

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 29, 2025

**von GILLERN:** Good afternoon, everyone. It is 1:30, so we will begin our Revenue Committee meeting. Welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District, and I serve as the chair of the committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name, and spell your first and last name to ensure we get an accurate record. We'll begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer if they wish to give one. We'll be using a 5-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have one minute remaining, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard. It's just a part of the process, as senators may have bills to introduce in other committees. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position statements on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at [nebraskalegislature.gov](http://nebraskalegislature.gov). Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in the committee statement. I'll now have the committee members with us today introduce themselves, starting on my left.

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**SORRENTINO:** Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

**JACOBSON:** Mike Jacobson, District 42.

**MURMAN:** Dave Murman, District 38, 8 counties along the southern border of the state.

**IBACH:** Teresa Ibach, District 44, 8 counties in southwest Nebraska.

**von GILLERN:** As I noted, some senators are introducing bills in other committees. So thank you for your grace, there. Also assisting the committee today to my right is our legal counsel, Sovidia Tran, and at his very first Revenue hearing. Congratulations. Glad to have you. To my left is our legal counsel, Charles Hamilton, and far left is committee clerk Linda Schmidt. Our pages for the committee today will stand and introduce themselves, please.

**LAUREN NITTLER:** Hi. I'm Lauren. I'm from Aurora, Colorado. I'm in my, I'm in my second year at the University of Nebraska-Lincoln, and I'm studying ag economy.

**JESSICA VIHSTADT:** My name is Jessica. I'm from Omaha, Nebraska. I'm a sophomore at UNL, and I'm studying political science and criminal justice.

**von GILLERN:** Thank you, ladies, for helping us out today. With that, we will open on LB401. I will hand the hearing off to Vice Chair Jacobson.

**JACOBSON:** OK. Thank you, Chair von Gillern. And LB401 is your bill, so you're welcome to give your open.

**von GILLERN:** Good afternoon, members of the Revenue Committee. For the record, my name is Senator Brad von Gillern, B-r-a-d v-o-n G-i-l-l-e-r-n. I'm here to introduce LB401. This legislation has two goals: to provide technical clarity and to increase transparency for taxpayers in Nebraska. First, LB401 clarifies provisions for the passthrough entity tax known as the PTET in Nebraska. PTET provides tax relief to Nebraska business owners by allowing taxpayers to pay their income taxes through passthrough entities such as an LLC or other partnership, like a small business corporation of which they are an owner or a partner. Under PTET, these entities can elect to pay income tax on behalf of their owners, generating a business expense that's able to be deducted on a federal income tax return and allowing Nebraskans to not be limited by the federal cap on deductions for

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state and local taxes, known as the SALT cap, imposed by the 2017 Tax Cuts and Jobs Act. LB401 simply clarifies that a partnership or small business corporation elects-- simply clarifies that a partnership or small business corporation's election to pay its owner's taxes through PTET are to be made on the tax return for the year in which the election is made. The bill also clarifies that refundable credits will be available for tax years beginning on or after July 1, 2022, without regard to the year in which the taxes were paid. This is to ensure that Nebraskans can retroactively claim credits they may not have claimed in the past three years. Second, LB401 requires that notices of deficiency issued by the Department of Revenue must include a written statement containing the reasons used by the tax commissioner to determine that the amount of the tax shown on a tax return is less than the correct amount. This will enhance account-- accountability and ensure that the administrative decisions relating to Nebraskans' hard-earned tax dollars are characterized by the kind of, of clarity and transparency they deserve. As additional clarity my predecessor, Revenue Chair Senator Linehan, introduced this legislation last year as LB1059. At the time, the bill had a zero fiscal note and zero opposition, and advanced from this committee 8-0, before falling victim to the legislative calendar on Day 58. As I'm sure you noticed, the fiscal note for LB401, this bill is \$4.5 million for this biennium. This is because the Department of Revenue says that it will require additional-- an additional 30 full-time equivalent staff to implement the taxpayer transparency provisions, which are only slightly expanded as compared to last year's bill. Whether this is accurate or not, I will bring an amendment to the committee to remove the language not originally-- I may bring an amendment to the committee to remove the language not originally in LB1059 in order to clarify the-- and correct the outsized fiscal note and allow us to advance LB401. Just going off script here a minute, this, this is a conversation that's, that's fluid at the moment. We're having a conversation with the Department of Revenue to make sure that we're all on the same page on exactly what this would create in the way of additional work for them, and then that will add clarity to the fiscal note. And we firmly believe that we can get it back to being zero sum fiscal note that we had last year by having additional clarifying conversations. So additionally, there will be a, a way smarter-than-me tax attorney testifying behind me, and I encourage you to direct any technical questions to that testifier. Thank you for your consideration. I would answer any simple questions, though.

