one of those stories. We received a call last year from a neighbor. His name is Loni [PHONETIC]. And Loni [PHONETIC] said, Mindy, there's somebody in my yard taking pictures. I don't know who it is, but they're taking pictures of my home. And I had previously learned about home equity theft. And I thought-- I said, Loni [PHONETIC], you know, are you behind in your property taxes? He's like, no. I have the homestead exemption. I don't have to pay that tax on my home. I've had the exemption for years. Well, it turns out a small inheritance had made Loni [PHONETIC] and his wife ineligible for the homestead exemption. And so they owed taxes one year, but they didn't know it. And they also didn't know that a private investor had paid those taxes and waited a couple years. Loni [PHONETIC] and his wife, they fell into the homestead exemption the next year. So they didn't have two more years of property taxes, but there was the one year where the investor paid. And the reason that there was somebody in his yard taking pictures is because the investor was going to move to foreclose on his home. The only reason that Loni [PHONETIC] had notice of this process was because I called the treasurer on his behalf and found out what had happened. He was able to borrow money from family members, go to the courthouse that day and pay the taxes that were due. And so him and his wife remain in their home and they know to check every year to see whether or not property taxes have been assessed on their home. But this isn't the only instance. My spouse and I have helped several people at the last minute be able to redeem-- save themselves from the risk of losing their home to this predatory practice. And with that, I'll close. But I'm available to answer-- to try to answer any questions that you all may have.

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

MINDY RUSH CHIPMAN: Thank you.

LINEHAN: Appreciate it. Other proponents?

RON REAGAN: Hey. Afternoon, Senators. My name is Ron Reagan. I'm a retired district judge for, I guess, about 18 years now. After I left the bench, I joined a law firm because, contrary to my advice, my son had gone to law school. And so I thought that I'd go in and I could work as little as long as I, as I wanted, which is true. But I have had a couple of cases that have involved these treasurer tax deeds. And I'm very supportive of the bill, LB577, which essentially, I think, gets rid of them. But, but having said that, I know from, from the committee's viewpoint, you have to understand what an effect it has on, on other aspects. I will say, because I think Senator Cavanaugh mentioned the, the case from Scottsbluff. The two cases that I've had the-- with success-- and incidentally, Aimee Melton, who is a partner of mine, will talk a little bit. But the first one, the equit-- or the, the tax sale certificate plus [INAUDIBLE] that are more tax [INAUDIBLE] and costs and fees, came to somewhere between \$20,000 and \$25,000. And it was a house a lady owned that she had a problem that she just couldn't open mail and, and never opened any of the notices or anything. And at any rate, it, it went to, it went to a treasurer's tax deed. The assessed value of the house was somewhere over \$200,000, and the, the taxable amount in it. And ultimately, we settled it for that. It was between \$20,000 and \$25,000. But there was a problem that, that the investor had had with the way that he had processed the treasurer's tax deed. So we were successful in doing that. The other one, which is presently on appeal now, that Aimee and I handled, the taxes were between \$15,000 and \$20,000-- or the-- I'm sorry-- the tax that, that they paid plus the, the interest and so forth. And ultimately, we recovered that again on a, a faulty notice that had been [INAUDIBLE]. And, and our clients, who were the remainder owners, ended up selling it for approximately \$175,000, \$185,000. So you can see what the, what the problem is with this. Now, I understand-- I haven't been here in front of a legislative committee for 20, 25 years, and you're probably trying at the bit to get a judge on the witness stand and ask some questions, and that's OK. But, but what I do want to say is that, from my time on the bench-- I, I probably had over 30, 32 plus years. But if you want to know the day, it was 32, 32 years, 7 months and 24 days. But, but having said that-- in, in that period of time, I probably, I probably had 75 or 100 foreclosures that were filed in district court. Incidentally, and my principal location was Sarpy County. It was the second district, but Sarpy, Cass and Otoe. But, but I can't, I can't imagine-- I don't think I had one contested foreclosure. I can hypothesize that there could be. But if there's not a contested foreclosure, the time that

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it's involved with a, a judge's time literally is probably less than 5 or 10 minutes. You have to sign a couple of orders and maybe appoint a military attorney or so forth for somebody that's, that's absent. But, but foreclosures are the way to go because it protects. I can say one other thing-- and I haven't even talked to Senator Cavanaugh about this. When I first read this bill, although I was completely in favor of it, I also saw that it's sort of a moneymaker for abstracters too, you know, because there's some abstracting opinion, you know. And I guess I would suggest that it could probably even, even be amended in some fashion where, where if it's-- if the redemption amount does not exceed 125 percent of the assessed value, and then you never have to get abstracters involved. The assessors got the assessed value. It's a matter of record. If the redemption amount doesn't exceed 125 percent, then they've got to go through a foreclosure. But, but having said that-- with that, let me open it up. If any of you do want to ask me any questions concerning either my time on the bench or whatever or some of the cases that, that I've been involved in with respect to, with respect to this, I'd be happy to take those.

LINEHAN: Thank you. Are there any questions from the committee? Looks like they're not going to grill you.

RON REAGAN: Great.

LINEHAN: Thank you.

RON REAGAN: Goodbye.

AIMEE MELTON: Hope they're not saving them for me.

LINEHAN: Hi. Good afternoon.

AIMEE MELTON: Hi, Senators. Thank you. My name is Aimee Melton. I am Ron Reagan's law partner, who just spoke. I am also on the Omaha City Council. So I am here testifying with two hats on. All seven council members are in support of LB577. I have to say, it's somewhat rare when you get all seven Omaha City Council members to agree on something. But we do agree on this. And I brought this to the attention of some of our council members, including Councilmember Gray, who is no longer on the city council, of many instances of this happening. And it was first brought to my attention by somebody that called-- just literally called our office. And when I first pulled this, I couldn't believe this was actually the law, that this person may lose their house only owing \$14,000, \$15,000 on a house that was valued over \$250,000. Well, it can't be-- you can't-- they shouldn't

get the windfall. And by the way, when I went in for a TRO in front of Judge Bataillon, he said, well, this can't be right. That, that statute doesn't exist. I said, Your Honor, unfortunately, it does. And he even said the equities of the court couldn't possibly allow that kind of windfall. But they do. I think in some of our cases that we've won, the tax certificate purchasers now learned their mistakes, so they're not making them any more. So now it's much harder to win the case because they're providing the proper notice because some attorneys, such Ms. Gaughan, who testified earlier, have, have challenged these. But I would say, not only from a constitutional perspective, from a conservative that believes-- highly believes in property rights, people need to pay their taxes. I agree. We all need to pay our taxes. I know. I think our treasurer may be here. It's very important, and it wouldn't be fair if we let the people get away with not paying them. But I think the current process that we have is not equitable. The very last case that I just had-- and, in fact-- well, the tax certificate purchaser said the deal was off if they hired me as their attorney. It's gotten that bad with some of the tax certificate people. But she had to purchase her home back from him for \$220,000. She owned it outright. She has a paraplegic son. She became a single mom. And she actually thought if you didn't have a mortgage, you didn't have to pay taxes. I understand that ignorance of the law is not a defense. And I agree with that. When you're speeding 55 and you think it's 35, you're still going to get the ticket. But in a case like this, where she really didn't know and didn't know the ramifications-- fortunately, we were able to find somebody that loaned her the money to purchase a \$200,000 house back, but she owned it outright. This is a significant financial burden and all she owed was about \$20,000 in taxes. But her and her paraplegic son were almost homeless. So I, I do think that, that we can do this. I appreciate Senator Cavanaugh bringing this bill forward. Because the tax certificate people and the counties are still going to get their money. I still think it's pretty lucrative at 14 percent guaranteed rate of return on your investment. And so I, I still encourage that. And, and I think that that's beneficial [INAUDIBLE] but I think it needs to go through the foreclosure process to provide the actual notice. Like Ms. Gaughan said, there needs to be notice from the very start, not just at the very end where it's 90 days or it's gone.

LINEHAN: Thank you.

AIMEE MELTON: Thank you. My time is up.

LINEHAN: You're fine. I need you to spell your name, though. I know how to spell--

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AIMEE MELTON: Oh, yeah. It-- A-i-m-e-e, and then M-e-l-t-o-n. Thank you, Senator Linehan. Any questions?

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

AIMEE MELTON: Thank you.

LINEHAN: Next proponent? Are there any other proponents? Are there any opponents? Good afternoon.

