

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 28, 2024

LINEHAN: Good afternoon. Welcome to the Revenue Committee's public hearing. My name is Lou Ann Linehan. I serve as Chair of this committee. I'm from Elkhorn, Nebraska, and represent Legislative District 39. The committee will take up the bills in the order that are posted outside of the hearing room. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the legislative website by 8 a.m. the day of the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of personal testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off your cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutrals, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to distribute. We need 10 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell both your last and first name for the record. Please be concise. It is my request that you limit your testimony to 3 minutes. We will use the light system. You'll have 2 minutes on green, 45 seconds on yellow, and then 15 seconds on red to wrap up. 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 committee staff. And he'll be back in a minute, so we'll wait. To, to the end of the table on my left is legal counsel-- excuse me-- is committee clerk, Tomas Weekly. And then I would like the committee members to introduce themselves, starting at my far right.

KAUTH: Kathleen Kauth, LD 31, the Millard area of Omaha.

MURMAN: Dave Murman, 8 counties in the southern-- along the southern tier in the middle part of the state.

von GILLERN: Brad von Gillern, District 4, west Omaha.

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ALBRECHT: Senator Joni Albrecht, District 17, northeast Nebraska.

MEYER: Fred Meyer, District 41, central Nebraska.

LINEHAN: And now, to my immediate left is legal counsel Charles Hamilton, who was doing an errand for me, so he's fine that he is a minute late. Could our pages please stand up? So today, we have Mia, who is at UNL, and is studying political science, and Collin, who is at UNL studying criminal justice. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members reference information on their electronic devices. Please be assured that your presence here today and your testimony are important to us, and it's a critical part of our state government. With that, we will open on LB1379. Welcome, Senator Dover. Good afternoon.

DOVER: Afternoon. Thank you, Chairwoman Linehan. And good afternoon, committee members. My name for the record is Robert Dover, R-o-b-e-r-t D-o-v-e-r. I represent District 19, which consists of Madison County and the southern half of Pierce County. Currently, we're facing 2 challenges in the Nebraska housing crisis. One, we lack sufficient housing units, and 2, we have an affordability problem. I've introduced LB1379 to help solve these problems. It provides down payment assistance, which will help finance more homes being built and help home buyers purchase existing homes. I don't think it comes to a surprise to anyone to learn that housing is a problem here in Nebraska. Inflation, inflation, coupled with little to no housing supply, has created a situation where the dream of home ownership is out of reach for many people. Housing is a critical-- is critical for economic development of Nebraska. Economic development solves most of Nebraska's challenges by increasing the number of people paying income tax, sales tax, and property tax, thereby lowering the individual tax burden on all Nebraskans. We must solve this housing crisis. The Nebraska Legislature has been asked many times to address the housing challenge with use of ARPA funds and sometimes, general funds. These are not sustainable sources of funding. I was first licensed in real estate in 1983, and have had a land in develop-- land development and construction company since 1993. Based on my experience, my task was to come up with a sustainable source of funding which-- while maximizing the impact of each dollar used. That is why I chose down payment assistance for the

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use of the fund. When I talked with my many old friends in lending, I asked what would be the best return on the dollars on a housing trust fund. They unanimously agreed that it would be down payment assistance. And may I add that in this trust fund, the money goes directly to the buyer. To that end, I am proposing a \$0.25 raise in the documentary stamp. The revenue generated from this increase would be deposited into a housing aid fund and used for down payment assistance. The \$0.25 adjustment would increase the doc stamps on a \$1 million home by \$250. When looking at the cumulative cash flow, this would generate, conservatively, over \$50 million in its first 10 years. Also, these moneys must be recaptured upon sale. An applicant for the fund must be at or below 150% of area median income. The assistance would be capped at \$35,000 per applicant. The funds granted would be repaid when the home is sold, making this fund revolving to the benefit-- to benefit homebuyers into the future. You also have, you also have before you, some proposed amendment language that would clarify-- excuse me-- add clarity to the payment process and stipulate that housing would need to be owner occupied. It also describes what agencies would be able to provide grants from the fund. There are some of the more technical aspects of the bill. However, I want to wrap up-- I wrap this up by restating my goal. Nebraskans need more housing, not only for those families who want to continue to work, live, and raise their families here, but also for families looking to enjoy the good life that Nebraska has to offer. Thank you very much for your time and attention today.

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

DOVER: Yes.

DOVER: OK. Proponents. Do we have proponents? Good afternoon.

CAROL BODEEN: Good afternoon, Chair Linehan and members of the committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association. We are an organization with over 70 members from across the state. Our members include both nonprofit and for profit developers and organizations who are united in support of our mission to champion affordable housing. We appreciate Senator Dover's efforts to increase the Nebraska documentary stamp, specifically in a manner that would provide assistance to help our state's residents achieve a dream of homeownership. However, our policy committee reviewed the bill initially. We had several concerns. The senator then met with us to address this, and has put forth the proposed amendment. We agree

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with the changes in the amendment. However, we do still have just a few concerns that we would like to note. We are not convinced of the need for the creation of a new state housing fund. Down payment assistance is an eligible activity under the Affordable Housing Trust Fund and both of the workforce housing funds. However, we understand the rationale that the senator had in doing it that way. We also have a few questions about the distribution percentages for the geographic areas of the state. We feel that we would need to analyze those a little further to, to know exactly if that's how we feel it should be done. And then, of course, our overall desire to see the doc stamp increase to fund all of the eligible activities under the Affordable Housing Trust Fund. We agree that there is a need for statewide down payment assistance, and we fully support that concept. We thank Senator Dover for his willingness to seek our feedback and our advice on how to make the bill better. We support that effort, and we hope that we can be a part of a continued conversation on ways to address our housing issues.

LINEHAN: Thank you.

CAROL BODEEN: Thank you.

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

CAROL BODEEN: Thank you.

LINEHAN: Good afternoon.

JACKI YOUNG: Good afternoon. Good afternoon, Chairperson Linehan and members of the committee. My name is Jacki, J-a-c-k-i Young, Y-o-u-n-g, and I am the director of home ownership for the Nebraska Investment Finance Authority. NIFA is pleased to testify in support of LB1379, because down payment assistance is needed more than ever for people to be able to purchase at home. During 2023, NIFA provided first mortgage loans to 2,354 households. And 1,435 or 61% of those borrowers needed and received down payment and closing cost assistance to make their purchase possible. The February 21, 2024 Eye on Housing newsletter from the National Association of Home Builders, and the Federal Reserve, in April of 2023, both noted that homeownership is key to household wealth. In fact, the Fed found that on average, homeowners have accumulated 40 times more wealth than renters. The National Association of Realtors has also reported that for a majority of Americans, the equity in their home is their largest asset at retirement. In short, becoming a homeowner is

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critically important to ensure Nebraskans have a vibrant future, and the current interest rates and housing prices have put homeownership out of reach for many. In conclusion, NIFA understands and applauds the overall goal of LB1379 to make housing more attainable for Nebraskans. We have discussed how improvements might be made to this bill, and hope to work with Senator Dover's office and other stakeholders during the interim on this bill.

LINEHAN: Thank you.

JACKI YOUNG: Thank you.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much. Are there other proponents? Are there any other proponents? Are there any opponents? Good afternoon.

PETER KATT: Good afternoon, members of the committee. My name is Peter, last name is Katt, K-a-t-t. I'm a 40-year land use development attorney, now recovering from being an attorney. For the last 10, 12 years, I've been the developer of residential lots and properties in both the Omaha and Lincoln market. Creating this housing aid fund is an absolutely terrible idea. The last thing we need to do is to create more government, which just drags down and overall-- in, in-- increases overall costs. It's not a solution to the affordability problem. The testifier that started talked about the problem is supply. And unless and until the state addresses dramatically increasing the supply of houses, we're going to continue to have the problem. Creating down payment assistance will only accelerate the demand for housing. And if you don't have houses that people can buy, you can see exactly what happens. Prices go up. Over the last 2 years, the median price in Nebraska, according to Zillow, has gone from \$198,429 to \$247,719. How can you ever catch up? There isn't enough funny money that we can throw to solve this problem. We've got to address housing costs. Let's assume you love the fund. If you love the fund, don't raise the tax. I just told you, we've had housing price appreciation of dramatic amounts, and the amounts fund-- going into that fund are skyrocketing. Exercise some diligence. Look at the numbers and reallocate within the current amount of funding that's there. I think you could actually cut the doc stamps rather than raise it, and then reallocate. I think the paper today reported that one of the funds in there is the Behavioral Health Service Fund, which I didn't even realize came out of doc stamps. I've been in the real estate industry. \$15 million? And they're complaining, because they're going to get it drawn back. That tells me there's more than enough funds available through the doc stamps to be able to fund

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this, if in fact, it is really a cost effective, good plan and strategy to increase affordable housing in the state. One suggestion that I have, and it goes back with my belief that generally, government is way too big and we need to find ways to change the way it does business. Some of the funds of the doc stamps pay for the deeds office. Why do we have 93 deeds office? Why do we have 93 different ways that people do the technology? Create a, a registered deeds reinvestment act that act-- allocates and, and it looks at how can we save costs in terms of government and, and change the way the deeds office operates across the state. We don't need 93 of them. Thank you. I'm out of time.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you for being here. Are there other opponents? Good afternoon.