**JACOBSON:** Thank you. Questions from the committee? All right. We're going to save them up. All right. Thank you.

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

**JACOBSON:** And I know you're staying for the close, so--

**von GILLERN:** I'm staying.

**JACOBSON:** --have a seat. All right. I'd now entertain proponents of the bill.

**NICHOLAS BJORNSON:** Good afternoon, Chairman von Gillern and members of the Revenue Committee. For the record, my name is Nicholas, N-i-c-h-o-l-a-s, Bjornson, B-j-o-r-n-s-o-n. I'm grateful for the opportunity to testify this afternoon in support of LB401. I am testifying on my own behalf, on behalf of the Greater Omaha Chamber, the Nebraska Chamber, the Lincoln Chamber of Commerce, the Nebraska Society of CPAs and NFIB. I'm a practicing tax attorney at Koley Jessen law firm in Omaha, Nebraska, and I've represented many Nebraska-based passthrough entities, such as partnerships and subchapter S corporations, the majority of which are small or family-owned businesses and a variety of Nebraska taxpayers throughout the tax procedure process, including tax filings, audit, administrative appeals, and legal proceedings. First, we want to thank this committee for its work two years ago to address the passthrough entity tax at the state level in LB754. The Unicameral's action on this issue made us competitive with our peer states and removed Nebraska from the very small outliers of states who did not allow for this election. LB754's passthrough entity tax provisions have been a success. Many business owners and certified public accountants have contacted me to let me know that LB754's passthrough entity tax legislation has, as it was designed to, eased the federal income tax burden of owners of Nebraska passthrough entities. I believe that this legislation has blunted the impact of the \$10,000 federal SALT cap and has and will save Nebraska taxpayers hundreds of millions of dollars of federal income taxes. We also want to thank Senator von Gillern for bringing today's bill. LB401's changes to the Nebraska passthrough entity tax provisions are technical in nature and not substantive. As Senator von Gillern mentioned, this includes the form and manner of making the election on the income tax return on the passthrough entity and the timing issues as relating to after 2022. The proposed language also submits a crucial improvement to the current system, requiring that the notice of deficiency or a denial of claim for refund contain a detailed written statement outlining the facts, circumstances, and reasons for the tax commissioner's determination that the taxpayer did not accurately report its correct amount of tax or did not make an overpayment relating to income and sales and use taxes. The proposed

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language is a significant step toward transparency and fairness in the tax administration process. There have been instances in the past where the basis and facts behind the tax commissioner's determination were unclear, leaving taxpayers and the representatives in a state of frustration. Discovering the tax commissioner's basis often took years, particularly during the administrators appeal procedures. This lack of clarity and transparency has raised due process concerns on behalf of taxpayers, as they were deprived of essential information necessary to effectively challenge a notice and has resulted in prolonged disputes and unnecessary delays in resolution. In addition, Section V of the Nebraska Taxpayer Bill of Rights provides that taxpayers have, quote, the right to due process of law in matters before the department, which includes fair and efficient review and resolution of claims for refunds. Requiring the department to provide a basis for issuing an assessment or denying a claim or refund would only strengthen transparency and fairness for taxpayers. Furthermore, Section III emphasizes the department's obligation to publish, quote, clear-- clearly written forms, notices, guides, policies, and regulations to explain procedures and taxpayer rights. Providing an explanation in notices aligns directly with these taxpayer protections. It is important to note that LB401 does not alter the tax commissioner's ability to issue a notice of deficiency or denial of claim for refund, nor its treatment as presumed correct. This clarification is vital to dispel any concerns about restricting the tax commissioner's authority and emphasizes that the objective is a clear and detailed basis is included with the notice. By making it mandatory for notices to contain a comprehensive written explanation that includes adequate facts and to state which laws or regulations are applicable, aims to protect taxpayer rights and provide a clear understanding of the reasons behind the tax commissioner's decision. Furthermore, providing taxpayers with a clear and detailed explanation upfront can potentially reduce the need for extensive discovery and appeals, thereby saving both taxpayers and the tax commissioner valuable time and resources. These changes are vital for safeguarding taxpayer rights, promoting transparency, and streamlining the resolution of tax disputes. We thank the committee for the consideration of LB401 and urge the committee to advance the bill to the General File. That concludes my prepared remarks. Thank you for providing me with the opportunity to testify, and I would be pleased to entertain any questions the committee may have.

**JACOBSON:** Questions from the committee? I just have one. I, I guess I'd like to just-- given your expertise. I know we've got-- probably got a lot of listeners here. They're wondering, OK, is this impacting

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the state, and is this a-- is this costing the state money and so on. And to be clear, the SALT tax, if you look at passthrough entities, you know, LLCs, subchapter S corporations, they typically would pass all their income through, which they do, through a K-1--

**NICHOLAS BJORNSON:** Mm-hmm.

**JACOBSON:** --to the owners, based upon their ownership. That would raise their-- and, and then it's being passed through with the taxes being paid at the owner level, not at the LLC or the sub S chapter-- subchapter S corp level. So to the extent that there's taxable income, that raises the income effectively-- historically, raised the income to the taxpayer. The SALT tax is capped at \$10,000. So SALT, of course, is state and local taxes. So state income taxes, property taxes, sales taxes, that all adds up into the \$10,000. So many, many Nebraskans are well above that \$10,000.

**NICHOLAS BJORNSON:** Correct.

**JACOBSON:** So to be clear, what we're doing with the SALT tax by passing this through is we're allowing taxpayers to save on their federal income tax. And the benefit to the state is we're transferring electronically by the 31st of December, if you're on a calendar taxpayer year, to the state, who holds that money until we file our personal tax returns and claim the refund.

**NICHOLAS BJORNSON:** Yeah. Correct.

**JACOBSON:** If you extend your refund-- or if you extend your return to October, you're putting-- you're kicking the money into the state in December and you're getting your refund the following October, hence making an interest-free loan to the state in the process, but there's bigger savings on the federal income tax side.

**NICHOLAS BJORNSON:** Correct. Yeah.

**JACOBSON:** Did I miss something in that process?

**NICHOLAS BJORNSON:** Nope. That's correct. Yeah. Basically, it kind of turns into like what we consider like a C corporation, so the entity pays it. And with the bill and LB754, we did do like estimated taxes similar, so they pay quarterly or monthly depending on whatever schedule they're on. And then, yeah, at the end of the year reconcile with the return, and any refund would go to the entity. But yeah, basically the state tax is singled now to just the business. So it's like a single collection point instead of from, you know, obviously it

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could be a multitude of owners. But yep, basically that's all for the federal tax code, for them to basically get around that SALT cap at the individual level and make it an ordinary necessary business deduction.