BETH BAZYN FERRELL: Good afternoon. Sorry. Good afternoon, Chairwoman Linehan, members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm appearing in opposition to the bill. We do appreciate the intent of the bill. Our concern is that it creates an unfunded mandate on counties and that the process that's set out for giving notices is not workable within the time frames that are, are created. I'm going to talk a little bit about the process of delinquencies. The chart that you're being handed out is essentially a walk through the process from year one, when the valuation is placed on property, through year six, when the property then would be eligible for foreclosure or for a treasurer's deed. It takes more than six years to go through that process. In year one, as, as we show in the chart, the valuation is set on the property, the taxes are levied. And at the end of that year, a statement is sent out stating what the taxes are, what the amount is, the levy is, and all of the breakdowns on there. The taxes then are due on December 31 of that year. In the second year, the first half becomes delinquent, and the date for that depends on the population of the county. And then the second half becomes delinquent. There is a distinction there between the taxes being due at the end of the first year and being delinquent at the end of the second year because taxes are collected in arrears. In mid-December, a notice goes out saying that the property taxes from year one are delinquent if they have not been paid in a timely fashion; first half, second half. From our research, we found that there are roughly, on an average-- and this is a, a very broad average for 90 counties, not including Douglas, Lancaster and Sarpy, but there are about 230 parcels average in a county that have delinquent taxes on that date. In year three, in mid-January, a number of county treasurers send out a courtesy notice to remind taxpayers that the taxes are due. Then in late January, would be four to six weeks prior to the tax sale, a notice is published-- and you've heard about that. We've found from our research that the number is approximately 160 properties on average in counties that are

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delinquent at that time. And then by the first Monday in March, when the sale is actually held, the properties that are delinquent, the number goes down to about 118. One note I would make: in some county-- in some states, at that point when there is a tax sale, the property is transferred by the sale. It's not the case in Nebraska. It does go through a number of processes, a number of years, a number of notices. As you can see on the chart, we've distinguished which ones are personal notices, which ones are published notices, which ones are courtesy notices. In addition, that notice is at the end-- on this tax statement every year. I see my time is up, so I'll be available for questions.

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

DUNGAN: Thank you, Chair Linehan. Thank you for being here. I know this is a lot to cover in three minutes, and so I know it's probably complicated. To make sure I understand this too-- I mean, it seems like from what we're hearing, this is a problem, right? It's-- and you've even said in your testimony here today that you acknowledge sort of the spirit of the issue here is, is absolutely a problem. In a circumstance where, let's say, a person who has property taxes has them assessed, doesn't-- has them assessed, receives notice, is delinquent. And after they receive notice saying they're delinquent, they don't pay them for that year. And then a, a lead investor comes in and pays those taxes off for them. And then in subsequent years, let's say the, the property tax-ower, the homeowner, starts paying their property taxes again. In the subsequent years when they're paying their property taxes, those go to the year they're paying them, correct? They don't go to the back-owed taxes that they then have had purchased by the tax lien investor?

BETH BAZYN FERRELL: I believe that they go to the year that is due. I might just defer that question, though. There are treasurers that follow me--

DUNGAN: OK.

BETH BAZYN FERRELL: --and will be able to answer that more accurately.

DUNGAN: And just so they can kind of hear, I guess, to prepare maybe for that if they feel so inclined to answer that question. The concern I have then, obviously, is if they continue to pay their taxes moving forward. You know, those taxes go towards the year that they're each due and being assessed, but they've never paid that back tax that the

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tax lien investor, you know, purchased back then. So you're moving forward, right? And then at some point, if years go by and they don't pay them back, they can then lose their house even though they're actively paying property taxes. And so it seems to me that that's an issue that needs to be addressed. And I just want to sort of put that out there for those who may have a better answer to that question. But I, I do appreciate you coming and giving us this information. Thank you.

BETH BAZYN FERRELL: Um-hum.

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

RACHEL GARVER: Good afternoon. My name is Rachel Garver, R-a-c-h-e-l G-a-r-v-e-r. I am the Lancaster County Treasurer. I am here on my-- behalf of my office and the Lancaster County Board. LB577 is trying to do the right thing in allowing homeowners to hold on to the equity of their homes. However, the requirements in LB577 Sections 1, 2 and 4 require action that is not possible for county treasurers to complete within a reasonable amount of time and cost counties an excessive amount of money. Furthermore, nothing specified in these sections helps to protect taxpayers from losing the equity in their property. And Section 1 adds requirements to the list of delinquent properties purchased-- published in the newspaper. With the additional information to be published per property, the property prescribed \$5 fee would not cover the total newspaper charges. Recommendation: this section should be stricken or the requirement for the parcel ID be changed out for the parcel address. Publishing this information is costly and does not provide delinquent taxpayers with protection. Section 2 requires the sending of delinquent notices by first-class in certified mail. Processing certified mail will take about 167 hours to complete in Lancaster County. Sending out certified mail does not guarantee the intent to receive-- recipient will receive, let alone read, the notice. Processing certified mail does not provide any protection to the delinquent taxpayers. Section 2, part A, three weeks prior to the sale requires the Sheriff's Office to serve notice to both the occupant and the owner. This presents a logistical nightmare and is costly. These notices put an unnecessary burden on counties and cannot be reasonably completed within the three weeks prior to-- in the time frame. Furthermore, these notices provide delinquent taxpayers with protection-- do not provide delinquent taxpayers with protection. There is also notices that have to go out to encumbrances-- encumbrancers of record with a title search. This

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becomes a very expensive proposition for the county-- \$135,850 for Lancaster. And the title companies told me-- told us that they could not get this completed within the amount of time. There is another notice in Section 4 that requires notice after the certificate in the same manner that the sheriff's notice to owners and occupants and to the encumbrancers. These sections-- this section, Section 4, should be stricken. I'm sorry. I'm out of time. I am in full support of Section 5. This would protect the delinquent taxpayers who have a tax lien on their property by requiring the investor to foreclose in court. I am named on a-- on this-- one case before--

LINEHAN: Why don't you let somebody ask you a question.

RACHEL GARVER: OK.

LINEHAN: OK. Do we have any questions from the committee? Senator Briese.

BRIESE: Thank you. I was going to ask you if you had any more comments.

RACHEL GARVER: OK. Yes. Thank you. In, in my official capacity as Lancaster County Treasurer, I don't believe I should be respondent along with the Lancaster County and with the Nebraska Attorney General in a case that has gone before the Supreme Court of the United States due to the law that legally allows home equity theft. LB577 Section 5 will remove from the law the option that allows this to happen. Investors will still be adequately compensated for their investment, with 14 percent interest as mandated by state statute. And then I have numbers from the tax year 2017. In Lancaster County, there were 112,403 parcels. 5,502 of those parcels were sold at tax sale in 2019. Only 23 parcels remained after the statutory three-year waiting period following the tax sale. 15 had foreclosures filed that were dismissed as resolved. Three parcels, the investors failed to foreclose or get a treasurer's deed. Four parcels had a treasurer's deed issued. One parcel was sold on a ser-- sheriff sale. And I would say, by all means, protect homeowner equity of these few parcels with LB577 Section 5, but do not waste county resources with changes in Sections 1, 2 and 4, as nothing in those sections will protect delinquent taxpayers. Thank you for your time.

LINEHAN: Thank you. Are there any other questions from the committee? Senator Briese and then Senator Dungan.

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BRIESE: Thank you, Chair Linehan. Thank you again for your testimony. You talked about the burden on the county. Aside from the title search to find the lienholders, et cetera. What would the costs be to the county on this? Do we have any numbers on that?

RACHEL GARVER: Yeah. It, it would be the \$340,000 in the first year and just slightly less when I computed it when I first was looking at this. But I believe the costs could go higher.

BRIESE: And that was apart from the title search, correct?

RACHEL GARVER: That part-- including, including the title search.

BRIESE: And you said the title search was \$135,000 of that?

RACHEL GARVER: Yes.

BRIESE: OK. So you're talking a couple hundred thousand, maybe?

RACHEL GARVER: Yes.

BRIESE: Yes. And you think, in your opinion, homeowners can be adequately protected by the provisions of Section 5 and strip out the rest of it?

RACHEL GARVER: I believe so because-- actually, the-- there were only four parcels that we had that had treasurer's deed, and that's where they lose the home. The-- we had 20-- we had 15 foreclosures that were dismissed be-- be-- well, 15 went through the foreclosure process and were dismissed as resolved.

BRIESE: OK. OK. Thank you.