PERRE NEILAN: Chair Linehan and members of the committee, my name is Perre Neilan, first name P-e-r-r-e, last name Neilan, N-e-i-l-a-n. I appear before you today on behalf of and as a registered lobbyist for the Welcome Home Coalition. I think many of you know, Welcome Home is a coalition of-- a nonprofit coalition, individuals, businesses, financial institutions, other nonprofits. And we aim at educating elected officials and bringing about real change in the starter housing industry. Our primary focus is on reducing the regulatory burdens that, that our members face. My goal here today is provide similar testimony that of Mr. Katt, maybe in a kinder, gentler way. But that's all right. That's a, that's a process Mr. Katt and I are going through. I just want to provide some perspective. According to the Omaha area-- Omaha-- greater Omaha area Multiple Listing Service-- make sure you guys know this-- the price-- the final closed price of a new construction home in the Omaha area in 2023 was over \$483,000. That's the kind of numbers we're talking about, of what we're trying to deal with in trying to get folks into affordable housing. There's nothing affordable about \$483,000, so it's really making it difficult for our teachers, first responders, small business owners to get that starter home. We recognize and appreciate where Senator Dover's heart is. Senator Dover and I have known each other, I think, coming up on 30 years. But we just don't believe that raising a tax 11% and creating a new fund and a new program is, is the way to go. I'm going to skip over the part about-- that Mr. Katt covered already. National Association of Homebuilders talks about 32.8% of the cost of a new construction home is because-- is to satisfy government, local, state or federal. 32.8% when you walk in that door, for your new house, something had to cover a government regulation. And it's important that we recognize what,

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what that means. So for every thousand dollar increase in the price of a home, 22 households are priced out of the market in the Lincoln metro area. In Omaha/Council Bluffs number, that number jumps to 435. Every time you just raise it \$1,000, you're pricing out 435 families. And we just can't keep going down that road. UNO, in a separate study from the one that the Governor often mentions on 32.8%, said housing is the number one reason driving people out of this state or not to locate in this state. And we just have to, to find a way to, to reverse that trend. So we stand ready to, to help you. We've had conversations with several members of this committee already. Very-- appreciate you reaching out to us on the regulatory environment. And we respectfully ask you not to advance LB1379. Thank you, Madam Chair.

LINEHAN: Thank you. Are there questions for the committee? Seeing none, thank you very much. Are there other opponents? Are there any other opponents? Are there-- does anyone want to testify in the neutral position? Good afternoon.

RYAN McINTOSH: Good afternoon, Chair Linehan, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I appear before you today as a registered lobbyist for the Nebraska Bankers Association to testify in a neutral position. Under LB1379, these grants for down payment assistance would establish a lien against the real estate in favor of the Nebraska Department of Economic Development. Whenever the government seeks to impose a lien against real estate, which could be financed by a bank or subject to existing liens, lenders at a minimum would like notice of the lien that's in its existence, and that the lien be filed of record. For example, under Nebraska Revised Statute Section 13-3206. A notice of lien is required to be filed for PACE loans. This approach provides lenders with advanced notice of existence of any potential government lien. The provision of-- provisions of Section 13-3206 provide language also subordinating that lien to existing liens of record and to first mortgages on the property. Likewise, Nebraska Revised Statute Section 68-990(4) for Medicaid liens, requires the filing and notice of lien before the government lien is effective. So with that, we would like to thank Senator Dover for all of his work in addressing the housing shortage across Nebraska. We do believe that workforce housing is the number 1 issue for workforce development in our rural areas. And we do applaud this, this novel approach to solving the issue. However, if, if this bill is advanced by the committee, we would request that the lien created under LB1379 would require-- or would only become effective upon recording a notice of lien as exists in other similar statutes. With that, I'd be happy to answer any questions.

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LINEHAN: Thank you. Are there any questions for Mr. McIntosh? Seeing none--

RYAN McINTOSH: Thank you.

LINEHAN: --thank you very much. Are there-- anyone else want to testify in the neutral position? Good afternoon.

JON CANNON: Good afternoon. Chairwoman Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, here to testify today in, in neutral position on LB1379. You know, thank you to Senator Dover for bringing this. As you know, when we appear in the neutral position, we just want to provide information about what the structure is and see if there are any questions. We certainly support, at NACO, the concept of, of affordable housing. It's an area of need throughout the state, and we recognize that. With 93 counties-- when 93 counties prosper, then the state of Nebraska will prosper. And so, I certainly want to make that abundantly clear, that we, we support the idea and the concept of, of affordable housing across the state. But again, how we get there, that is not a NACO issue, per se. When we look at the documentary stamp tax, that is the county's recording system that we're talking about. And as, as you know, right now, what we do is we impose \$2.25 for every \$1,000 of valuation being transferred. What this bill would do is it would add a quarter to that. So it'd be \$2.50 for every thousand dollars of valuation. Of that, the county retains \$0.50. And so, our recording system, this would take us from, a little bit more than 22% of, of the fee that we're going to retain in the county to just about 20% of the fee that we would retain. I'm not saying that we should or should not. But I will say that the documentary stamp tax, it looks a lot like a property tax, and that it is something that is imposed upon based on the value of property. And again, it is something that is being used on the county's recording system. So we'd certainly ask, you know, for a little consideration if that's to be there, as far as what percentage of the fee that we retain. You know, every-- for what it's worth, every \$0.25 that is added to the documentary stamp tax is about \$4.5 million statewide, is, is what ends up being remitted to the state from the counties. And so with that, I'm happy to take any questions you may have.

LINEHAN: Thank you very much. Are there any questions from the committee? It might have been one of the testifiers previously, but has the amount of doc stamp increased significantly as valuations have increased significantly?

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JON CANNON: You know, it's-- the thing about documentary stamp tax is that since it's a rate that is, that is set by the Legislature, it, it is, it is only raised-- the, the rate actually is raised. But, but the actual dollars collected, yes, ma'am. As valuations have gone up, those certainly have come in in greater dollars.

LINEHAN: OK. I think it would help the committee if we knew if those rate-- those dollars were, over the like-- the last 10 years, since housing went from, you know, flat to booming.

JON CANNON: Sure. I do know that off the top, off the top of my head, last year, for the \$1.75 that we remitted to the state, that ended up being about \$32 million statewide.

LINEHAN: And do you know what it was the year before?

JON CANNON: I, I don't know that, but I can get that information for you.

LINEHAN: Yeah. That would be helpful.

JON CANNON: Yes, ma'am.

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

JON CANNON: Thank you.

LINEHAN: Does anyone else want to testify in the neutral position? Senator Dover, would you like to close? And while you're coming up to close, we did have letters for the record: 1 proponent, 1 opponent, and 1 neutral.

DOVER: I just want to address some of the comments that were made. I, I mean, I think, you know, speaking here before the Revenue Committee, we know how, how complicated and challenging different things can, can, can become as you're dealing with property tax relief. I can't imagine-- I can't imagine. I'll leave it at that. I just want to talk so [INAUDIBLE] just answer some of the concerns. I created a separate fund because we all know as senators, there are varied interests in, in representing certain people, and they have their reasons. Right. And what I see sometimes in these funds, is that money does not go to the homebuyer right directly. It goes sometimes, to a developer and to this and to this. My, my purpose with my-- since licensed in 1983, construction company since 1989, was to create the most effective way to help solve our problem. And