**JACOBSON:** I didn't want anybody panicking that we're, that we're making it easier for people to save on their state income taxes. The state income taxes aren't impacted by this.

**NICHOLAS BJORNSON:** No. Yeah.

**JACOBSON:** Thank you. Yes, Senator Sorrentino.

**SORRENTINO:** Thank you, Vice Chair. Can, can you give me an idea in your practice, are these notice of deficiencies common?

**NICHOLAS BJORNSON:** I mean, they're-- I mean, I see them every day, so yeah. I mean, I wouldn't-- you know, a taxpayer gets audited, whether it's an individual or a business, and whether it's-- again, I mostly deal with income and sales and use. I kind of try to compare it to the, you know, federal. When you get a notice, you know, they kind of have a standard first page, but then they'll have, you know, supplemental that provides what the auditor found and then their legal basis, as opposed to when you get one from-- typically from Nebraska, is they will just have a notice, and it will kind of have a Excel spreadsheet called like an audit work papers. And it will just kind of basically be an Excel file that just lists things but doesn't really provide, you know, what exactly they found issue with, like whether it's substantiation, you know, if they didn't have the proper documentation-- pretty common one. But sometimes, you know, is that why they're doing it or is it because they say, oh, well, the characterization we did with that type of income or that type of transaction, they disagree with, you know, and they have determined else-wise. And, you know, a lot of times it's been-- taken years after, you know, filing a petition just to figure out, OK, like let's-- what are we-- you know, what are we disagreeing on, so we can focus it. And then, you know-- you know, even if we respectfully disagree with the Department of Revenue and we go to the, you know, judiciary process, like, I think it would just be a much more streamlined knowing up front. Other states have been adding this. And I mean, North Carolina did, and I thought it was a really big success when I'm-- we did an audit and it was-- at least the administrative appeals went much quicker because, you know, the-- when you know what the problem is and you're able to get it up front instead of waiting,

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it just streamlines the process so much easier. That's the same with the IRS.

**SORRENTINO:** So the lack of detail and notice of deficiency makes your job harder, takes longer, your hours pile up. It does cost the taxpayer.

**NICHOLAS BJORNSON:** Yeah. And I would say like, it's not even real legal work, right. It's like doing investigation, just saying, what is this? You know, I have to call, you know, the personnel at the Department of Revenue, have an hour meeting, figure out, OK, what's this, this, this, this, this? So again, yeah, that adds time. You know, it obviously takes against, against resources of the department, because then they have to like respond to me just informally, until we finally get, OK, this is the issue. It took us months to get there. And then sometimes it's you know, again, it's not really a law issue. It's just like, oh, it's again, substantiation. Well, great. Now we just need-- now we need-- now we just need to bring up the invoices or the contracts or whatever it is. And that's, you know, much simpler than what it-- again, sometimes, it appears on these notices.

**SORRENTINO:** I asked a question earlier about frequency, due in large part to Senator von Gillern's comment that the fiscal note didn't make a lot of sense. Any, any comment on that?

**NICHOLAS BJORNSON:** I mean, I'm definitely willing to talk with the Department of Revenue, with what exact notices they're speaking of. I mean, what I wanted to make sure was targeted was more, again, if there was denials, or again, like following an audit or, you know, a, you know, what we call kind of an administrative correspondence audit, what, you know, was being specifically identified by the department. So yeah, no, I didn't want mathematical or, you know, kind of these, you know-- they, they brought issue with the automated notices, so I want to definitely get clarity on which automated notices that, that they have-- think that would have to be basically turned into a manual process, because that was not the intention here.

**SORRENTINO:** Thank you.

**JACOBSON:** Other questions from the committee? If not, thank you for your testimony. Further proponents? Anyone else wishing to speak in support of the bill? If not opponents. Anyone want-- wanting to speak in opposition? OK. Seeing none, how about any neutral testifiers? All right. Seeing none, Senator von Gillern, you're welcome to close. Thanks for sticking around.

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**von GILLERN:** Happy to. Thank you. Blocked my whole afternoon. Senator Jacobson, thanks for the, the overview of the PTET. It is very confusing, and it's very hard to explain to people how that exactly works. In fact, I was taking notes over there so I can repeat it to others. But thanks for clarifying that, that it does not impact the bottom line of the state in a, in a revenue way. It does impact from a cash-- substantially, from a cash flow standpoint. And we've seen that from the revenue numbers this past year, and a little bit of an artificial influence of the, of the PTET numbers. Senator Sorrentino, to your point about staffing-- and if you look on page 2 of the fiscal note, and, and I'll just go through it real quick. Department of Revenue will need 0.5 FTE of revenue agents, 6 FTE of revenue agent senior, 24 FTE of revenue operations clerks, 2 FTEs of revenue operations supervisor, 1 FTE of revenue operations supervisor, 0.5 FTE of fiscal compliance analyst, and 0.5 FTE revenue auditor III, and 0.5 FTE of information technology business systems to implement the bill. Clearly, we have a miscommunication with Department of Revenue about what it is that we're trying to do here, because pretty sure we could send a statement to every Nebraskan with that, with, with that kind of staff, so. With that, I'll end my comments, unless there's any, any other questions?

**JACOBSON:** Questions for Senator von Gillern? All right, I'm seeing none. There were-- thank you.

**von GILLERN:** Thank you.

**JACOBSON:** There were no letters or online comments. And so with that, this will-- we'll close the hearing-- public hearing on LB401. Is that right? Yes. And I'll turn the chair back to Senator von Gillern.