LINEHAN: Thank you, Senator Briese. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you, Treasurer Garver. So you might be able to answer the question I asked earlier as well. So in a circumstance where somebody is delinquent and a tax lien investor steps in and pays those taxes or-- pays for that one year, but then the property owner resumes paying their taxes on time. But for whatever reason, they don't have notice or they don't actually pay that tax lien investor back for that one year they stepped in. If three years go by or two additional years, I suppose, then that tax lien investor, as it's currently written, can come in and request the deed even though the property owner is actively paying their property taxes, correct?

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RACHEL GARVER: That would be correct, that-- if a person came in-person to pay, we would notify them and tell them. I've actually heard staff saying, hey, you're delinquent. You should pay this. If, if they pay-- come by mail, we would probably call them if we have the time-- at, at, at the end of the-- and they have the right paperwork. It depends how they mail in their payments. If they mail it in with a tax coupon, then it would just get automatically processed as-- if they do it online, they would see that they owe online also and-- but they, they can choose how they pay online and what they pay.

DUNGAN: OK. And then the last thing I just had a question about. You said that it would be your preferred, I guess, avenue of resolution to do the foreclosures in court. Do you have any estimate of what the cost of that would be to the county?

RACHEL GARVER: I have no idea. I mean, all we're adding-- we-- our-- 20-- 15 of them went that way, and we're only adding 4 more. So we're not adding much more. I mean, not near the cost that we're putting in for the notices that the County, County Treasurers' Offices would be obligated to pay for.

DUNGAN: OK. Thank you.

LINEHAN: Thank you, Senator Dungan. Are there any other questions from the committee? I have one. So when you send the property statement out for the-- back to Senator Dungan's question. So I get a property tax statement in 2019. It got lost in a Christmas shuffle. I forgot about it. And then when I get my statement in 2020, does it show that I'm delinquent?

RACHEL GARVER: Yes. There's a special notice area. It's, it's in-- on our statement, it's shaded a color. In that notice, it says you're-- what you're delinquent for-- what years you're delinquent for.

LINEHAN: Could you give the committee a copy of that statement?

RACHEL GARVER: I could. And I know that Ms.-- the person after me, the treasurer after me will-- actually has an example of what they have, which is somewhat similar to ours.

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

RACHEL GARVER: Thank you.

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LINEHAN: Next opponent. How many more testifiers in this bill do we have? Hold them a little higher so I can actually see. OK. Thank you.

JOHN EWING: Good afternoon, Madam Chair and senators of the Revenue Committee. I'm John Ewing, the Douglas County Treasurer. E-w-i-n-g. And I am in my 5th term, having started my 17th year. What you are, are receiving is copies of the information that we actually mail to the taxpayers in Douglas County. What I want to discuss first is the fiscal note that this would have for Douglas County. Initially, on the first year of implementation, we estimate this would cost Douglas County \$600,000 because of computer programming and all of the other things we would have to do. We estimate then that, including the sheriff's expenses, it would be a recurring cost of \$443,000 per year to comply with the notice requirements. What I have provided you, as I said, is a copy of the statements that we actually send out. If you look at the first one, you will see that, in the special message box, the first thing it says is, please call us. We want taxpayers to call us if they are not sure what their status is. Secondly, it tells them if they have back taxes, if they have interest due. If they have a tax lien, it tells them what year so that they have as much information as we can give them. The second statement does basically the same thing, and it even adds on that statement that it is in bankruptcy. Then if you look at the third sheet, it actually is our courtesy notice that we send out every September to anyone who is delinquent. Not years later, but the first year that they are delinquent. We spend approximately \$292,000 in Douglas County currently to provide this information to the taxpayers of Douglas County. I am a strong proponent of ensuring that homeowners do not lose their equity, so I am in strong support of Section 5 of this proposed legislation. That, I believe, is where we have an opportunity to keep homeowners from losing their equity by having these foreclosures go through district court. And with that, I will take any questions that you might have.

LINEHAN: Are there any questions from the committee? OK. I have one, because I'm--

JOHN EWING: Sure.

LINEHAN: --not quite feeble yet, but closer than most. Why do you all use such tiny print?

JOHN EWING: I'm sorry. I didn't hear the question.

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LINEHAN: Why do you all-- and I'm speaking not just to you, sir. But this print is so little. If you're 85 years old and you get this in the mail, how are you going to read it?

JOHN EWING: I don't know if we can change the print or not, or the font, but I certainly can look into it.

LINEHAN: Well, I--

JOHN EWING: We try, we try to get all the information on the form so that they have it.

LINEHAN: But if they can't read it--

JOHN EWING: Sure.

LINEHAN: It's just a thought.

JOHN EWING: No, I have no problem with looking at anything that will allow us to serve the citizens, make sure they know what their responsibility is.

LINEHAN: So on your special notice here, the third page, does that go out separately from your statement?

JOHN EWING: That goes out in September for anyone who was delinquent. For instance, this March or this July, we will send that out to them as a courtesy to make sure they know that they are delinquent. That's before any tax sale procedure ever happens. They get that notice. Then they also get a notice in December, when we send out the new property tax bills letting them know that they were delinquent. That is also before any actual tax sale or proceedings in this system.

LINEHAN: Not to beat a dead horse here, but there's a lot of white space. Bigger print.

JOHN EWING: Well, we, we were trying to put it on one page for you. It's actually a much smaller form with a front and a back.

LINEHAN: OK.

JOHN EWING: So we just--

LINEHAN: Any other-- I'm sorry. Did you have something else? I didn't mean to interrupt you. I'm sorry. Did I interrupt you?

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JOHN EWING: I was just saying we were trying to make it so you didn't have to flip it over.

LINEHAN: OK. I see. So this is two sides a form. I got it. OK. Any other questions from the committee? Yes.

von GILLERN: And I'll phrase this in the form of a question. As I recall from the friendly notice you send me a couple of times a year, I think this is actually reduced copy of a bigger piece of paper.

JOHN EWING: Yes.

von GILLERN: It's got a couple of foldouts--

LINEHAN: Well, that's--

JOHN EWING: Yes. We, we did, we did not, we did not attach the coupons that actually come with the property tax statement because, once again, trying to save paper and not giving you information you don't need.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Any other questions from the committee? Seeing none. Thank you very much for being here.

JOHN EWING: Well, thank you for the opportunity to speak to you today.

LINEHAN: You're welcome. Are there other opponents? Good afternoon.

SAMANTHA OTT: Thank you, Chairwoman Linehan and all Revenue Committee members for the opportunity to appear before you. My name is Samantha Ott, S-a-m-a-n-t-h-a O-t-t, and I'm a member of US Assets. US Assets is a tax certificate purchaser who opposes LB577 as currently drafted. We're a local Nebraska company that has been purchasing tax liens for over 25 years. We have contributed over \$175 million to Nebraska counties through this process. We believe, given the pending cases before the Supreme Court dealing with the subject matter of tax deeds, Nebraska might be better served to see how the court chooses to rule on those cases prior to changing law. A Minnesota case is scheduled to be heard in April, with a decision likely this summer. Two Nebraska cases have not been picked up for argument but also have not been denied. To explain our position on this bill, we feel we first have to touch on some numbers. Most people are aware of the interest rate that investors earn, but few know all costs associated with purchasing tax certificates. To assist in explaining our financial position, I've

given each of you a chart showing the detailed financial summary of our most recently completed pool, which is all the certificates we bought in 2019. Time constraints will not allow me to take you through it line by line, but I would be happy to answer any questions that you have after my statement. Our goal in sharing these numbers with you is us attempting to be as transparent as possible regarding the financial position the current form of LB577 would put us in. As you can see, the workable profitability becomes very low when you take into account the amount of both our-- both the amount of our investment and the level of risk we are taking on. I can only speak for my company, but we take no tax deed lightly, and our goal is not to take property, but simply have a workable business model that makes sense for all parties involved. We are absolutely open to discussing ways to fix the currently drafted bill that could hopefully satisfy all sides. Unfortunately, the current form of LB577 simply takes away one of the mechanisms for us to make the business model make sense without compensating us else-- elsewhere. We fear if codified in law as drafted, LB577 will make it no longer make sense for US Assets and other local Nebraska companies like ours to continue investing in our communities via tax sales. As stated, we'd be more than happy to work on additional language updates to help improve the process for all parties involved while at the same time taking into account what the Supreme Court may have to say. The current alternative-- oop-- I'm--

LINEHAN: That's OK.

SAMANTHA OTT: It's-- am I--

LINEHAN: Just a couple more sentences.