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the most effective way is to create down payment assistance. And, and that's, and that's, that's the way to do it. And keep it separated, so they can't come in and-- I mean, sometimes people come in and they can go to the fund to maybe take money that was meant for down payment assistance. Even though-- just because that fund says it can be used for that, it doesn't mean the money is going to be used for that-- that's-- that populates that fund. There was also concern about, the, the amount of money that would be allocated to Lincoln, Omaha, and greater Nebraska. And that was actually-- just so you know, that was based on the current allocation of state doc stamps across the state. And it was tweaked a little bit to greater Nebraska, because greater Nebraska actually was slower in gearing up to building houses. And I'm sure you're aware of it, that it was very difficult to get actually, builders in North Platte and across the state. So I-- as far as I see it, we're playing a little bit of a catch up in rural Nebraska. I do think we need to make sure we anchor all the communities across the state of Nebraska economically. I think it will just make our state stronger. So that is-- it's slightly skewed, but not a lot. But the base of that was the actual money generated by state doc stamps. What the gentleman talked about, supply and demand and increasing costs and regulatory burdens and those kind of things, the only way we're going to get out of this is supply and demand. And the only way we're going to get-- do this is by buying more, having more units. And I think this helps address it. There was a talk about-- the, the funny thing is, is a lot of times we go and grab these numbers from these-- the National Home Builders Association or these things. And those numbers may not be applicable. Let's just be reasonable about that stuff. And when someone says that 32.8% has to do with government regulation of the cost of a house? Well, that may be true, but I'm telling you, at \$0.25-- I'm adding \$0.25 to \$2.25 doc stamps, you know, which is basically per a thousand that they're a part of, is not 32.8% of the government regulation. And this, this thing is that the \$1,000 increase would, would limit it was \$1,000 increase on every unit house would, would limit 22 houses in Omaha and 435 houses in western Nebraska. Well, just so you know, that \$1,000 increase would only happen on a \$4 million home. How many \$4 million homes do you think are going to-- are built out there that would actually do the, do the numbers that he's saying? So I would, I would question some of the statistics that were handed out today in opposition. For what it's worth, my experience of getting on 40 years in housing, I think this is a good solution. I would encourage your support. And I think it is so critical that when we develop these programs for home buyers, that the money actually gets in the homebuyers' hands. And not only that,

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but when, but when that homebuyer gets that down payment assistance and then goes, goes and sells it, that we recover those funds, recycle those funds so they can go to the next new homebuyer. We don't just let them have that equity and walk away with that money. Let's recycle that money. I'm glad to work with anyone-- any of the concerns that were voiced today, as long as we can efficiently and effectively deal with this housing problem that we have in Nebraska. Thank you.

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

DOVER: Thank you.

LINEHAN: With that, we'll close the hearing on LB1379 and open the hearing on Senator McDonnell's LB1361.

McDONNELL: Thank you, Senator Linehan--

LINEHAN: Thank you.

McDONNELL: --members of the committee. My name is Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. LB1361, LB1361 introduces another groundbreaking approach to the taxation process of residential properties in Nebraska. LB1361 establishes the Long-Term Residential Homestead Exemption Act. The bill stipulates that homesteads of qualified owners shall be assessed for taxation the same as other property, except that the exemption shall be made for the purposes of school district taxes, whereas, whereas the homestead shall be valued at zero. A qualified owner would mean an owner who has resided at a homestead for at least 10 years. Also, I passed out an amendment, AM2731, which clarifies that-- provides a change to the scope from the original draft by stipulating the 10 years of ownership does not need to be a consecutive, nor does it need to be in the same homestead. Qualified owners could reside in any homestead for any combination of at least 10 years to receive the exemption. The strategic concept is designed to reward home ownership by providing an additional form of property tax relief, similar to LB1362 and LR285CA that I presented before you last week, to cap the growth of the assessed property value due to the potential volatility of the real estate market, where rapid increases in property valuations can lead to disproportionately high tax burdens. LB1361 seeks to provide an additional layer of financial assistance and future stability for the dedicated Nebraska homeowners. In closing, LB1361 rep-- represents a thoughtful and

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measured approach to the ongoing challenges faced by Nebraska homeowners-- homeowners by providing additional property tax relief while rewarding homeownership in our state. To continue-- it, it, it continues to acknowledge the need for a balanced approach to property taxation, one that recognizes the value of the residential properties while also protecting and rewarding homeowners. The discussion on this is similar to my other bills that I talked about last week. Started this summer. Like to thank members of the Douglas County Commissioners, and Walt, Walt Peiffer as the assessor, for their help on this. It went into some of the discussions that we had with the Governor's roundtable. The idea that we want to retain and recruit people. And at what point-- I picked out 10 years. People have asked me, well, K-12 is longer than 10 years. If you look at that individual that's owned a home or did own a home-- let's say they moved to Colorado because of the mountains. Now, they want to come home for family and friends and old neighbors. It gives them a chance to start off with 60% less-- approximately 60% less of property tax based on year K-12. And that's, that's the goal is to say, stay here, come home. And I think it's reasonable to think after owning a home or homes, as the amendment says, for a total of 10 years, that we step in as the state of Nebraska. All 244 school districts would be made whole, through the state of Nebraska, based on that loss of property tax for anyone that's owned a home for more than 10 years. Here to answer any of your questions.

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

McDONNELL: Thank you.

LINEHAN: Proponents? Good afternoon.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, representing Nebraska Taxpayers for Freedom. Nebraska homeowners now pay between 55% and 60% of their total property taxes to public school systems. Yet several of these school systems complain that the state does not reimburse them sufficiently for expenses, and that the current state aid formula often does not send them the anticipated sum. This bill would guarantee that the state reimbursement for the expected deficiency in revenue from homestead valuations would be total. Requiring a homeowner to file an exemption application every 5 years would save paperwork effort for both homeowner and county. There is much precedent for LB1361. The South Carolina legislature completely exempted a school operating taxes for all owner-occupied prim-- primary residences. In Florida, every person who owns and

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resides on real property as a permanent residence is eligible to receive a homestead exemption up to \$50,000. The first \$25,000 applies to all property taxes, including school district taxes. In Texas, legislation raised the homestead exemption for school district taxes from \$40,000 to \$70,000, with an additional \$20,000 for seniors. The law saves a typical owner there who pays the average school tax rate an additional \$341 a year, seniors, another \$227 each year. Wisconsin offers a school levy tax credit. In Pennsylvania, homeowner relief from school taxes comes from property tax reduction allocations distributed by the state to each school district for each eligible resident. In New York State, the STAR program to exempt valuations for school taxes can save homeowners hundreds of dollars each year. Residents must register only once. Some Georgia counties offer a 100% exemption from taxes levied by the boards of education, up to 1 acre of property. However, there is an income limit, and one must provide documentation of income for 1 prior year-- for the prior year. Other Georgia counties offer a partial exemption from school taxes. This bill would offer incentives for senior citizens and others to remain in Nebraska and over the years, improve their homes, adding value to their properties. Thank you.

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

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, also known as the Nebraska Association of County Officials. We represent all 93 counties across the state of Nebraska. You know, thank Senator McDonnell for bringing this bill. You've heard me say this before. We're generally in favor of the homestead exemption program. It's targeted property tax relief for our citizens. And, you know, who the Revenue Committee chooses to target for property tax relief, you know, that is obviously a policy, a policy decision best left with you. But we're generally supportive of the concept of homesteads. The, the only vacillation that we had on, on this particular bill is concern about the fiscal note, because we-- what we really like about the homestead exemption program, it's been around for a long, long time. And we would always be concerned about the long-term viability of the program when you add-- when you quadruple the cost-- or actually, quintuple the cost of, of where it is now. So that-- that's just a concern that we have. But by the same token, as policy decisions go, it's certainly best left to the Revenue Committee and the Legislature. We're generally in favor of the homestead exemption. We're just, just a little bit concerned

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about how high that fiscal note gets. And that's all I have. I'm happy to take any questions you may have.

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

JON CANNON: Thank you very much.

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

CARTER THIELE: Thank you very much, Chairwoman Linehan, Vice Chairman von Gillern, and members of the Revenue Committee. My name is Carter Thiele. That's C-a-r-t-e-r T-h-i-e-l-e, and I am the policy and research coordinator for the Lincoln Independent Business Association. Despite the bill's potential problematic concerns over necessitating a lot of state revenue to compensate for local property taxes, there is a very intriguing concept in it that is certainly worth further consideration, regarding the link between the homestead exemption to exclusively pertain to local school district funding. And that's not necessarily because school districts have the lion's share of responsibility for property taxes, but more so to do with the theoretical nature of property taxes as applied to senior citizens-- those who qualify for the homestead exemption. And I will expand into that. So something that Senator Linehan, you have mentioned several times throughout this property tax proposal debate, has on the plus side of sales tax, that it is a tax that the taxpayer chooses to pay. Property taxes, there isn't that availability. But sales tax, the taxpayer makes that choice. OK. Hold on to that. As you all know with the homestead exemption, how it's currently applied, it is a fractional exemption off of the total assessed value for a property and then applied to all of the local taxing entities. Here's why that might be worth reevaluation. Because the direct return on investment that senior citizens get from paying thousands of dollars towards local school districts and property taxes is tangentially related. That's not to say that it's not important to have school districts properly funded, just with how property taxes are burdening our older residents. It's worth evaluating when they're getting the return on investment. Because older residents still drive the streets, they still are entitled to protection from law enforcement. They can still call 911, be serviced by paramedics and the like. And so, with this concept-- it kind of came to me preparing the testimony that we were going to present for TEEOSA valuations-- adjustments for valuations for TEEOSA funding. But by linking the homestead exemption exclusively towards school district funding while

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sales tax is a tax that the taxpayer is choosing to pay-- and that money can be dispersed with some discretion as to where it goes. Property taxes for senior citizens and those who qualify for the homestead exemption, while you have to pay them, you're paying for the essential public services of which you are entitled to. So that was just the idea of it. Thank you very much, and I would be happy to answer any questions.