**von GILLERN:** Thank you, Senator Jacobson. OK, folks, we are going to do a joint hearing on LB272 and LB425. LB272 is Senator Dungan who will speak first, give his opening statement. Then we'll hand it over to Senator Andersen to do his opening statement on LB425. We'll welcome up opponent-- proponents and opponents and neutral, just like we always do. If you're speaking to one bill or the other, if you would please note that in your testimony so that we can take note of that. And then, when we do closing statements, we'll go in the same order. So, seemed to be a more efficient use of the time, and, and we appreciate everyone being here to testify today. So with that, Senator Dungan, welcome.

**DUNGAN:** Thank you very much. Good afternoon, Chair von Gillern and fellow members of the Revenue Committee, I am Senator George Dungan,

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G-e-o-r-g-e D-u-n-g-a-n. I represent Legislative District 26 in northeast Lincoln. And today, I am proud to be introducing LB272, which expands the homestead exemptions for partially disabled veterans. Currently, we provide a homestead exemption for military veterans with a 100% disability rating. This legislation would extend that to former service members with ratings of less than 100% and above 10%. For example, if a veteran has a 60% disability rating, they would receive 60% of the homestead exemption. This legislation explicitly targets a population that would greatly benefit from a property tax reduction. Many of our veterans have a rating of less than 100%, but that rating does not always reflect their actual disability. The rating is the amount of compensation they receive due to service-connected disabilities. A veteran could have a disability rating of 80% with injuries that still significantly limit their ability to work. Regarding the fiscal note, I would like to direct you to the last page, which also contains information provided by the Nebraska Association of County Officials. They estimate a tax revenue loss of \$47.8 million. That is slightly different than the one that we have from the fiscal note that I think is on the front of the page. And I believe this is a reasonably accurate representation of our veteran population with a disability rating and the impact this would have. I sincerely believe that we need to administer targeted property tax relief. Our fiscal situation is not as healthy as we would like, but that does not mean that we cannot implement this legislation. It is about what we, as a committee, as a Legislature, and as a state choose to prioritize. Let's prioritize the men and women who risked their lives for our country and were injured in the process. When you have a moment, I would also direct you to read Ryan Sullivan's proponent testimony on the UniNet. Ryan is the director of the Civil Clinic at the UNL College of Law and a U.S. Army veteran. He also directs the Veterans Advocacy Project and the Wills for Heroes program. He provides crucial insight into how this legislation would impact our veterans. I want to thank the committee for combining this hearing. I, I think that makes everybody's day a little bit easier. I want to thank Senator Andersen, as well as the other veterans who served our country and took the time out of their day to support their fellow veterans. And I'm happy to answer any questions from the committee at this time.

**von GILLERN:** Thank you, Senator Dungan. Any questions from committee members? Senator Jacobson.

**JACOBSON:** I just have one. I guess I-- maybe I misunderstood you, but you indicated veterans that are injured in the line-- basically, when they were serving. This bill, does it limit it to just when you were

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serving, or any disabled veteran, even after they've left the, the, the service and now are veterans?

**DUNGAN:** It doesn't seek to change the eligibility of the current homestead exemption beyond the percentage amount. So looking at the fiscal note here, specifying at least 10% disabled but less than 100% disabled due to a service-connected disability. So service-connected disability I think is the standard that's currently used. We're not seeking to modify that at all.

**JACOBSON:** Gotcha. All right. Thank you. I, I brought bills like this in the past and supported Senator Day in the past on hers. The real challenge, as you know, is the fiscal note. And, and I'm interested in-- I know Senator Andersen is going to be bringing his bill and talk about that, too. And we worked a little bit together on that one, but I'm-- clearly, there's a need there. The question is going to be how can we pay for it? And so-- but I, I appreciate you bringing the bill.

**DUNGAN:** Yeah, and I, I couldn't agree more. I think in my time in the Legislature, I've seen this bill now come up a couple times, and that's why I wanted to make sure it was heard again. Genuinely want to thank Senator Andersen. He came and spoke with me yesterday, I think, about this bill, sort of the incentive for bringing it, the necessity for getting something done. And that's part of why we've sort of committed to working together on this. We both agree we got to do something. And frankly, where this kind of comes from, the reason I wanted to bring this in particular, talking to constituents in my district. Also, I was speaking to my old Boy Scout troop this interim, and I was talking about a number of issues. But afterwards, a lot of the scoutmasters came up. And it was disabled vets who were not 100% disabled but were 80%, 70%, and essentially saying, what are you doing? You know, why can't we get this across the finish line? Because they've seen this before. I was in the senate-- or the Legislature. They've seen this from other folks. So I committed to them that I would bring this bill. And again, I think that we as a committee obviously have to be diligent to be fiscally responsible and, and make sure the state's in a good place, but I think we got to do something because we have folks here today that are going to explain why this is so helpful. So I, I appreciate that.

**von GILLERN:** Thank you. Other questions? Seeing none, thank you for your opening, and we'll ask Senator Andersen for his opening on LB425. Welcome.