SAMANTHA OTT: Just a coup-- I'll summarize my couple points. There's-- the judicial process does not allow actual attorney fees to come back. You only-- you do it percentage of the redemption amount. So you basically don't get your actual attorney fees. So in some sense, we lose money on them. And in the other sense, we way overcharge other property owners. So we're hoping to work out some things so the attorney fee structure would actually make sense to go the judicial route. It's one of the main reasons we don't use that route currently. Also, we do have a lot of what we think are practical ideas that we would love to talk about for service and presale notices and those kinds of things. And we, you know, as, as we've worked in different states and worked in the business, we do have a lot of ideas that we would love to share and work, work with-- on, on the bill if given the opportunity.

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

von GILLERN: Yeah. Ms. Ott, thank you for being here today. Your testimony says, our goal is not to take property, but isn't that exactly what makes your business model work? If you can't take property, there's no business model.

SAMANTHA OTT: Well, we also make money off of the interest spread. So we-- that is the-- that's really our business model, is the interest and loaning, and loaning through the interest, so.

von GILLERN: So if the equity-- if, in some form or fashion, the equity was be-- was able to be returned to the homeowner, should they be able to pay their taxes plus interest spread, your business model still works?

SAMANTHA OTT: Yes. So that's why we're, we're not opposed to working out some kind of change to the bill. We're not saying tax deeds have to be the answer. We're just saying just getting rid of tax deeds and not fixing some other things doesn't work, if, if that makes sense.

von GILLERN: I think so. Thank you.

LINEHAN: Thank you, Senator von Gillern. Senator Briese.

BRIESE: Thank you, Chair. And thanks for your testimony here today.

SAMANTHA OTT: Yeah.

BRIESE: And, and so what would you suggest that we do to this to make it more conducive to your business model to work?

SAMANTHA OTT: Yeah. So--

BRIESE: And does it still address the issues we've heard about all afternoon that I think concern a whole lot of us here?

SAMANTHA OTT: Absolutely. And I, and I completely understand. I-- you know-- and just to, just to throw random ones out. You know, some of the service issues-- I think some of the presale notice issues that have been brought up-- I completely understand the treasurer's position as far as the-- all of the notices that are asked for in LB577 I think are excessive, but some do that courtesy notice of the regular mail, and I think that is excellent. When we found out some of them did that, I think everyone should do that. I think publishing the

address makes 100 percent sense. I didn't actually realize they didn't do that, to be honest, prior to looking into this. When it comes to the service, sheriff service, they just hand them the notice and then we get an affidavit from the sheriff saying, we served them. I would like to see the sheriff also get a signature from the person and possibly post a copy of the sheriff-- of the notice on the door because sometimes people pay attention to that a little bit better. We would also love to see with service-- we always think-- even if you serve someone by sheriff or by certified mail, if you also send a regular letter, it's amazing how many times people will get a regular letter better than what we would consider the better service of a sheriff or certified mail just because, you know, sometimes people don't go to the post office or people can't get caught by the sheriff, but people will eventually get their mail. So-- and then fixing some of the things with the judicial fees and things like that that would fix some of the financial and, for us, would, would make us be willing to then go that way.

BRIESE: But the Section 5 judicial foreclosure, you can live with that?

SAMANTHA OTT: We, we could live with that with a few changes, such as fixing the attorney fees. In, in Ohio, where we worked, for example, they do, like, a flat-- I think-- I believe it's a \$2,500 flat fee across the board that you can retain, that, that you get there for every legal fee-- every legal file that you file your foreclosure on, which-- something like that we would be fine with. It would make a lot more sense, you know. Because, like, here, our lowest one this year, if we had went judicial on everything, somebody would have only paid \$90 for a foreclosure and somebody else would have had to have paid us \$84,000 in foreclosure costs. I mean, it's just completely unbalanced. So if we were able to kind of just come to a number that's actually a fair, fair legal cost number. The other thing that we think might be something to look at would be some kind of potential fee at the time of sheriff sale, but we don't know exactly what kind of system that would be or how that would work. But, you know, as the ones that have taken it through the process and done the work and taken it to-- through the sale, if there was some kind of, some kind of fee on the top of that, you know-- few make it to sheriff sale, but something-- but we're not-- I-- you know, something to discuss potentially, but.

BRIESE: OK. Very good. Thank you very much for your testimony.

SAMANTHA OTT: Yes.

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

BOSTAR: Thank you, Chair Linehan. Thank you, ma'am, for being here today.

SAMANTHA OTT: Yes.

BOSTAR: So, the attorneys' fees-- so right now, it's, it's effectively a percentage of the foreclosure sale amount?

SAMANTHA OTT: Redemption amount, correct.

BOSTAR: And, and what is that percentage right now?

SAMANTHA OTT: 10 percent.

BOSTAR: 10 percent. What is the-- what would adequate attorneys' fees for something like this look like?

SAMANTHA OTT: What, what, what would adequate fees be?

BOSTAR: Sure.

SAMANTHA OTT: I, I, I was-- I threw out \$2,500 because that's what I know we get in Ohio and I-- so I, I always start where I know another state landed, and then I will normally flush it out from that, so.

BOSTAR: What, what is the average foreclosure sale amount?

SAMANTHA OTT: I do not know that off the top of my head. I'm sure I could get that for you, but I, I, I'm not positive.

BOSTAR: OK. Thank you very much.

SAMANTHA OTT: Absolutely.

LINEHAN: Thank you, Senator Bostar. Are there any other questions from the committee? Seeing none. Thank you for being here. Appreciate it.

SAMANTHA OTT: Thank you so much.

LINEHAN: Are there any other opponents? Good afternoon.

MARC ODGAARD: Good afternoon, Chairwoman Linehan and Revenue Committee members. My name is Marc Odgaard, and I'm general counsel for Guardian

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Tax Partners. In the past, Guardian Tax Partners has worked with the Legislature when--

LINEHAN: I'm sorry. Did you spell your name?

MARC ODGAARD: I'm sorry. Yes. M-a-r-c O-d-g-a-a-r-d. In the past, Guardian Tax Partners has worked with the Legislature when issues have arisen regarding the state's tax certificate process. Once again, we are here because we do want to assist the Legislature, provide as much input as we possibly can to the committee to fully understand the circumstances on our side of this so that, that-- so that the committee is fully aware of all of the facts and circumstances. The loss of a home is devastating. We agree with that. We are 100 percent agreeable that the homeowner must be able to keep their home when possible. To that end, I'm providing the following information to the committee for the consideration in lieu of some of the proposed changes offered in LB577. The first thing that I think would go a long way to providing-- there has been a lot of discussion about providing notice and getting adequate notice to the homeowner. A highly effective and a nonco-- noncost additional noticing requirement would be to add something under Nebraska Revised Statute Section 77-1832. We are currently required to provide residential or personal notice of a-- via a sheriff or constable. If we are unsuccessful in doing that, we are then required to attempt to provide certified mailing notice. If that isn't unsuccessful, we then publish. Nowhere is there a, a requirement for us to post notice at the property, and that seems to me a commonsense, easy fix to a lot of this. In those situations, it's, it's-- it would result in minimal additional costs and exposure to the county and to the tax certificate holder. This simple addition would be a huge impact on the homeowners actually receiving the notice to redeem and give them an effective opportunity to, to redeem the taxes in a timely fashion. Our second request for a consideration on this is, if we are going to limit the judicial foreclosure or limit the requirements to a judicial foreclosure, we would, we would ask the court to consider that, that that be limited to owner occupiers. We understand we are here today because there has been a lot of people that live in their homes that are losing their homes because of this process. The judicial foreclosure process itself under 77-1902 is more complicated, is more costly, is more time-consuming than the current process under 77-1801. The, the, the requirement to foreclose on every single tax certificate that-- certificate that comes through would, in a lot of cases, be cost prohibitive, as many of the tax certificates that would be foreclosed are not of significant value, and the cost to foreclose can easily exceed the maximum amount of the attorney fees that are currently allowable by statute. So requiring judicial

foreclosure could have a chilling effect on the tax certificate [INAUDIBLE], the industry as a whole, which essentially would limit or reduce or cut off, to some degree, the, the funding for the counties. It would have a direct financial impact on the finances of the county from the standpoint of lost revenue. Nebraska Revised Statute 77-1909, there was some discussion earlier on that. I see I'm out of time.

LINEHAN: Yeah, you are. I'm sorry. Is there any questions from the committee? Yes, Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for being here.

MARC ODGAARD: Yes, sir.

BOSTAR: Do you agree that the \$2,500 figure for attorneys' fees, as was presented by the previous testifier, is a better number as a way to do this?

MARC ODGAARD: Regarding sort of an average attorneys' fees cost for foreclosure?

BOSTAR: I guess.