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

CARTER THIELE: Thank you.

LINEHAN: Are there others wanting to testify in the neutral position? Good afternoon.

MARVIN HAVLAT: Good afternoon, Chairman Linehan and Senators. My name is Marvin Havlat, H-a-v-l-a-t, and I live currently at 1010 Carriage Way here in Lincoln, Nebraska, but I have a farm. I'm building a house on-- in, in Seward County at 639 175th Road. When I started building this house 12 years ago, the economics were really different. And I thought at that time, the only way I could afford to build a house was do it myself. And coincidentally, the railroad came through, took some of my ground and knocked down a bunch of, bunch of walnut trees. And so I wasn't going to go-- let them go to waste, so I decided to build a house out of it. And 12 years later, you know, I have 46 walnut beams, and I used all the stone on my farm for the exterior walls. And make a long story short, every time the assessor comes out, things that I don't really pay for because they just-- the glacier dropped the stones on my farm. But I'm putting together the taxes are really starting to climb because I can't qualify for a homestead exemption because I haven't quite lived there yet. I'm getting close, but I haven't lived there yet. And so the taxes last year went up 40%. This year, they went up 60%. That's more than doubled in 2 years. And I have a small-- you know, everything I have is in CRP, native prairie, or wasteland-- 118 acres of wasteland on a farm that's twice that size. And so the taxes out there-- because the county commissioners drew a line eastern 3 miles by Lincoln. We're going to change that to transitional agriculture. And all the acreages have been coming in, and the taxes have been just-- you know, you can't farm it and make the money to even pay the taxes anymore. And so all I'm just wanted to say is that, you know, I'm going to be taxed out of business, I think. Because I see the prices they're asking for farmland out there. It's like there's no way you can do it. Anyway-- and I'm hoping to be able to finish my house,

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because it's already-- it's a shell and it's already at \$375,000. And maybe I've got \$20,000 of my own money in the materials. The rest I created on the farm with a sawmill. And I have a-- I sawed up 73 cedar trees to do the board and batten siding, because they were just junk trees there. Things like that. I was able to build a nice house. So, there's people out here suffering from taxes-- and it's a hard call. On the other one, you talk about housing. I was in construction 30 years. The materials at Menards, Home Depot? They're not going to let you build cheap houses anymore. And, and I've been following that materials like crazy because I'm building my own house. All right. Thank you very much.

LINEHAN: Thank you very much. Are there any questions from the committee? Seeing none, thank you very much for being here. Anyone else wanting to testify in the neutral position? OK. Senator McDonnell, if you would like to close. We did have 1 letter on-- 1 opponent.

McDONNELL: Just like to thank everyone that came to testify. And I'm here to answer any of your questions.

LINEHAN: Senator Meyer.

MEYER: Yes. Thank you. Well, thank you for bringing the bill. This is number-- several of them that have gone down this road. One of the basic tenets of public education in the United States, that one generation-- the generation that has kids in school is not paying for that education. It's the generation previously and the generation before that. So all of a sudden, we're trying to change the dynamic of who's actually funding education in our country. And going down the road, we are-- you know, like I said earlier, the, the parents of the kids in school are the least able to pay, because they haven't had a chance to develop resources during their lifetime to do that. So the next question is, who do we look to? Well, that's the generation before that and the generation before that. So, I'm hesitant to, to favor some of these kinds of proposals. I mean, I understand it. I really do, but we're kind of going against old tenets in public education, and that's who actually pays-- who is able to pay most of the bills. So.

McDONNELL: You want me to answer? I think K-12 is, by constitution, is a state responsibility.

MEYER: Right.

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McDONNELL: I think we've pushed it down. I think it's become part of property tax. How we get there and how we pay for it-- I want the best possible education for every kid east, west or south in this state. So I'm not trying to take a dollar away from education based on the 244 school districts. I just think we should take on our constitutional responsibility and pay for it. So if we look at reducing property tax after 10 years-- again, people have asked, why isn't it 12 years or 13 or 15? OK, open to discussion. But the idea of us paying for it-- in 1966, we decided as a state, no longer to pay for our, our, our needs as a state from property tax. We said we're going to, you know, do it from sales tax and, and income tax. Well, we pushed a lot of unfunded mandates down, that we've, we've talked about, onto the, onto the counties-- of course, the schools. But I think our responsibility just to-- we just wanted to talk-- I'm not even talking about taxes, is just our constitutional responsibility, I think, is to pay for K-12, as the state of Nebraska. I don't know if that helps.

MEYER: I agree. Yep. Very good. Yeah, that helps. It's just--

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

McDONNELL: So, I know you're happy. This is my last time in front of Revenue.

LINEHAN: We're happy it's almost done. [INAUDIBLE].

McDONNELL: I, I, I appreciate this committee and I appreciate your time, so thank you.

LINEHAN: Thank you very much. And that will close the hearing on LB1361. And we will open the hearing on LB924, Senator McKinney. Good afternoon.

McKINNEY: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, and I represent District 11 in north Omaha. Today, I'm introducing LB924, which seeks to establish a homestead exemption for individuals residing in qualified census tracts. In Nebraska, we value community and the well-being of our residents. However, the, the rising cost of home, home ownership threatens our neighborhoods. To tackle this issue and to promote stability and fairness, Nebraska lawmakers, in my belief, must pass a law to give homestead exemptions to people living in specific census areas. Nebraska's qualified

census tracts encompass areas where economic disparities are most pronounced, often characterized by high poverty rates and limited access to resources. In these communities, homeowners face an uphill battle against property-- rising property taxes and housing expenses, placing their homesteads in jeopardy. A homestead exemption tailored to these specific areas will provide a lifeline to those on the brink of financial hardship, ensuring that they can remain in their homes, and maintain a sense of stability amidst economic uncertainty. The need for such a provision is underlined by the, by the stark reality facing many Nebraskan residents. For low-income individuals and families, homeownership represents more than just a financial investment. It is, it is a source of pride, security, and belonging. However, as property values soar and living costs escalate, the dream of homeownership can quickly morph into a nightmare of foreclosure or displacement. By establishing a homestead exemption for qualified census tracts, Nebraska can offer a much needed relief to those struggling to keep a roof over their heads and assist-- a sense of dignity intact. Critics may argue that implementing a homestead exemption for qualified census tracts will place an undue burden on local governments and taxpayers. However, such concerns overlook the broader societal benefits of preserve-- of preserving homeownership in qualified census tracts. Stable housing not only promotes economic security and family well-being, but also fosters vibrant and thriving communities. By investing in the preservation of homeownership, Nebraska can, Nebraska can strengthen the social fabric of these vulnerable areas and ensure that no family is left behind. Moreover, a homestead exemption is not a handout but a hand up for those facing economic hardship. It is a targeted intervention designed to provide relief to those most in need, allowing them to weather financial storms and emerge stronger on the other side. By empowering individuals in qualified census tracts to maintain in their homes, Nebraska can demonstrate its commitment to fairness, justice, and opportunity for all. The establishment of a homestead exemption for individuals residing in qualified census tract is, is a moral imperative for Nebraska. By safeguard homeownership in these, in these vulnerable community-- communities, we uphold the values of stability, equity, and compassion that defines our state. It is time to take a bold action and enact this critical provision into law, ensuring that every Nebraskan has an opportunity to achieve the American dream of homeownership, regardless of the economic circumstances, especially with unprecedented investments that are coming with the economic recovery in north and south Omaha. For example, in rising property taxes in areas like north and south Omaha, it's important to ensure residents that have historically

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lived in those areas can continue to do so. Overall, the homestead exemption plays a role in supporting homeownership, stability, and community development within qualified census tracts, helping to address socio-- socio-economic disparities and promote equitable access to housing opportunities. I brought this bill because, over the interim, I was invited to-- I wouldn't say a community forum, but like, a community meeting with a, a group of seniors at Catholic Charities in north Omaha. And I was having a discussion with them. And I was like, what bill would you like-- would you guys like me to introduce? And they were like, well, we're facing a lot of issues with our, our property taxes are rising. And I was like, well, there is a homestead exemption. They were like, yeah, we understand that. But it's still hard for us to access it, even in this area. Although there is a homestead exemption, our wages, we're still not making enough to even qualify, or it's just the exceptions aren't adequate enough for it to be enough for us to stay in our homes. So we're dealing with predatory people calling us every week saying, hey, would you sell your home? And they don't want to sell. But they're also like, what, what am I supposed to do? I, I can't really afford to stay in my home. I want to leave a legacy with my family and stay here. But, I'm kind of stuck in a, in a rock and a hard place. And I was like, OK. Well, we have the homestead exemption and you do live in a qualified census tract, so I'll try to introduce this bill and maybe start the conversation. And hopefully, yes, I do think we should pass this bill. But hopefully, we start this conversation to say, yes, we have a homestead exemption. But even within the homestead exemption, there's a group of seniors and populations-- not even in my district. Because there's qualified census tracts across the state that we're not thinking about, that we should think about, especially when we're trying to think about investments in communities, affordable housing, homeownership, and those type of things that we should think about. And whether it's them selling their homes and we're trying to transition them out of their homes-- that's another part of the problem with affordable housing, is our seniors are not moving out of homes because it's not affordable to move out of the homes. What are we going to do? And this is just my part of just trying to continue the conversation and try to find solutions to the problem. And I think we do need to find a way to help our seniors, and that's why I brought the bill.