**ANDERSEN:** Thank you, Mr. Chairman. Good afternoon, Chairman von Gillern and members of the Revenue Committee. For the record, I am Senator Bob Andersen. That's B-o-b A-n-d-e-r-s-e-n, and I represent District 49, northwest Sarpy County in Omaha. Today I'm introducing LB425, the Veterans Exemption for Tax Support Act, otherwise known as the VETS Act. The VETS Act would expand the eligibility of disabled veterans to qualify for the homestead exemption. The bill would qualify veterans who sustained service-connected injuries or conditions that render them 80-90% disabled as determined by the U.S. Department of Veterans Affairs. These veterans would receive an exemption to their property taxes that is equal to the disability percentage. For example, if they were 80% disabled, then they would get 80% relief on their property taxes. As a veteran of 21 years of service in the United States Air Force, I understand the significant impact military service has on an individual and a family. My purpose for introducing LB425 is to recognize and honor the significant sacrifices military members make on a daily basis. Military veterans are an extraordinary group of professionals who are an unrealized treasure in our great state. I want to encourage, encourage military veteran families to stay in Nebraska. We recognize the tremendous opportunities available here, and the Legislature aims to incentivize these families to stay and raise their children in our great state. By offering disabled veterans property tax relief that corresponds with their service-connected disability rating, we can genuinely demonstrate our commitment, providing relief to those who have sacrificed so much for our state and our nation. I believe all of my colleagues in the Legislature acknowledge the sacrifices and want to support military veterans to the greatest extent possible. One of the greatest hurdles to expanding this exemption is the significant cost in this, in this fiscally constrained environment. Senator Dungan and I are introducing very similar bills, but have taken different approaches. As I have said, my bill expands the homestead exemption to those with a disability of 80-90%. LB272, introduced by Senator Dungan, and extends the Homestead Exemption Act-- or an exemption to disabled veterans at a 10-90% rating. Although I'd like to extend the exemption to all disabled veterans, I don't believe it's fiscally viable. The estimated cost for LB425 based on the fiscal note is approximately \$19.5 million, while LB272 is approximately \$63 million, although that may be debatable based on Senator Dungan's comments. So I'd like to thank you for your time and consideration. I believe there are a number of testifiers behind me that are willing to answer your questions, but I'm willing to answer any questions you have at this time. And Senator Jacobson, I'll start with you, your question about

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the, the disability. According to the VA, it doesn't really matter whether they have--

**von GILLERN:** Could we silence cell phones, please? Thank you.

**ANDERSEN:** The, the disability rating can be established and modified and changed, increased or decreased, as time goes on. And that said, there has to be a service connection to what the injury was sustained-- disability is, but it may not actually present itself for years later. So it's not uncommon for the VA to come back and say, yes, you had this, this, this problem before. You didn't have any, any disability because of it, but now you have a difficult time walking, standing, whatever it happens to be. So it can be assessed at any different time, but they are all assessed by the, by the VA.

**von GILLERN:** Thank you. Questions? Senator Jacobson.

**JACOBSON:** Yeah, and I, I know my dad ended up having hearing loss, and it was really associated with his service and, you know, not wearing earplugs when firing guns and that kind of thing.

**ANDERSEN:** I'm sorry.

**JACOBSON:** And so I, I, I understand that. I think that, that makes sense. I think as we look at all of the different classes of homestead exemptions, you know, you could qualify being over age 65 and, and having a certain income limit-- being under a certain income limit and having a home value that's capped. I think on the veterans, there are no restrictions on income and no restrictions on home values. Is that correct?

**ANDERSEN:** That's correct.

**JACOBSON:** I know when I looked at this originally, I looked at is there a way to lower that fiscal note by perhaps putting an income cap and/or a, a property value cap that would maybe allow for dollars to be shifted, to make sure that we can provide those are most in need and make sure that we don't have some that probably could afford the, the property taxes to not, to not be having the exemption. I know it's always hard to take something away from someone. Have, have you considered that at all?

**ANDERSEN:** Actually, I did. I looked at the, the income that was given in previous bills-- Senator Day's bills. And actually, if you look at the-- where the cutoff is for qualifying for a homestead exemption, it was approximately \$55,700. So then I went to look to see, to see what

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the average median income is across the state. I used Omaha on one end of it and then North Platte on the other, which I think is your district. In Omaha for a two-person household, the median income was \$86,000. If you look at North Platte, a two-person household, the median income was \$81,000. So what that showed to me was that nobody would qualify for any homestead exemption while using that as one of the determinants. And that's why I removed it, because I-- one, I, I didn't think was relevant, and I didn't think it was accurate to represent the population at large.

**JACOBSON:** And, and, and for the record, I think my concern was-- wasn't that it would be the same number, because otherwise you wouldn't need a special veterans carve out. You'd just qualify under the regular exemption. My thought was if, if Warren Buffett had, had served in the military and was dis-- disabled, I don't know that we should be giving him a homestead exemption. So I, I-- Warren's probably on the higher end, although I think his income's only about \$1, so--

**ANDERSEN:** Yeah, his taxable income.

**JACOBSON:** And so, I think he'd still qualify. But, but-- so my thinking was that if you move that property value significantly higher, the income significantly higher, and then just took out those people that pay [INAUDIBLE] if you're going to give it to me for free, I'll take it. But, you know, I'd rather have those dollars go to somebody that's partially disabled that's getting nothing.

**ANDERSEN:** Yeah, I try-- I, I struggled with that to try and find a coherent way to apply it, and it all each kind of depends on what the intent is, as well. And my intent was really to honor the service and sacrifice of these people that came back and they were broken to different extents, and, and to help them heal in the only way that we can. And in this case, financial, the homestead exemption is a way we can. Regardless of how much money they make now, they still are broken to the same level they were when they came back from whatever combat zone they were operating in.

**JACOBSON:** Thank you.

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

**SORRENTINO:** Thank you, Chairman von Gillern. To, to follow up on Senator Jacobson's comment, I see why income would be a slippery

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slope, but maybe home value? That's part one. And part two, do you feel that really Senator Dungan's bill is appropriate in its approach and the only reason yours is different is sensitivity to the fiscal note? Is that really the big difference?