MARC ODGAARD: OK. Well--

BOSTAR: I'm asking you, I suppose.

MARC ODGAARD: Yeah. I, I-- my suggestion would be to, to put language in there that would allow for the actual cost if, if it were to exceed that 10 percent of, of the redemption amount.

BOSTAR: What if actual costs is 5 percent? Why should it only be if it exceeds it? Why wouldn't you just do actual cost in that scenario?

MARC ODGAARD: Well, that could be another, that could be another situation as well, where it's the actual cost to them. But I, I would say, in those situations where the-- if, if the actual cost is recoverable, then, then, yeah. That's, that's not a concern, I don't think.

BOSTAR: You mentioned that a lot of the-- these sales are of minimal value. Can you, can you talk to me a little more about that?

MARC ODGAARD: Right. And, and the point there, Senator, is, is that a huge percentage of these tax certificates that are, that are purchased are, are sort of in that couple of thousand dollars to, to, maybe

\$7,000 to \$8,000 range. So when you are-- so when you're going to foreclose on their-- on them, if there's a 10 percent max on what you can do for attorneys' fees, there's, there's very little that is recoverable to, to that extent under the current law.

BOSTAR: So, so under that scenario, you know, a couple thousand dollars at 10 percent, you're only talking about a couple hundred dollars then in attorneys' fees. So \$2,500, as was mentioned before, in attorneys' fees would be, on average, would be significantly a much greater amount of money going to those who are participating in this process.

MARC ODGAARD: From the standpoint of, of covering their costs, yes. I-- it, it should, it should not necessarily act as a-- as any sort of profit motive for them. I mean, it, it should, it should represent a fair and accurate reflection of the actual cost to, to process--

BOSTAR: But if we establish this \$2,500 as a flat fee, I mean, it's-- at that-- and I understand you said it should-- we should go to actual costs if it exceeds, and I'm mostly asking about previous testimony as well just to try to understand this better. But if we went to a flat fee of, say, \$2,500, that would, on average, be significantly more than what's being generated for attorneys' costs now. Is that correct?

MARC ODGAARD: Cert-- certainly under-- yes. Certainly under the current, the current statute and based, based on the value of many of those tax certificates, yes, it would be.

BOSTAR: OK. Thank you very much.

MARC ODGAARD: Yes.

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

BRIESE: Thank you, Chair Linehan. Thanks for your testimony. In your testimony, you, you said that the judicial process could be cost prohibitive. But we tweak the attorneys' fees situation, we can alleviate that concern, correct?

MARC ODGAARD: Cert-- certainly, if-- yes, if that reflects the actual costs and, and the tax certificate holder is not-- obviously not having to front any of that money or, or pay out of pocket for that, that that would alleviate that.

BRIESE: Does your company operate in other states as well?

MARC ODGAARD: It does.

BRIESE: OK. When you compare your business model in different states, how do we compare to other states? What's your profit margin in Nebraska versus other states on an average property? How, how do they compare?

MARC ODGAARD: I have no idea on profit margins or, or any of the, frankly, any of the financials.

BRIESE: OK.

MARC ODGAARD: I, I would, I would say that our, our, our process of noting-- of, of noticing is, is a solid-- under the current statute, it is-- it's on the higher end of, of, of requirements as far as being able to notify or attempt to notify the homeowner.

BRIESE: Here in Nebraska, currently.

MARC ODGAARD: Yes.

BRIESE: OK. Thank you.

MARC ODGAARD: Yep.

LINEHAN: Thank you, Senator Briese. Are there other questions from, from the committee? We changed notifications. And I don't know-- were you here two years ago when we worked on this, or involved?

MARC ODGAARD: I, I was, I was not here two years ago.

LINEHAN: OK. I think we changed some of the notification requirements.

MARC ODGAARD: Yes, there was a higher-- yeah. It, it-- I think we added a personal and residential service by the sheriff as well too because I do believe before it was mainly certified mailing, but the, the personal and residential service was added, I believe.

LINEHAN: Right. Because we've dealt with this [INAUDIBLE]. All right. Any other questions from the committee? Thank you very much.

MARC ODGAARD: Thank you.

LINEHAN: Are there other opponents? Are there any other opponents? Anyone wanting to testify in the neutral position? So we did have letters for the record on LB577. We had 5 proponents, 15 opponents, and no one neutral.

J. CAVANAUGH: Thank you, Chair Linehan. I'll try and be as brief as possible. I appreciate everyone who came and testified. I specifically really appreciate Judge Reagan and Councilwoman Melton coming and giving their perspective. And I really do appreciate the opponent testimony. I mean, I-- Treasurer Garver and Treasurer Ewing. It's a thankless job being the tax collector for the county and the state, and so I appreciate the work that you both do and the other treasurers across the county. And I do appreciate you coming with your constructive criticisms. And I think that's the, the takeaway here, is that everybody that came I think gave some real constructive notes on what we can do here. The consensus, though, is we need to do something, and it's just a question of what we do. I am certainly willing to work with everybody. I've met with a few of the folks. I've met with Ms. Ott before the-- some time earlier in the session and discussed it with her, and others. But I'm certainly open to all of the suggestions that have been brought here today and any others that folks may have outside of here. But I appreciate the committee's attention. I don't need to belabor the point. We can work on it outside of the room. If you have any questions, I'm happy to take them.

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

J. CAVANAUGH: Thank you.

LINEHAN: And with that, we bring the hearing on LB577 to a close.

von GILLERN: Good afternoon, Senator Linehan. Welcome to the Revenue Committee.

LINEHAN: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I am from Legislative District 39, Elkhorn and Waterloo, in Douglas County. Here today to introduce LB695. The concept, concept for this bill is very simple. LB695 would exempt the first \$25,000 of valuation for all property owned either by residents or entities formed in Nebraska across the state from taxation. And as I read this opening, I'm not-- I mean it for all property owners, whether they live in Nebraska or not. If they own property, they get \$25,000 because that would have-- they have to do that to be constitutional. It would provide direct property tax relief across all classifications of property evenly. This type of relief is already being provided in Florida. I would ask the committee to approve this bill and advance it to the floor. So the reason I brought this bill-- for two reasons. I

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wanted to see what the fiscal note was. And it doesn't really help very much, but if you look at Douglas County-- we got them there, Douglas County said the costs would be-- my staff showed this to me and I'm having a hard time figuring it out, but around \$12 million. Around \$12 million. So what I would like us to do-- so we kicked up a property tax bill this morning, so, obviously, this isn't, this isn't going to be part of any package. But I'm very concerned about the homestead exemption because it's going up-- when I first got here six years ago, it went up about \$5 million a year. It's now going up about \$12 million a year. Next year, it's probably going to go up \$15 million a year. So we're going to be at, like, \$130 million, \$140 million in property tax exemption. And, obviously, that-- state-- everybody loves it because the state picks up the tab, right? I think this is something we could look at. They do this in Florida. Everybody gets a break on their first X number of dollars. We'd have to do more work on the fiscal effects of this, but it's just a different way to look at property tax relief across the board that's simple and fair. And I think it would help people-- low-income people, hold onto their homes.

VON GILLERN: Thank you. Any questions from the committee? Senator Kauth.

KAUTH: I have two. Thank you, Chair-- Vice Chair von Gillern. Would it also apply to commercial or just residential?

LINEHAN: All property.

KAUTH: All property. And would it replace homestead exemption?

LINEHAN: I don't know.

KAUTH: That's what we have to study.

LINEHAN: That's what I think we should look at.

KAUTH: Thank you.

VON GILLERN: Thank you. Senator Bostar.

BOSTAR: Thank you, Senator von Gillern. Thank you, Senator Linehan. So I understand the-- what we're trying to figure out here, but would the \$25,000 be applicable to a parcel of property or to an individual?

LINEHAN: It would be the property.

BOSTAR: So if you own multiple properties, you could--

LINEHAN: Yep.

BOSTAR: --you would get one for each property. So if we did it, we would have to figure out a way to also make it harder for people to subdivide their properties because--

LINEHAN: Yes.

BOSTAR: --I would probably try to cut mine up into a million pieces.

LINEHAN: Take my acre and make it two half-acres. Yes, we'd have to do something to d-- but I think the way the property tax credit works now-- I'm not an expert on this-- but I've seen people with multiple properties and when we did the yellow postcard before I even got here when they first did the ori-- the tier one tax credit. People got, like, stacks of yellow cards on each property, so, yeah.

BOSTAR: Thank you.

LINEHAN: You're welcome.

von GILLERN: Any other questions from the committee? Seeing none. Thank you, Senator Linehan. Will you stay to close?