LINEHAN: Thank you.

McKINNEY: No problem.

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LINEHAN: Are there other questions-- are there any questions from the committee? So these were seniors? They were 65 and older?

McKINNEY: Yes. It was a group of seniors.

LINEHAN: OK.

McKINNEY: Yep.

LINEHAN: Interesting. All right. You'll stay to close? Because you've got--

McKINNEY: Yes.

LINEHAN: --the next bill, too, I think.

McKINNEY: Yep.

LINEHAN: OK.

McKINNEY: No problem.

LINEHAN: Thank you. Are there proponents? Are there any proponents?

CONNIE KNOCHE: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director for OpenSky Policy Institute. And we're here in support of LB924, because it expands the homestead exemption to include individuals residing in the qualified census tracts. Currently, the homestead exemption provides targeted tax relief to eligible homeowners in Nebraska who are 65 and older, veterans, and disabled individuals. The exemptions are subject to income limitations and maximum exempt amounts. LB924 seeks to expand those eligible for this exemption to include homeowners in these census tracts. A qualified census tract is defined as an area where at least half of the households have income less than 60% of the area gross median income or have a poverty rate of 25% or more. By expanding the homestead exemption to include individuals residing in these census tracts, you'll be providing targeted property tax relief to the homeowners that need it most. Property taxes are one of the most significant annual costs for homeowners, and can disproportionately impact individuals living in poverty. Property taxes take up a much larger share of income for low-income families. We encourage the committee to consider this proposal to direct more property tax relief to those who need it most. It is for those reasons, we support this bill. Thank you.

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LINEHAN: Thank you. Are there questions from the committee? So do you know, how much does it expand the in-- is it the income we're expanding? The question that's running through my mind, let me say. You've got a situation where you've got stable homeowners who have lived there a long time, and you're forcing him out. So that's bad for the neighborhood, right?

CONNIE KNOCHE: Right.

LINEHAN: Do you want to address that, why that's bad for the neighborhood?

CONNIE KNOCHE: Yeah. It would just-- this would be people maybe younger than age 65 that live in those areas that own the houses. They're not disabled, they're not veterans, but they are homeowners.

LINEHAN: OK.

CONNIE KNOCHE: Or maybe, it's like they've inherited and they're still living in the area. So it would protect them from losing their home because of property taxes being too high.

LINEHAN: Got it. OK. So it, it drops the 65 age limit. OK.

CONNIE KNOCHE: Right.

LINEHAN: OK. All right. Thank you very much. Are there other questions from the committee? Seeing none, thank you for being here. Are there any 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 LB924. Thank you to Senator McKinney for bringing the bill. We always love talking about homestead. I've talked about homestead quite a bit in front of this committee. I'll kind of skip to the end. Generally, as you've heard me testify before, we favor homestead because it's targeted property tax relief, and how that is targeted is a policy decision for the Legislature and particularly, this committee, if you choose to advance it. Traditionally, the homestead exemption has been targeted at people that are those-- in those categories that we, we think of or apprehend as being part of a fixed income class. And so, seniors, persons over age 65, traditionally on a fixed income or a large percentage of them, persons that are disabled and or-- I'm-- pardon me, persons that are totally disabled or disabled veterans traditionally have in-- more limited incomes

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options, and so we look at them as be-- as having-- being more on a fixed income. However, we recognize that, that doesn't necessarily apply to people over age 65 or the disabled or disabled veterans, because we have those sliding income scales that we, we have incorporated in there. And so to the extent that we recognize that-- you know, I'm not sure that this is necessarily expanding the class, other than saying we're dropping in age limit and we're, we're looking at a qualified census tract. It-- I don't think it violates those principles of, of homestead that we've traditionally adhered to. You know, but by the same token, it, it is an expansion of the class, and it's something that has to be examined by this committee and by the full Legislature. And so, we certainly appreciate this bill being brought. We favor the homestead exemption. I'm happy to take any questions you may have.

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

JON CANNON: Thank you very much.

LINEHAN: Are there other proponents? Any other proponents? Are there any opponents? Any opponents? Anyone want to-- wanting to testify in the neutral position? Senator McKinney, would you like to close? And we did have letters. We had 7 proponents, 1 opponent, and no one in the neutral position.

McKINNEY: Sure. I, I guess in my closing, I think it's important to try to find some type of relief, especially for our seniors who are living on fixed incomes and especially with rising property taxes. We should try to find a way, especially with the discussion around affordable housing being such a crisis in our state. And we're trying to find different options and solutions to address it. I think this is a part-- this is a part of the solution. It's not the solution, but it's a part of it. And I think this could help. So with that, I'll close and open for any questions.

LINEHAN: Are there any questions from the committee? Seeing none, thank you very much. So that will bring our hearing on LB924 to a close. And we will open the hearing on LB1043.

McKINNEY: Thank you.

LINEHAN: Welcome.

McKINNEY: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Terrell McKinney, T-e-r-r-e-l-l

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M-c-K-i-n-n-e-y. I represent District 11 in north Omaha, and I'm introducing LB1043, which will require the development of certain real property and provide it for the revocation of property tax exemptions. LB1043 aims to address a critical issue plaguing high poverty areas, the acquisition of underutilized tax exemption properties by community development corporations, community development organizations, and nonprofit organizations without subsequent development, resulting in neglected, neglected eyesores detrimental to the community. As a legislature [SIC], I have long pondered the rationale behind such acquisitions and the lack of meaningful economic development that follows. It baffles me that entities, purportedly dedicated to economic growth, would engage in property hoarding without tangible benefits to the community. This practice of hoarding property for economic gain, particularly in impoverished regions or areas desperate for economic revitalization, must be strongly condemned. The most egregious offenders are often nonprofit organizations, economic development entities, or corporations who, despite their noble missions, fail to fulfill their responsibilities. I firmly believe that accountability is paramount. Organizations deviating from their missions should face repercussions. Those who fail to develop property should be penalized, and those seeking to exploit poverty for profit should forfeit their tax exemptions status. A firsthand tour of my district, for example, followed by diligent research into property ownership, will reveal the pressing need for legislation measures like LB1043, and underscore an imperative to hold these organizations accountable for their actions. And I honestly brought this bill because there's a lot of organizations and one in particular, who, for my lifetime and prior to my lifetime, has bought up a lot of property in north Omaha and has failed to develop the property. And when community members try to buy this property, the property is priced at a point where it's just not even-- it, it doesn't make sense. Or if they try to lease the property, it doesn't make sense to lease because they say, OK, you can lease the property, but you have to develop the property. Or if they lease the property, the, the, the lease agreement or the rent for the property makes it hard for those, those businesses to stay in business. And, and I don't understand how you can call yourself an economic development corporation or organization, but your sole purpose, in my opinion, has been land management and land holding. You haven't developed much of anything in north Omaha. And that's why I brought the bill. It's not about, you know, affordable housing organizations like Habitat for Humanity or Holy Name or anything. Fully about those organizations who are supposed to be focused on economic development, but they haven't done any economic

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development in north Omaha. They just bought up a bunch of property in the past, held on to it, and are holding out for the highest bidder, in my opinion. And I think that's a problem, because I talked to business owners in the community who would like to open up brick and mortar spaces to not only just expand, but hire people in the community, but they're being priced out. And they don't want to go outside the community to relocate their businesses. They want to be within north Omaha, but they're being priced out. Or if they want to stay within the community and lease or buy a property, they have to pay double or triple the price. Or if they lease, they, they have to pay a unreasonable amount to lease, lease the property. And they also have to develop somebody else's property to be in that space. And I just don't think that's reasonable. And you can't say you're also a nonprofit, also. So what is your purpose? How are you helping the community? It makes no sense to me. And that's why I brought the bill [INAUDIBLE]. And this might not be the ultimate solution to this problem. But I've, I've brainstormed ways to bring this bill since even before I got into office. So this might not be it, so I'll probably have to bring it back once I get back here next year. But this is my, my offer this year.

LINEHAN: Thank you.