**ANDERSEN:** Yes. To be frank with you, yes. You know, if-- as I discussed with Senator Dungan yesterday in his office. If I thought that his bill would pass even with a large fiscal note, I would vote for it. Right. I mean, I would like to have all veterans who came back with any level of disability to get some kind of relief in, in reward and thanks for, for their service. I just don't think that \$63 million is something that's really going to pass muster in the, the environment we're in right now. So I went back and looked at it and said, OK. We gotta have a starting point, we can do things in increments, and let's figure out how we do that. So I chose the, the most disabled end, and said, OK, 90 and 80.

**SORRENTINO:** With sort of respect to-- if we forget about we don't care how much money you make now, as you had pointed out, you're broken, what about a relatively high cap on property value, whatever it might be, \$100,000, \$200,000, whatever it might be, or the reduction is only up to that level, or you're not qualified if you're living in a \$3 million house? Just curious, because it would bring it down a little bit.

**ANDERSEN:** Sure. You know, Senator Sorrentino, I, I guess it gets back-- like I said earlier, it gets back to what your intent is. If, if your intent is to give money away to people that, you know, that don't have a nice house, but, but not give a homestead exemption to people that have a nice house that have worked hard and everything else? I just don't know. I think you kind of muddy the waters when you put multiple clarifiers on it. As opp-- and that's why I've tried to make it a kind of one-dimensional issue, and say, if you came back, you served your country and sacrificed, and you came back broken and disabled-- sorry I used that term. I hope it's not offensive to anybody. But if you came back and you were disabled, then we want to recognize that, reward you, help you, thank you, and we want to encourage you to stay here. I tell you what, the, the military families and the environment are the people that we really want to keep here and we want to cultivate. Because when they retire-- typically, they retire around 40 years old, so they got another 20 years to give. They're usually educated, disciplined. They're leaders. They have families. They come to work. I mean, they do all of these great things. In this environment, we have workforce challenges. We're looking for exactly those kinds of people, but we're not doing

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anything at this point to try and incentivize them to stay. Now, I know that's not the main, the main issue in here about the disability-- about the disability, but it is a factor. Because I'll tell you what, after 21 years in the Air Force, when I retired-- now, I wasn't going anywhere, because my wife's, you know, born and raised in Omaha, Nebraska. I wasn't moving anywhere. But for most people-- I've lived all around the world. I lived in Germany, I lived in Japan, I lived in Texas, California, all over the place. I could easily relocate to South Dakota, Texas, Florida. You know, it's no problem. It's just one more move out of the last, you know, 8 or 10. So I think we really need to have a focused effort on how do we actually tap into this jewel of a culture called the military veterans.

**SORRENTINO:** Thank you. I appreciate you and Senator Dungan bringing this to our attention. Thank you.

**von GILLERN:** Any other questions? You sure it's not the weather keeping you here? Thank you for your opening. Thank you for your service.

**ANDERSEN:** Thank you, sir.

**von GILLERN:** Appreciate that.

**ANDERSEN:** Yeah.

**von GILLERN:** We'll invite up the first proponent for LB272 and/or LB425. And again, if you would please clarify if you're testifying on behalf of both bills or one or the other. Good afternoon.

**LANCE MOLINA:** Good afternoon, members of the Revenue Committee. My name is Lance Molina. For the record, that's Lance L-a-n-c-e, Molina is M-o-l-i-n-a. I come before you not representing any organization, but as a Nebraska resident, lifetime resident, and a disabled veteran of the United States Air Force in strong support of both LB272 and LB425, introduced this session. This is the third time I have been before this committee to voice my support for a bill of this nature. Expanding the homestead exemption is very important to disabled veterans. Unfortunately, under current Nebraska state statute, a majority of disabled veterans do not qualify for an exemption. Under current state statute, it's all or nothing based upon a 100% disability as determined by the Department of, of Veterans Affairs. The Department of Veterans Affairs and federal law do not take this same all or nothing approach to veterans disability as the current Nebraska state statutes do. Also, it should be noted that three

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neighboring states to Nebraska: Iowa, Kansas and Wyoming, all provide for a homestead exemption for disabled veterans under the 100% mark. A total of 20 states allow homestead exemptions for those veterans under the 100% mark. When I first came to this-- before this committee regarding this issue, my yearly property tax was \$3,784.20, while this year my property tax is \$4,562.49. This is a 20% increase in my property tax. There have been years when my property taxes increased by 17% per year, while my COLA CPI-W only increased 2.8%. Currently, local property taxing entities are receiving 15.2% of my VA income. With current local government spending, this number will continue to rise. Under current state statute, only those with 100% disabilities qualify for homestead exemptions. This does not take into account the method the VA uses to calculate the total combined ratings. Using my case as an example, I have five ratings. Those ratings are 50%, 30%, 20%, 20%, and 20%. If you were to add those numbers up, it equals to 140%. However, the VA prorates these disabilities for a combined rating of 80%. Because of this, it is nearly impossible to qualify for a homestead exemption under current Nebraska law. Disabled veterans fought for this country and as a direct result of their service, suffered an injury that created an ongoing disability. Unfortunately, Nebraska state statutes not fully acknowledge those disabilities by only accepting a veteran who has lost the use of or has undergone an amputation of two or more extremities, or has undergone an amputation of one or more extremities and has lost the use of one or more extremities, or is a blind veteran, or currently has a 100% total rating. This current statute does not acknowledge current disabilities under current actions that we've had in the past two decades, such as the effects of traumatic brain injuries, other mobility issues, PTSD patients, and countless other medical conditions that are a direct result of military service. Veterans have also earned and use a VA benefit for their home purchases. This is the VA home loan. Many disabled veterans are often missing out on this benefit simply because the property taxes are disqualifying for their mortgage-- disqualifying them for mortgages with a high percentage of their disability incomes going just to property taxes. With previous bills that went before this-- before this Legislat-- before the Legislature, they have all unanimously passed to Select File. The reasons that these bills did not advance further was that they were held up in the committee, so they ran out of time. I strongly urge this committee to advance this bill out of this committee as soon as possible, preferably today, so that veterans can finally receive the relief they deserve. It is time to finally pass a worthwhile piece of legislation that will finally, truly thank disabled veterans for their service. Not passing this bill adds another injury to disabled veterans who

have already given a great deal of sacrifice to their country, their state, and the people of Nebraska. That is my-- end of my prepared remarks. I did have some answers to Senator Jacobson's questions and to Senator Sorrentino's.