LINEHAN: Yes.

von GILLERN: Thank you. Welcome up proponent testimony. Is there any proponent testimony? Seeing none. We'll welcome up opponent testimony. Mr. Cannon.

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 NACO, here to testify today in respectful opposition to LB695. I certainly appreciate the opportunity to discuss how exemptions work in concert with the property tax. And as always, I, I always start my analysis looking at what the Constitution of Nebraska provides. Article VIII, Section 2 is our general provision regarding exemptions. And I'm going to skip down to subsection 10 of Article VIII, Section 2, which says, "No property shall be exempt from taxation except as permitted by or as provided by this constitution." Pretty cut and dry. And in Article VIII, Section 2, there are various other things that we describe as what is permitted by this constitution: property of the state or its governmental subdivisions, ag societies or charitable or religious,

educational or cemetery organizations that use their property for those purposes, household goods and personal effects, shade or ornamental trees, energy conservation, the home of a paraplegic veteran or multiple amputee, life insurance contracts, inventory, different classes of personal property-- and I want to highlight that because this-- the language of this bill is very, very similar to LB259 from 2015, which was the Personal Property Tax Relief Act, that provided a \$25,000 exemption for every personal property tax return. That was explicitly authorized by that provision of the constitution. Homesteads are authorized to be exempted as long as they're owned and occupied, and that's where we get the homestead exemption from. Historically significant property is also allowed to be exempted. Again, I, I think that analysis pretty-- is pretty cut and dry. You have to have a specific provision of the constitution that allows for a \$25,000 exemption for real property. You know, based on that-- you know, that, that's the main genesis for-- of our opposition. However, I'll also mentioned that our initial analysis-- it looks like about a 10 percent reduction in the tax base if this was taken to its logical conclusion. I've, I've got to re-- double check the numbers on that. Also, I would note that there's an issue with centrally assessed property. Centrally assessed property, they do not have a parcel card that says, you know, here's your real property value and here's your personal property value. In centrally assessed property, what we do is we, we-- the Department of Revenue, they look at the books and records of each of those centrally assessed companies. They come up with a determination based on their book accounts as to what the split between personal and real property is. And then they distribute a value to the counties based on certain different factors that they use to determine, here's the split between personal and real for each of those centrally assessed companies in each county. And so what we did with the Personal Property Tax Relief Act back in 2015 is we had to come up with a compensating exemption factor to figure out what percentage of personal property across the state is being exempted and then how you apply that to the centrally assessed properties. If this was found to be constitutional, which I, I will certainly rely on legal counsel to research that, you would have to have a mechanism that would comport with the 4-R Act because I guarantee you anyone that owns real transportation property is going to use that federal statute that's particularly-- that's 49 U.S. Code Section 11-501(b)(4) to say we want-- or, we, we would demand our ability to have our property thus reduced. And then the last thing is that, as it reads-- as the second-- as the bill reads, it's for nonresidents. Nonresidents can still demand equalization. And I'm-- that's all I've got. Happy to take any questions.

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VON GILLERN: OK. Good timing. Questions from the committee? Yes, Senator Bostar.

BOSTAR: Thank you, Senator von Gillern. Thank you, Mr. Cannon. Could you read that provision again, the constitutional provision that you feel is in conflict with the ideas of this legislation?

JON CANNON: Article VIII, Section 2, "No property shall be--" subsection(10)-- "no property shall be exempt from taxation except as permitted by or as provided by this constitution."

BOSTAR: This-- but the property in question would still be subject to taxation.

JON CANNON: So it-- the property will be subject to taxation [INAUDIBLE] portion thereof. It-- that's an exemption. That's an exemption from taxation. And, and I, I, I think that it's pretty clear that that would be unconstitutional.

BOSTAR: I don't know if that's pretty clear.

JON CANNON: Well, the, the reason why [INAUDIBLE], that's for sure. And again, you got more than able-- more than adequate legal counsel.

BOSTAR: All right. So let me ask you this: so if, if instead of LB695, it was LR-whatever-CA, what would you think about this?

JON CANNON: I would have, I would have to form an opinion on that, sir. I, I, I can't, I can't speculate as to that.

BOSTAR: Thank you.

JON CANNON: Yes, sir. Thank you.

VON GILLERN: Other questions from the committee? Senator Briese.

BRIESE: Thank you, Vice Chair. And thank you for your testimony, Mr. Cannon. But you're saying the personal property tax exemption passes constitutional muster because of that provision exempting different classes of personal property?

JON CANNON: Right. And, and, and I didn't, I didn't give the entire constitutional provision for that.

BRIESE: OK.

JON CANNON: I didn't, I didn't want to write down--

BRIESE: OK.

JON CANNON: --all of Article VIII, Section 2.

BRIESE: And that's fine.

JON CANNON: But--

BRIESE: Neither here nor there, really.

JON CANNON: --but there's, there's a lot of verbiage in there that talks about different classes, different ways. And, oh, by the way, you can exempt the entire class of personal property if you so desire, which we would also oppose, by the way. But I, I, I do believe that it's through that that we were able to say we're going to exempt a certain portion of personal property in this state.

BRIESE: How many counties are up close to their levy limit?

JON CANNON: I would say that there are three that are over \$0.45, if I recall correctly. And there's probably about maybe a dozen that are over \$0.40.

BRIESE: OK. Because you talked earlier about reducing the tax base, and that would only really be an issue for a county that's up against-- close to the limit, correct? Others would just raise their levy and be on their way.

JON CANNON: Sure. They'll just, they'll just raise their levy and that will affect every other property taxpayer.

BRIESE: OK. Thank you.

JON CANNON: Yes, sir. Thank you.

von GILLERN: Other questions? Mr. Cannon, I had, I had a question to just kind of add on to what Senator Bostar, his question. Wouldn't this really just be a-- if, if the word exempts the-- if the phrase "exempts the first \$25,000" was rewritten to say that the valuations were artificially adjusted by \$25,000, would that change the impact?

JON CANNON: I think then at that point-- I, I think at that point, Senator, what we're doing is we're going to look at Article VIII, Section 1, which provides that taxes shall be levied by valuation uniformly, uniformly and proportionately upon all classes of real

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property. And, and I, I think that's where we run into that issue of uniformity when, when you do that.

VON GILLERN: But if it was across all properties, wouldn't it be uniform?

JON CANNON: It would not be uniform. And, and I guess, you know-- and I have testified previously-- this was probably a few weeks ago at this point-- that \$25,000 is not the same across the state. \$25,000 in, in Douglas County, for instance, that's probably going to be a very small percentage of, of a property's value. Whereas \$25,000-- if I go out to Arthur County, that could be a significant portion of a parcel's value.

VON GILLERN: Well, it depends if it's \$25,000 off of the First National Bank Tower or a, or a barn in Scottsbluff, so.

JON CANNON: Or bare ground, sir. An excellent point.

VON GILLERN: Yeah. So. OK. Additional question from Senator Bostar.

BOSTAR: Thank you, Senator von Gillern. Thank you again, Mr. Cannon. This is a fun exercise because we're trying to--

JON CANNON: I, I hope it's fun for you, sir.

BOSTAR: You told us how we can't do it, and now we're going to figure out how we can. So what if we did what I know we can do, which is issue tax credits, and we just made a tax credit the equivalent of the first \$25,000 of valuation for your property taxes and we just mailed a check to every single person?

JON CANNON: So the levy rate in every county and in every tax district across the state is going to-- it's going to vary from parcel to parcel.

BOSTAR: Sure.

JON CANNON: And so if you did that and you will-- would mail a check, you're going to be performing-- and, and, and it's not me and it's not you, it's our friends at the Department of Revenue, who I don't want to speak for, but they're going to be performing a whole bunch of calculations. First of all, they're going to be receiving a record from every county across the state for every tax district and every parcel. And then they're going to have to perform a calculation in order to determine exactly what an exempt-- the, the equivalent of an

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exemption of \$25,000 would be for each parcel across the state. I, I don't, I don't want to volunteer them, but I'll leave it at that.

BOSTAR: Well, let's-- well, for starters, in my imaginary scenario, maybe I have the counties doing it. That's neither here nor there, but that we could do, do you agree?

JON CANNON: I will refer you to Senator Blood's LR1CA, and, and, and I will-- I would urge your, your support of that bill. And, and, and at that point, sure, we can talk about that all day.

BOSTAR: I will, I will take that as a, yes, we could do that. Anyway, thank you so much.

JON CANNON: Thank you, sir.