McKINNEY: And with that, I'll answer questions.

LINEHAN: Thank you, Senator. Yes, we have Sen-- Senator Kauth.

KAUTH: Thank you, Chair Linehan. OK. Senator McKinney. This is really fascinating to me. I have never heard property hoarding. Can you tell me-- you said they're tax exempt properties? Is that because they're owned by a nonprofit?

McKINNEY: Yes.

KAUTH: OK. Do you have any organizations, specifically? Are they state organizations or are they just general nonprofits?

McKINNEY: One example is Omaha Economic Development Corporation, which is based in north Omaha. They own \$20 million of property plus, I think.

KAUTH: And how long have they owned that? Do you know?

McKINNEY: Since the '70s, to my knowledge.

KAUTH: So they've sat on \$20 million worth of--

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McKINNEY: Yes.

KAUTH: [INAUDIBLE] I'm sure it's \$20 million now. It probably wasn't--

McKINNEY: Yeah.

KAUTH: --in the 70s. OK. And so with this bill, what you're hoping is that once this bill goes into play, they have 2 years to develop it. And if not, then they're fined.

McKINNEY: Yes.

KAUTH: OK. And then if they don't develop it in the third year, they're fined again.

McKINNEY: Yep.

KAUTH: Do you have any fourth year?

McKINNEY: They lose their tax exemption.

KAUTH: At the fourth year?

McKINNEY: Yeah.

KAUTH: Oh, I like that. I didn't see that in the bill yet.

McKINNEY: My, my ultimate goal really isn't for them to lose their property or even for them to lose their tax exemption. It's for them to develop property in the community to-- because what I honestly hate is, a lot of people who speak negatively of my district are the same people who are part-- a part of the problem. They'll say north Omaha doesn't look good, but when you do your research, they're the same people holding the property that doesn't make north Omaha look good. So if you're a part of the problem, I'm going to hold you accountable to the problem, and try to work to find a solution. I, I don't want them to lose their property. I don't even want them to lose their tax exemption. But if you're a part of the problem-- I'm, I'm, I'm an equal accountability person. In every hearing, in every committee I go to, whether it's Education, to Revenue, to Judiciary, if I feel like you're part of the problem, I'm, I'm, I'm just going to try to hold you accountable.

KAUTH: Do you know how-- one last question. Do you know how many of these nonprofits there are? And it-- that-- I don't know. I mean,

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this would apply to the whole state. So I'm guessing this is something that happens other places.

McKINNEY: I don't, I don't know off the top of my head.

KAUTH: OK. Thank you.

McKINNEY: Yeah.

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

von GILLERN: Yep. Thank you, Senator McKinney. Yeah. You, you addressed a couple of my questions, Senator Kauth. I, I think it's interesting, if there's no, if there's no tax burden, then there's very little carry cost to the developer. They can sit on that land for a long time.

McKINNEY: Yeah.

von GILLERN: It's fascinating to me, though, that if they're speculating-- by holding the land to spec on it, it seems like, at some point, they would want to sell it. It, it, it doesn't generate any profit by having it sit vacant.

McKINNEY: No. It doesn't, it doesn't generate any profit. But, for example, the last 3 years, it's advantageous to sit on a property. We got all this--

von GILLERN: It's because of the inflation.

McKINNEY: --economic investment for the Legislature, so it's like, yes. OK. We, we held out for the right reasons, where they applied for money through LB1024 and LB531 for the Legislature to give them money to develop their property.

von GILLERN: Right, right. And the firm you named, they have done economic development projects in north Omaha. I'm familiar with, with a handful of them.

McKINNEY: Yeah, they have.

von GILLERN: So it's-- so they have done some, some handful or several projects. I don't know how you want to define that. But, but apparently, they're sitting on bulks of land that they're not developing.

McKINNEY: Yes.

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VON GILLERN: Correct? OK. Thank you.

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

McKINNEY: No problem.

LINEHAN: Do we have any 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. We are a Nebraska nonprofit that happily pays its property taxes and do not hold properties for any future development. I want to thank Senator McKinney for bringing this bill. One thing I can tell you is that in the many years I've been working on the property tax issue throughout the state, one of the things that I hear very frequently from assessors, is such and such organization is holding onto this property and they're not doing anything with it. I mean, I-- in, in very-- in, in my terms, I, I say that drives our, our assessors bananas. I mean, it really just kind of gets their goat. The only thing that, that I wanted to make sure that I, I put on the record, though, is just a, a small technical issue. Traditionally, under exemption law and with property taxes, exemptions are recommended by the assessor, and they are granted by the county board of equalization. That probably should remain the same. Otherwise, there-- there's probably a different notice requirement that we need to have that's in there. We, we think it should probably remain the same. Perhaps a recommendation from the director of economic development to the county board, and then the county board can take action to revoke an exemption that's previously been granted. That's the only technical edition that, that we might recommend. But otherwise, we think the intent of the bill is, is as good as it gets, and, and certainly recommend advancing it. I'm happy to take any questions you may have.

LINEHAN: Thank you. Are there questions from the committee? So you're implying this isn't a problem just in north Omaha. This is all over the state.

JON CANNON: I've heard it from assessors in every corner of the state.

LINEHAN: I thought a nonprofit could only get-- I, I thought there were a limited number of nonprofits that could not pay property

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taxes. I didn't think it was just because you're nonprofit, you don't pay [INAUDIBLE] property taxes.

JON CANNON: Right. So under our exemption law, there are-- there, there are different ways of getting an exemption. One, with an economic development corporation, I, I believe that there's a-- there's kind of a state component to it. And so they would be, they would be exempt initially, since they're, they're a state actor. And then if the assessor says, oh, by the way, you're not using this for a public purpose, then they would have to provide notice and say, we're going to tax you. And then it goes before the county board and they have a whole brouhaha, and it's a lot of fun to watch. For other nonprofit corporations, the traditional strict, strict nonprofit, you have to have either a charitable, religious, educational, or cemetery purpose. And you have to use the property for charitable, religious, educational, or cemetery purposes. And so, that's really the, the--

LINEHAN: So the economic development's a loophole.

JON CANNON: --economic development is just kind of a funny thing. Some of them are, you know, they're, they're essentially, you know, political subdivisions of the state. And they receive the exemption ab initio. There are others are treated differently somehow, and I've never quite figured that out. And I, I probably should before I come testify in front of the Revenue Committee.

LINEHAN: By next year.

JON CANNON: Yes, ma'am.

LINEHAN: Yes. Any other questions from the committee? Thank you very much for being here [INAUDIBLE].

JON CANNON: Yes, ma'am. Thank you.

LINEHAN: Are there other proponents? Is anyone wanting to testify in the-- as an opponent? Anyone want to testify in the neutral position? We did have letters. We had 1 neutral. That's what we had? Senator McKinney, would you like to close?

McKINNEY: Sure. I think I'm on a streak. I have no opposition to a lot of my bills [INAUDIBLE]. But-- definitely. But the, the overall premise of this bill and the previous bills was just try to make sure that the residents of my district and other districts similar are taken care of and-- just develop. You know, we, we talk about how do we take our state forward and make sure that communities across the

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state are advancing. And we're finding creative ways to economically develop those communities. But I think we also have to start at the things that we're not addressing. And I think this is part of that. We have to make sure that entities that are supposed to be focused on economic development are focused on economic development, and not just holding property, and not pricing out residents that are trying to make those communities better. And to me, it doesn't matter if you're in north Omaha. If you're in Norfolk or Scottsbluff or wherever else, if, if you're trying to build a business and you're trying to open up that business and somebody is holding property and trying to price you out of it, then that's a problem. Because at the end of the day, if I want to open a business and I can hire everybody on this committee, but I can't do that because the property owner is tripling the price, that's an issue. That should be an issue for all of us. And that's all I'm trying to address. I'm not trying to take any organization out of business. I'm just trying to make sure that the overall mission of those organizations-- 6 of those missions, which is economic development, not property land management. Those are 2 different missions. Thank you.

LINEHAN: Thank you very much. Are there any ques-- yes. Senator von Gillern.

von GILLERN: Yeah, thank you. I'm sorry. I'm just-- because I'm brainstorming here, which is kind of dangerous. You, you mentioned one firm. Are there 2 firms, 10 firms, 20 firms, that you can think of that are--

McKINNEY: There's a strong argument there, there are-- you know, you got RH Land Management, who's-- I don't know who's their actual owner, but this-- Economic Development Corporation, as well. There are some other ones. I think Habitat thinks they're included in this bill. And I'm not really attacking Habitat because they're more focused on affordable housing. It's more those organizations around economic development specifically.

von GILLERN: That-- that's fine. I, I--

McKINNEY: Yeah, .

von GILLERN: --and we can, we can talk offline. And [INAUDIBLE] other things I'd like to talk to you about offline, maybe, is that if a-- if truly, this is land speculation, then maybe the nonprofit status should be at risk, which is a whole nother question, but--

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McKINNEY: Yep.

von GILLERN: --I'd be happy to talk to you about that.