**von GILLERN:** If you could hold, hold just one second, Mr. Molina. Hang on. Just one second. Let-- let's just-- we'll go into the question--

**LANCE MOLINA:** OK.

**von GILLERN:** --phase now. Are there any questions? Senator Jacobson, did you have a question?

**JACOBSON:** No, thanks.

**von GILLERN:** All right. I will ask you a question. Did you have anything else you'd like to add?

**LANCE MOLINA:** Yes. There was a question that Senator Jacobson had asked the previous introducers, and that was how can we pay for this? I did present a card to all of you that does show the difference of how much my property taxes increased compared to COLA. So I ask right back, how do I pay for this? So over the last 8 years, my property tax has increased-- has outpaced the cost of living adjustment 8 out of-- or 6 out of the last 8 years, 75% of the time. Since 2018, my property tax increased 46.73%. COLA only increased 22.01%. That means for every dollar that my VA benefits have gone up, the property taxing entities have taken \$2.12. The other answer to Senator, Senator Jacobson's questions was income. I, I asked the question of-- income for VA is, is kind of-- it, it-- it's kind of a flat part of it. The reason why I say that is you have some wealthy individuals that are currently seeking or have currently received massive tax benefits, such as TIF financing. In my community, the Nebraska Crossing outlet mall received \$10.85 million.

**von GILLERN:** OK. All right. We're, we're well beyond the question.

**LANCE MOLINA:** Yeah.

**von GILLERN:** So-- all right.

**LANCE MOLINA:** OK. And then Senator Sorrentino's was the, the fiscal note. I do think that fiscal note is rather high compared to what it is. Comparing-- looking at the 2-- \$19.4 million and \$62 million, looking at some others that are larger projects that looks like they

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were in the 13 category. So I think that this fiscal note is rather high.

**von GILLERN:** All right. Mr. Molina, thank you. Senator Jacobson.

**JACOBSON:** I, I do have-- I do have one question, I, I guess-- I, I hear everything you're saying. I would tell you under the homestead exemption-- and correct me if I'm wrong, Senator von Gillern-- I believe currently, the fiscal note is about \$162 million a year that we pay in homestead--

**von GILLERN:** I'll take your word for it.

**JACOBSON:** --exemptions in total.

**LANCE MOLINA:** Looks, looks like there's--

**JACOBSON:** And, and this-- I, I-- I'm-- I just want to-- I'll let you respond, but I just want to frame this from the standpoint that-- so we've got a number of retired people, elderly people, that are receiving homestead exemptions, some who are not for different reasons, that also are seeing property tax increases outpace what their Social Security is, which is under the same formula that you're looking at, and are losing their homes. So, this is a problem that doesn't just impact veterans. And I'm very sensitive to veterans, but I'm also sensitive to those elderly people who have no other sources of income. So I think the Legislature is trying to strike a balance between how we best do this. And I don't know whether you have any suggestions in terms of the changing the mix in total of the 160, and you add this, you're at \$200 million a year going to homestead exemptions. And oh, by the way, once you're on a homestead exemption, as those property taxes go up, the state will pick up that tab. So do you have any suggestions for how we could change that, either shifting it or otherwise? Do you have any solutions other than appropriating more money?

**LANCE MOLINA:** Well, the number one thing that I would strongly recommend to consider is to capping all increases of spending for local governing, governing agencies. I mean, for instance, in Gretna, where I live, we had a quarter of a billion dollar bond that was passed.

**JACOBSON:** But in, in, in fairness, that's local property taxes.

**LANCE MOLINA:** Correct.

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**JACOBSON:** That's not state funds. So the state's picking this up. So anything from a state standpoint?

**LANCE MOLINA:** I would also recommend then, to introduce some legislation that would cap the amount of increases in that property valuation, because that would increase that price.

**JACOBSON:** Once again, that's local property tax numbers. That, that doesn't impact the state. But what I'm--

**LANCE MOLINA:** OK.

**JACOBSON:** --asking for is we're doing a state appropriation. We're reimbursing the counties for the homestead exemptions that are granted.

**LANCE MOLINA:** Yes, sir.

**JACOBSON:** And, and the state picks up that tab. And so with all of the classifications of people receiving homestead exemptions, what I'm trying to figure out is, do you have any solutions to or suggestions on how we could re-- rework the homestead exemption for everyone, to be able to help fix some of the problem we're looking at here for partially disabled veterans?

**LANCE MOLINA:** What I would say-- I, I, I do believe that your, your suggestion of capping the property value is probably going to be a, a very strong supporter of that. For instance, my home is only worth about \$250,000, give or take. It's an average home. However, in my city, there are people that are building million-dollar homes. Obviously, they would not need that, that-- if they're able to afford that million-dollar home.