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

JON CANNON: Thank you very much. I, I, I will note, I think this is my last time testifying in front of Revenue. I want to thank your thoughtfulness, your kindness and your indulgence. Thank you very much.

von GILLERN: Always a pleasure. Thank you. Other opponents for LB695? Seeing none. Are-- does anyone like to testify in the neutral position? Seeing none. We have several letters. We have 1 proponent letter, 2 opponent letters, and 0 neutral. Senator Linehan, would you like to close?

LINEHAN: Found the number. It said, in Douglas County, their estimate would be-- it would be \$13.89 million, which I found kind of startling that it wasn't more than that, so. And also-- I don't know if it-- if we put this on the-- if we put it to a vote of the people, I'm pretty confident we could change the constitution, so. But like I said, this is not-- I introduced this to find out what it would look like, and I think it is something to look at in comparison to everything else we're doing. So with that--

von GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you, Senator Linehan. This will close the hearing on LB695. And we will open on LB694.

LINEHAN: Thank you. Good afternoon, Chair-- Vice Chair-- excuse me-- von Gillern and members of the Revenue Committee. I'm Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I'm from Legislative District 39, Elkhorn

and Waterloo. And I'm here today to present LB694. Nebraska Revised Statute 77-2704.22 provides a sales and use tax exemption for manufacturing machinery and equipment. It further provides a sales and use tax exemption for the installation, repair and maintenance performed with respect to manufacturing machinery and equipment. Presently, this has been interpreted as not to include broadband communication services. LB9-- excuse me-- LB694 amends the underlying provisions of the statutes which define manufacturing any qualified machinery and equipment. First, it amends Nebraska's Revised Statute 77-2701.46 to include broadband communication services as a manufacturing industry. Second, it amends Nebraska Revised Statute 77-2701.47 to include any qualified machinery and equipment-- that machinery or equipment used to produce broadband communication services. Finally, it defines broadband communications as those telecommunications, as described in Nebraska's Revised Statute 77-2703.04; or video programming, as defined in 47 U.S.C. 522; or internet access, as defined in Section 1104 of the Internet Tax Freedom Act. The technology and communications are advancing, growing and expanding at a rapid pace. It is imperative that Nebraska continues to stay in the forefront. LB694 is one step in encouraging private partners to continue to maintain, build and grow our broadband communications, telecommunications infrastructure. LB694 is one measure to ensure that Nebraska remains not only relevant but a leader in the broadband telecommunications industry. For all these reasons, I request the committee to approve and advance LB694 to General File. Thank you. I'm happy to answer any questions, but there are people behind me, I hope, that know more about this than I do. And I will say that the fiscal note was a shock to the people that asked me to bring this bill forth, and I think there will be some comments on why they think it might be out of whack.

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

BOSTAR: Thank you, Senator von Gillern. And thank you, Senator Linehan. Did we-- what's the legislative history here? Because I remember us-- was it two years ago, doing something on this?

LINEHAN: I think we-- I'm not-- I'm sorry. I don't know. We did something-- this is-- this goes back to the whole hodgepodge of why we need to have an LR over the summer to look about what's taxed, what's not taxed. I mean-- and yes, we do things all the time because part of what happens, I believe-- and somebody can correct me-- is, in our incentive packages, people don't pay sales tax.

BOSTAR: Yes.

LINEHAN: They don't care about not paying sales tax, or they pay it and they get it back. But then they go off the incentive package and they're like, wow, why are we paying sales tax on business inputs? And then they come to us and say, we shouldn't pay sales tax on business inputs, and we generally agree they shouldn't. And-- that's where a lot of this comes from.

BOSTAR: No, I-- it just-- it sounded familiar. And I just was curious. Thank you.

LINEHAN: We've done it on other industries too.

von GILLERN: Other questions from the committee? Seeing none. Thank you, Senator Linehan. We'll open for proponent testimony on LB694. Good afternoon.

ERIN WAGGONER: Good afternoon, Chairman and members of the committee. My name is Erin Waggoner, E-r-i-n W-a-g-g-o-n-e-r, and I'm the state and local government affairs manager and lobbyist for Verizon based here in Nebraska. I'm testifying today in support of LB694, a bill to exempt broadband equipment from sales tax. Thank you to Senator Linehan for introducing this legislation. A principal element of sound tax policy is parity: equitable tax treatment for all business machinery and equipment. As you are aware, Nebraska has codified for the manufacturing industry a machinery and equipment sales tax exemption for equipment used as an essential part of the manufacturing process. Likewise, agricultural industry benefits from a similar sales tax exemption for farming machinery and equipment. Although Nebraska has embraced this tax policy principle for these two industries, policymakers have not yet extended the same tax treatment to the telecommunications industry to promote additional broadband deployment. To achieve greater tax parity within the state, we urge the committee to pass the bill to the full floor for consideration. More than ever, Nebraskans are relying on broadband connectivity in their daily lives, from learning and working remotely to relaxing by gaming or streaming. We turn to the internet to apply for jobs, receive telemedicine and connect with loved ones, and more. Understanding the need for increased broadband access, Congress passed the Infrastructure Investment and Jobs Act of 2021. The IIJA invests \$65 billion in broadband infrastructure deployment and affordability programs intended to help close the digital divide. The majority of this funding has been allocated to the Broadband Equity, Access and Deployment Program and will primarily be used for connecting the

unserved and underserved areas within the state. One way to make this once-in-a-lifetime federal funding go further and to encourage private sector investment as well is to exempt broadband network equipment purchases from sales and use tax. Verizon is doing its part within the state by expanding network to deliver incredible speed, reliability and performance for mobile, home and business customers. More specifically, powered by our 5G Ultra Wideband, 5G Home Internet and 5G Business Internet, Verizon's offering fast and reliable service internet to homes and businesses to give more choices for internet service. To date, these investments have been made without subsidies from the Nebraska Universal Service Fund or state-allocated federal grant programs. Thank you for your time today. And I'd be happy to answer any questions you have, including on the fiscal note or about the past legislation.

VON GILLERN: Thank you, Ms. Waggoner. We'll see if there's any questions from the committee. Yes, Senator Murman.

MURMAN: Thanks for testifying. Does Verizon pay this type of tax-- sales tax in other states? Or how many do they and how many don't they?

ERIN WAGGONER: OK. So currently, 17 states completely exempt this for wireless and cable: Alaska, Oregon, Montana, Minnesota, Iowa, Indiana, Ohio, Pennsylvania, New Jersey, Connecticut, Delaware, New Hampshire, West Virginia, Virginia, Tennessee, North Carolina, Mississippi. There are also seven states and the District of Columbia that exempt either wireless or wireline but not both. And yes, Verizon does pay that. It does pay this currently in Nebraska.

MURMAN: OK. Thank you.

VON GILLERN: Thank you. Other questions from the committee? Well, I will ask: would you like to comment on the fiscal note?

ERIN WAGGONER: Yep. So a similar bill was introduced in Kansas this year that's-- and just for reference, it's HB2106. The fiscal note on that is approximately \$17 million. And I think the Fiscal Office here was looking into, you know, why the discrepancy between what Kansas has for a fiscal note and then what was filed here in Nebraska. And that bill has passed the house in Kansas and is currently pending senate consideration.

VON GILLERN: Thank you. Any other questions from the committee? Seeing none. Thank you for being here today, Ms. Waggoner.

ERIN WAGGONER: Thank you.

von GILLERN: Other proponent testimony?

KENT ROGERT: Good afternoon, Senator von Gillern, members of Revenue Committee. My name is Kent Rogert, K-e-n-t R-o-g-e-r-t, and I'm the registered lobbyist here today for AT&T in support of LB694. We want to say-- thank Senator Linehan for introducing this. First off, Senator Murman, there's a map coming around that will answer your question pretty easily in a, in a-- so you can look at it. On the federal level, broadband funding is providing a historic boost to efforts to deploy broadband networks throughout Nebraska and the rest of the country. One way to make this once-in-a-lifetime federal funding go further and to also provide a boost to private sector investment is to exempt broadband network equipment purchases from sales and use taxes. Since federal funding is targeting-- targeted to rural and underserved communities, an exemption would be especially beneficial for those areas of the state. Nebraska's state and local taxes increase the cost of broadband network investments by around 7 percent, depending on the town or county that you're in. For example, if you invest \$1 million in capital investment, the Nebraska broadband networks only get about \$930,000 of that actual equipment deployed due these taxes. A November 2019 study by the [INAUDIBLE] at Columbia University found that there's a direct tie to eliminating these sales taxes on network equipment to increasing investment from broadband companies and creating new jobs and advancing economic growth. We all know that broadband connectivity is essential for nearly every aspect of modern life. All Americans should have access to robust, robust broadband internet that enables them to work, learn and gain access to essential services. This federal money, again, is a once-in-a-lifetime opportunity to deploy broadband to underserved communities in Nebraska, especially in the rural parts of our state. We could maximize this opportunity by passing this legislation to exempt broadband equipment from sales and tax uses. Incorporating these exemptions into state law would ensure every dollar intended for broadband investment, both public and private, is used for that investment. Thank you. And I'd be happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? Senator Kauth.