McKINNEY: No problem.

von GILLERN: Thank you.

LINEHAN: Other questions from the committee? It seems to me that you've tripped over something, because if Mr. Cannon is here to say this is a problem all over the state, that's-- it seems like there was a special deal done somewhere along the line and everybody forgot about it, like some other things I've found, as Revenue Chairman.

McKINNEY: Yeah. I, I think another issue is how this property is also being able to be held in like, land banks, as well. So we got to talk about that, too. I mean, maybe Revenue and Urban Affairs needs to get together. So.

LINEHAN: Well, if you could, since you've already-- are unpeeling this onion, if you could find out what law allows this and when it went into effect, I think that would be helpful. Then maybe we can trace back-- things get put into law, and then--

McKINNEY: Yeah.

LINEHAN: --people forget about them and nobody watches.

McKINNEY: OK. I will.

LINEHAN: OK.

McKINNEY: I'll let you know.

LINEHAN: All right. Thank you very much. Any other questions? With that, we'll close the hearing on LB1043. Thank you very much for being here.

McKINNEY: Yep. Thank you.

LINEHAN: Good afternoon.

FREDRICKSON: Good afternoon.

LINEHAN: We will now open the hearing on LB1040.

FREDRICKSON: Thank you. Good afternoon, Chair Linehan and members of the Revenue Committee. For the record, I am John Fredrickson. That's spelled J-o-h-n F-r-e-d-r-i-c-k-s-o-n. I represent District 20, which is in central west Omaha. I'm happy to be here today to introduce LB1040, which provides that the Nebraska Department of Revenue may approve up to \$1 million of nonrefundable tax credits each year for grocery store retailers, restaurants, and agricultural producers who donate excess or unused food to food banks, pantries or food rescues. The intent of this credit is to incentivize these donations in order to help alleviate food insecurity. Last session, this committee advanced LB524 without opposition, and the Legislature advanced it as part of the LB727 package. That bill established a tax credit for grocery store retailers, restaurants, and ag producers who donate excess or unused food to food banks or pantries. In its final form, the bill set up the framework for the tax credit, but we amended the bill to set a temporary cap at zero. I promised at that time I would follow up with the legislation-- with legislation this year to set that capped amount. That is what LB1040 does. Bill Drafters also suggested another small cleanup in language that is included in subs-- in the subsection of this bill. This cleanup uses language more consistent with Nebraska Revenue Statutes. The original idea for this tax credit came through an initial discussion I had with Ansley Fellers, executive director of the Nebraska Grocery Industry Association. Ansley told me that a large amount of food that gets thrown out by grocery stores because it is often more cost effective to simply throw the food away than to donate it to charity. With 1 in 10 Nebraskans facing hunger and 1 in 7 Nebraska children facing hunger, according to Feeding America's Map of the Meal Gap study, it seemed to us both-- that both a tax credit to incentivize donations to food charities could help with the problem. So I reached out to the food banks and they were completely on board. I then looked at our own statutes and found a comparable food pantry tax credit program in Missouri. We used that program as a model for the tax credit established last year. I was also approached by the Nebraska Pork Producers about the opening of this credit-- about opening this credit up to agricultural producers, as well. They obviously have a strong ability to meet this need as well, so I thought it was a great idea. In 2012, the Nebraska Legislature established the Hunters Helping the Hungry program, which allows hunters to donate whole deer at participating processors for charitable organizations and food pantries. So this is also another good way to incentivize the donation of protein specifically, which, for folks at over 200 food pantries or had conversations with folks at food banks, protein is oftentimes one area where they have a lot of shortages, and are often

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seeking protein-high foods. It is frequently something that they're, they're looking for. Under the program, any grocery store retailer, restaurant or ag producer that donates food to a food pantry or food bank during the taxable year shall be eligible for a credit against the income tax imposed by the Nebraska Revenue Act of 1967. The, the credit is in an amount of equal to 50% of the value of the food donations made during the taxable years, not to exceed \$2,500. The program also includes various other provisions consistent with other established tax credits under the Nebraska law. The program also makes food recovery organizations eligible to receive donations under the credit. Food rescue organizations are neither food banks nor food pantries, but there are also 501(c)(3)s. They distribute food directly from a donor to a food pantry. Like food banks and food pantries, they play an important role in addressing food insecurity. This program is a win-win-win situation. It is a great way to utilize existing resources to address food insecurity and reduce food waste. It provides incentives for businesses to partner in greater numbers with our important food-providing organizations, and it allows those organizations to receive more resources to get the food in the hands of those who need it. According to the Feeding America's Map-- America's Map of the Meal Gap study, people facing hunger in Nebraska reported needing more than \$89 million more per year to meet food needs. So there is a need. I am proud to have a diverse array of proponents who support this program, including the Pork Producers, Soybean Association, Dairy Association, State Chamber of Commerce, Nebraska Hospitality Association, the Catholic Conference, the Grocery Industry Association, the Food Bank of the Heartland, and Saving Grace Food Rescue. With that, I would ask that you advance LB1040 as part, as part of one of your tax packages this year, so we can have the financials in place to make this program function as intended. I'll be glad to answer any questions you may have.

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

KAUTH: Thank you, Chair Linehan. Senator Fredrickson, first. I love this. I think it's a great idea. I do want to ask about the tax credit. Will that tax credit remove a million dollars from education?

FREDRICKSON: I do not know if it would or not.

LINEHAN: Thank you, Senator Kauth.

FREDRICKSON: Something tells me there was something else behind that question.

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LINEHAN: Are there any other questions from the committee? Seeing none, thank you very much. You'll stay to close?

FREDRICKSON: I will.

LINEHAN: OK.

FREDRICKSON: Thanks.

LINEHAN: Do we have proponents? Any proponents? Good afternoon.

KELLY PTACEK: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Kelly Ptacek, spelled K-e-l-l-y P-t-a-c-e-k. I'm the vice president of external affairs for Food Bank for the Heartland, which covers 77 counties in Nebraska. I'm also submitting comments for the record for the Nebraska Grocery Industry Association and the Nebraska Hospitality Association. Thank you for the opportunity to speak this afternoon on-- in support of LB1040. Thank you also to Senator Fredrickson, for introducing this bill to, to fund the tax credit passed last year. Food Bank for the Heartland and Food Bank of Lincoln distribute food to over 625 pantries, schools, churches, and other nonprofit organizations across 93 counties in Nebraska. Our partners, including those in your district, distribute the food to families that are hungry, children, seniors and veterans in, in our local communities. Combined, the 2 food banks will distribute enough food for nearly 25 million meals this fiscal year in Nebraska. Food industry resides in every-- food insecurity resides in every county and every community in Nebraska. It's an urban, suburban, and rural problem. 1 in 8 Nebraska children are considered food insecure, and that has dire ramifications for the health and education. The current level of need for emergency food assistance is higher than at any point in the 43-year history of the Food Bank of the Heartland. Nebraska's 2 food banks participate or anticipate serving 40% more households this fiscal year than we did in 2020, before the pandemic, pandemic started. Why? Inflation. According to the Bureau of Labor Statistics, Americans are spending more of their income on groceries than at any point over the past 30 years. Low-income families spend up to 1/3 of their monthly budget on food. These families and seniors simply cannot afford skyrocketing food prices, so they turn to the food banks or a network of partners for help. Food banks receive donated food from retailers, wholesalers, manufacturers, and farmers, along from-- along with food from the USDA. Because the amount of donated and USDA food received has never been enough to meet the need for food assistance, food banks also purchase food. This fiscal year, ending in June, Food Bank

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for the Heartland will spend approximately \$7 million in purchasing food. This amount of spending on food is not sustainable. Prior to the COVID pandemic, our food purchasing budget was approximately \$1 million. LB1040 is an investment in our state. LB1040 and the tax incentive legislation passed last session are outstanding tools to assist Nebraska's food banks and other food relief organizations feed our neighbors in need. Food banks, grocers, farmers, growers, and manufacturers all are in the same line of business. We want to feed people. So, Food Bank for the Heartland currently purchases bulk food from 15 Nebraska businesses and receives donations from almost 200 various retailers, manufacturers, processors, and the like. This bill will provide the funding to incent these companies to continue to support our work, as well as to grow a-- new business partnerships to donate food in support of local communities and our neighbors that are in need. An example of 2 farmers near Columbus and North Platte, who plant sweet corn and donate semi, semi loads of product to the food bank. We would love to see more donations of protein, produce, and dairy. I urge you to advance this bill to the floor. I'd be happy to answer questions.

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

KELLY PTACEK: Thank you.

LINEHAN: Are there other proponents? Good afternoon.

ALICIA CHRISTENSEN: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Alicia Christensen, A-l-i-c-i-a C-h-r-i-s-t-e-n-s-e-n. I'm director of policy and advocacy at Together, an Omaha organization serving our neighbors who face housing and food insecurity. Together strongly supports LB1040, and thanks Senator Fredrickson for bringing this bill to close the loop on the tax credit for food donations that was enacted by this Legislature last session. We can all agree that when there's enough food to go around, no one should go hungry. Food banks and pantries across Nebraska provide healthy food for individuals and families when an illness, job loss, mechanic's bill, or other unexpected expense shatters a careful budget. At Together, the majority of our pantry stock comes from the Food Bank for the Heartland, but we also rely on food donations from community members and local businesses. Support from area grocery stores and restaurants is especially important as a source of fresh produce, dairy, and other perishables, but a great deal of food that could be donated never makes it to our pantry shelves. Nationally, more than a third of all available food

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goes to waste, often because the costs associated with physically transporting the food make consistent donations and unsustainable business practice. Transportation costs are one of the primary barriers, but this expense is not covered by the federal tax deduction for charitable food donations. Last year, this committee and the Nebraska Legislature recognized the importance of removing this barrier and enacted the income, income tax credit for food donations as part of the omnibus tax bill. However, because that bill didn't authorize the Department of Revenue to approve any applications, LB1040 is essential to make this credit operational. Therefore, Together urges this committee to advance LB1040 so the Legislature can make good on its promise made in 2023, not to sit idly by letting food go to waste when some Nebraska families don't have enough to eat. Thanks for your time and consideration, and I'm happy to answer any questions.

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

ALICIA CHRISTENSEN: Thank you.

LINEHAN: Are there other proponents? Other proponents. Are there any opponents? Does anyone want to testify in the neutral position? Senator Fredrickson, would you like to close? And we did have letters. Excuse me. We had 8 pro-- wait.

CHARLES HAMILTON: No, that's right. Is that--

LINEHAN: Yes. That's right. That's OK. LB1040, and we had 8 proponents, zero opponents, and no one in the neutral position.

FREDRICKSON: Great. Well, I'll keep this quick. Grateful to the committee for hearing this bill. I'm also grateful to the committee for advancing the structure for this, last year, out of committee, and the Legislature for passing that. I'm also-- you mentioned there's a number of proponent letters. I encourage folks to submit letters online, given that we kind of had a similar hearing about this last year that was [INAUDIBLE] the pork folks, Catholics, everyone kind of came together. It was a very fun hearing. But also, I just hope the committee takes a serious look at this in consideration when advancing a-- their larger package for the year, and happy to answer any questions folks might have.

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

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FREDRICKSON: Thank you.

LINEHAN: With that, we'll close the hearing on LB1040, and we'll open the hearing on LB1346.

von GILLERN: It's news to me.

LINEHAN: Well, it's news to a lot of people. A lot of stuff's going on, because-- hi. I'm sorry.

CHRISTINA PRENTICE: You're good.

LINEHAN: You don't look like Senator Vargas.

von GILLERN: Congratulations.

LINEHAN: I am assuming you're here to open for--

CHRISTINA PRENTICE: Yes.

LINEHAN: --Senator Vargas. OK. So we will open the hearing on LB1346.

CHRISTINA PRENTICE: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Christina Prentice, C-h-r-i-s-t-i-n-a P-r-e-n-t-i-c-e. And I'm the legislative aide for Senator Tony Vargas, who represents District 7, which includes the communities of downtown and south Omaha. Senator Vargas sends his regrets that he cannot be here on behalf of our office. But I'd also like to thank Senator Linehan and her super kind staff for helping us get this scheduled last week. And then, Speaker Arch asked us that we reopen open LB1346 this week, should there be anyone else behind me who'd like to testify. So with that being said, this testimony was written to be read by Senator Vargas. So if you'd like to pretend that I'm 6 foot 3 and wearing a blue suit, you can start doing that now. So I'm here today to introduce LB1346, which would provide property tax exemptions for qualified affordable housing developments. LB1346 defines qualified affordable housing as a housing development that consists of at least 5 residential units and includes 1 or more eligible units, which means it is rent restricted, affordable to tenants who earn no more than 80% of the area median income, and has been constructed on or after the effective date of this act, or made subject to rent restrictions on or after the effective date of this act. Because you all already heard this testimony last week, I'll save you some time by saying that I brought this bill to be a counterpart to the various housing discussions that we've had and will continue to have in the Appropriations Committee.

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Many times, we're discussing the need for more affordable housing developments. We recognize the difficulty of the owners of these developments have in keeping their properties affordable, while also being able to afford their property taxes. I believe that granting property tax exemptions to qualified affordable housing development owners will promote the expansion of affordable housing developments for low-income individuals and families, and will encourage the continuation of affordable housing options across the state of Nebraska. With that being said, I'll close. And once again, I'd like to thank Senator Linehan and her kind staff for doing this for us.

LINEHAN: It was a good staff. Thank you very much. Are there any questions from the committee? Seeing none, thank you.

CHRISTINA PRENTICE: Thanks.

LINEHAN: Do we have proponents? They came last week. Do we have opponents? Do we have anyone wanting to testify in the neutral position? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of NACO, here to testify today in the neutral capacity on LB1346. Certainly, I always appreciate Senator Vargas for the, the bills that he brings forward. They're very thoughtful. We, we appreciate always, always-- as always, being able to have a conversation about how these sorts of things works as far as a property tax exemption is, is concerned. And our concern with exemptions is always about the diminution of the tax base. And, and while we certainly appreciate that there are certain things which deserve exemption because they advance a public good-- those are typically the sorts of things where you would want to see the state relieved of an obligation it would otherwise have. And so is-- with, with qualified affordable housing, does that really meet, meet the need? I, I don't know. It's a, it's a good question for this committee and for the Legislature, which is why we appear in the neutral capacity. It has to be used for a qualified purpose. That is already addressed in the statute. And so, he says that a-- that, that a-- one of these housing projects, that they would be considered a charitable organization. I think that what he also means, by the way, is that our-- according to our statutes, you have to have the, the ownership, and the use has to be for whatever that exempt purpose is. So he addresses it in the statute-- or it's already addressed in the statute, as far as what the organization is on an organizational level, I think there needs to be something explicit as to whether or

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not this is being used for a charitable, religious, educational, or cemetery purpose. And so, to that extent, we would certainly recommend that being put in there. You know, again, we're always happy to have a conversation about exemption policy and how that should unfold, and what it means for counties. But I, I do want to leave with this one last thing. This is my last Revenue Committee hearing of the year. And I will tell you that this is, this is by far my hardest committee, which is why it's my favorite committee, of questions are always-- keep me on my toes. And so I definitely appreciate that. So for Senators Meyer and Murman and Albrecht and Linehan, since you guys are graduating seniors, I just want to express my appreciation for the years that we've had--or actually, no. You're not a graduating senior. What did-- why do I say that? All right. Let me, let me cross that off my list.

LINEHAN: Boy, wait till next year.

JON CANNON: I'm, I'm in big trouble, aren't I? But I do want to express my appreciation for those, those of you that have been putting up with me for lo these many years. And so, I'm happy to take any questions you may have.

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

von GILLERN: I, I-- I've got to.

LINEHAN: Senator von Gillern.

von GILLERN: I've got to.

LINEHAN: Yes.

von GILLERN: And-- said you loved tough questions. How can NACO be neutral when the fiscal note says that political subdivisions can see a decrease in tax revenue?

JON CANNON: So--

von GILLERN: Did I miss that?

JON CANNON: Yeah. It's-- so the thing with exemption--

von GILLERN: I'd hate to let you down and not ask you a tough one.

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JON CANNON: Yeah. No, no. It's a good question. So the thing with, with exemption law is-- and I've mentioned this before on the homestead side. When you exempt it, we're still levying against the whole amount, and there's a reimbursement from the state. With an exemption like this, we're not levying against the whole amount. That, that just gets removed from the tax rolls. And the tax levy rate is going to go up to accommodate for it. And so, we won't-- I, I don't think that we lose revenue unless you've got someone that's already at the lid. And so, when you're talking about-- and, and counties are not-- there are not a lot of counties that are at the lid. We have a \$0.50 constitutional lid. But when you're looking at, say, a-- like a small city or a village that may be up against the \$0.50 lid, that could, that could impact their ability to levy the necessary revenues.

von GILLERN: OK. Thank you.

JON CANNON: Yes, sir. Thank you.

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

JON CANNON: Thank you very much.

LINEHAN: Anyone else want to testify in the neutral position? Anyone wanting to testify in the neutral position? Anyone wanting to testify-- no. That's it. OK. We had letters. Yes. We have 6 proponents, 2 opponents, and 1 neutral. Did you want to close? And they waive closing. So, we're done.