KAUTH: I like your map.

KENT ROGERT: Thank you.

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KAUTH: Can you explain-- so here in Nebraska, we are telecom and cable taxable. And what does this bill do-- it exempts both of them or one--

KENT ROBERT: It would-- both of them.

KAUTH: Both of them. OK.

KENT ROBERT: Yeah. If you look in the bill, it's really-- there are several portions-- manufacturing and farming are-- we kind of consider them the same. This would be kind of like making sure in statute that we're manufacturing. So it would be classified [RECORDER MALFUNCTION]-- as tax free because we use--

KAUTH: So just putting it on parity with--

KENT ROBERT: Yeah. Exactly.

KAUTH: --other manufacturing--

KENT ROBERT: Um-hum. Yup.

KAUTH: OK.

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

BOSTAR: Thank you, Senator von Gillern. Thank you, Mr. Robert.
[RECORDER MALFUNCTION]-- use a, a capped rebate, which, which seems to have an enormous range of \$1 million to \$50 million.

KENT ROBERT: Sure.

BOSTAR: Do you have a, a-- you know, as-- if we were to look at, you know, trying to do something on this, is that-- is a cap on the rebate something that you would--

KENT ROBERT: I would say-- I would suggest that the, the-- when those sales tax exemptions were put in, it was probably at a time where the economics in those states weren't very good. And so it-- like they-- you know, things are better today in most places, in the Midwest especially. So they capped those so that-- they wanted to see if it would actually do what they said it was going to do. I can't tell you whether they got to the caps or when-- you know, or they've extended the caps or looked to moving forward. But that would be my guess.

BOSTAR: Would you be able to find any information on that?

KENT ROBERT: Sure.

BOSTAR: Thank you.

KENT ROBERT: Absolutely. Also, Senator Bostar, you asked a question about previous legislation. That was considering items hanging on antennas and towers.

BOSTAR: Yes.

KENT ROBERT: And there was-- it would-- it was previously-- those things were previously tax exempt. And then all of a sudden, they weren't. So we needed to clarify that. And Senator Linehan did that for us as well.

BOSTAR: That's right. And we-- that's right. Thank you.

KENT ROBERT: Um-hum.

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

KENT ROBERT: Yep.

von GILLERN: Any other proponent testimony? Good afternoon.

TIP O'NEILL: Vice Chairman, members of the committee. My name is Tip O'Neill. That's spelled T-i-p O-N-e-i-l-l. And I am president of the Nebraska Telecommunications Association and a registered lobbyist for that organization. The NTA is a trade association that represents a majority of companies that provide landline voice and broadband telecommunication services to Nebraskans across the state. I am testifying today on behalf-- also testifying today on behalf of the Nebraska Chamber of Commerce and Industry. We thank Senator Linehan for introducing this bill for your consideration. Nebraska has an unprecedented opportunity in the next five years to utilize federal and state funds and private capital to provide high-speed internet to areas that have historically been unserved and underserved. As companies consider the business case for providing service to sparser population areas, the cost of providing inputs is an important consideration. There has been significant inflation due to COVID and supply chain issues for almost all components that go into providing broadband service: fiber, switches and the various items listed in Section 77-2701.47(3)(a) on page 4 of the proposed bill. Another important consideration is the impact of sales and use taxes on those components. I have handed out an executive summary of a report issued

by Telecom Advisory Services to the Broadband Tax Institute, which indicates a strong correlation between taxes and the level of investment by telecommunications providers. Their models predict an additional investment of almost 2 percent for a decrease of 1 percentage point in the average weighted sales and local tax rate. If states were to eliminate sales and use taxes, as LB694 does, the capital investment would increase by more than 9 percent. Most of the federal dollars coming into Nebraska will require some company match. Policies that assist companies with their matching obligations, such as LB694, will allow companies to make a business case to bring broadband to areas more expensive to serve. We support LB694 and ask you to vote to advance the bill to General File. I'll be to answer-- I'll be happy to answer any questions you have. And, and just as an additional comment. What do you figure the odds were today of having Ronald Reagan and Tip O'Neill testify [LAUGHTER] Revenue Committee, so. I'd be happy to answer any questions.

VON GILLERN: I was going to say you're not allowed to ask a question, but you're still on your yellow light, so you're [INAUDIBLE] statement. Questions from the committee? Yes, Senator Kauth.

KAUTH: Thank you, Chair von-- Vice Chair von Gillern. So when you talk about what you can do with the money, is this kind of the commitment that you guys are making to-- if you get this tax rate, it's going to be reinvested in this area and in the state to bring more broadband to all of these--

TIP O'NEILL: It would certainly give us that opportunity. Now-- you know, there will be a project application period for all of the federal programs. We currently have one going on now for the ARPA Capital Project, money that goes to Congressional Districts 1 and 3 in Nebraska. We have the BEAD Program coming up, which will provide, you know, somewhere between \$150 million and \$300 million, most likely, for broadband development in the state in unserved areas. And then we have the Broadband Bridge Act Program, which is a state program where we're doing \$20 million a year. So the-- again, you have to look at all of the factors in determining whether or not you can make-- ultimately make a business case to serve an area. I mean, if, if residents are 10 miles apart and it, and it costs \$100,000 to build fiber from one residence to another, it's a hard business case to make without subsidy. But when, when you reduce input costs, including taxes-- which we pay now, sales and use taxes on fiber and switches and everything we buy-- then that business case looks better as you get into more sparse areas.

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KAUTH: Thank you.

von GILLERN: Any other questions from the committee? Seeing none. Mr. O'Neill, thank you for being here.

TIP O'NEILL: Thank you.

von GILLERN: Any other proponent testimony? Good afternoon.

ANDREW VINTON: Good afternoon, Vice Chair von Gillern, members of the Revenue Committee. For the record, my name is Andrew Vinton. That's spelled A-n-d-r-e-w V-i-n-t-o-n. I'm the in-house attorney and registered lobbyist for ALLO Communications. I'm here to testify in support of LB694. I would like to thank Senator Linehan for introducing this piece of legislation-- legislation, and we, we strongly support its passage. ALLO was founded by Brad Moline in Imperial, Nebraska in 2003. And today, it is the largest telecommunications provider that is majority owned and managed in the state of Nebraska. For the past 20 years, ALLO has been building ubiquitous, citywide fiber-to-the-premises networks in communities throughout the state and, to date, has invested nearly \$600 million of private capital to bring broadband to Nebraskans. Our communities range in size from Lincoln, which is about 300,000 population, to Bridgeport, which is about 1400, and include all sizes in between. We're currently in-- offering service or, or building networks in 27 Nebraska communities, and that number continues to increase month over month. Once ALLO's in-progress builds are completed, more than 60 percent of Nebraskans that live outside the city of Omaha will have access ALLO's symmetrical Gigabit or MultiGig service. LB694 provides a sales and use tax exemption for machinery and equipment purchased in furtherance of providing broadband communication services. This would include fiber optics, conduit, network electronics and other telecommunications infrastructure. Much of the expense related to expanding and upgrading our networks is spent on purchasing these type of materials. Exempting broadband equipment from sales and use tax will allow ALLO to dedicate more capital to network extensions and upgrades. Furthermore, since sales and use taxes are generally passed on to the customer, it will also enable us to maintain affordable prices. In conclusion, ALLO strongly supports LB694. We encourage you to advance the bill to General File for full legislative debate. And with that, I'd be happy to answer any questions.

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

ANDREW VINTON: Thank you.

von GILLERN: Any other proponent testimony for LB694? Seeing none. Is there any opponent testimony for LB694? Seeing none. Anyone like to testify in the neutral position? Seeing none. Senator Linehan, would you like to close? And I will comment there was 1 proponent letter and 1 opponent letter and 0 neutral letters received.

LINEHAN: So I just think we need to work with the industry and see if they can get us the fiscal note and just see where this is in the pile of things we have to do. Unless you have any questions, I'm--

von GILLERN: Any questions from the committee? Seeing none. Thank you. And that will close our hearing on LB694.