**JACOBSON:** Well-- and yeah. And for what it's worth, I-- of-- with the other people, nonveterans, there already is a property value cap and an income cap. And there-- that doesn't apply to veterans. So I think when Senator Andersen and I first talked about this, I had suggested perhaps looking at, on the veteran category, that we set some kind of a much higher property value cap and/or income cap. And perhaps that would lower the fiscal note to be able to help those that are partially disabled.

**LANCE MOLINA:** I would agree with, with mirroring the property value cap with what's currently in statute with the disabled veteran side of it. I think that would reduce, potentially, the, the fiscal note.

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**JACOBSON:** Thank you. Thank you. No, I appreciate that. Thank you.

**von GILLERN:** Thank you for the questions. All right. Seeing no other questions, thank you for your testimony. Thank you for your service.

**LANCE MOLINA:** Thank you, sir.

**von GILLERN:** Next proponent. Good afternoon.

**SPIKE JORDAN:** Good afternoon, Chairman, senators of the Revenue Committee. My name is Spike Jordan, S-p-i-k-e J-o-r-d-a-n. I'm a sixth-generation Nebraskan and Marine veteran of the war in Afghanistan. Today, I have the great honor and distinction of serving as the County Veterans Service Officer for Sioux and Dawes Counties in the northwest Panhandle. I drove seven hours to support these bills today. Both these bills would expand the homestead exemption to cover the partially disabled veterans. We've already heard that. There's a lot of veterans in this room that have been fighting for this for years. And I would like to thank Senators Dungan and, and Andersen for bringing these bills. For those unfamiliar with what a veteran service officer does, my counterparts in the other 91 counties and I go and try and cajole Uncle Sam to make good on the promises that he made to the nieces and nephews that we send to fight wars on our behalf. We joke that we're-- when we're in the service, we're government property, but in reality we were under lease, and the government is liable for injuries that we incurred during our active duty service. And if they cannot make us whole, they owe us financial compensation for it, and that's where the monthly disability payment comes from. Diligent as my peers and I try to be, we still face challenges getting veterans to qualify for the homestead exemption program as it exists today. The average disability rating for disabled veterans across the state is 30%. That's not saying all veterans are 30% disabled, but that's the average. There's quite a lot of work and evidence that you need to show the VA before they will rate a veteran at 100%. I have quite a few veterans that are clients of my office that are at 90%, and they've been hanging on that ledge for several decades. If the veteran owns their home, a sizable chunk of that monthly disability compensation they receive from the federal government will be eaten up by the property taxes. In, in my opinion, that's kind of immoral. And our society probably shouldn't accept that, but we continue to. And the thing that has sank these sort of bills in the past, as, as previously mentioned, is this widely-- wildly inflated fiscal note. These estimates are drafted liberally so that we don't pass unsustainable measures that, you know, threaten a lean and conservative budget, and I appreciate that in the principle. The

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practice, I think, is sometimes different. And I realize with a looming budget fight on your hands that this is a heavy ask at this time. But I would ask you to consider how peculiar it is that as a country, we can always go and find the funds to send these men and women into harm's way. And then whenever they come home, we rally around and protect the pocketbook, whenever it comes time to compensate them for the sacrifices that they made that secured our way of life. With that said, I'm able to do 20 questions with you all if, if you want to. I've, I've got a bit of experience as a veteran service officer, and so I would be happy to entertain any questions you have for me at this time. Thank you.

**von GILLERN:** Thank you for your testimony. Questions from the committee? I just want to thank you for driving as long as you did, for standing up for your comrades, and for all you did, for all you continue to do. My son was in the Marine Corps and was in Afghanistan, so--

**SPIKE JORDAN:** Semper fidelis.

**von GILLERN:** --I'm more familiar with the level of sacrifice that it takes than I wanted to be, but thank you for what you've done. Appreciate you being here today.

**SPIKE JORDAN:** Thank you. Thank you for your son's service.

**von GILLERN:** Thank you.

**SPIKE JORDAN:** Thank you, Senators.

**von GILLERN:** Yeah. Next proponent. Good afternoon.

**JON CANNON:** Good afternoon, Chairman von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials. You may have heard of us referred to from time to time as NACO, here to testify in support for both LB272 and LB425. I'd like to thank Senators Dungan and Andersen for bringing the-- both these bills. I-- I'm-- for one, homestead is a very popular program in the, in the counties. It's the only time that people are happy to go into the county assessor's office. But more than that, though, I, I wanted to-- it gives me the opportunity to, to describe how the homestead exemption program works in, in practical terms, because there's-- as you've noted, there are a lot of moving parts for, for this. And so, fundamentally, homestead exemption is targeted property tax relief. We target those people who are traditionally on a-- on

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some sort of a fixed income or more likely to be on a fixed income, and so your main categories are over age 65, disabled veterans, and totally disabled individuals, and that's reflected in the category ratings that we have throughout our statutes. The homestead exemption process starts with an application with the assessor. The assessor verifies ownership and occupancy because that's what, what our constitution requires. And they also determine what the value for that property is. And, and the, the value, we've had a lot of conversation about values for, for particular properties. So it's not like we have a value cap at \$100,000. What we do is we determine an average assessed value for single-family residential in each cou-- in each county, and then the homestead exemption, depending on your category, is going to be a percentage of whatever that average assessed value is. And so, for the main categories of, of totally disabled veterans and totally-- or totally disabled veterans, nonservice-connected disabil-- disability, or disabled individuals, or persons over age 65, I believe it's 225% of that average assessed value of single-family residential. I, I, I-- I'm not going to get the statute quite right. I think it's 77-3508 that, that goes through that. And so that value is determined at the local level, what the value of the property is that's being applied for, for an exemption. And then that application is taken and it's sent off to the Department of Revenue, because we do not want to have income information-- confidential taxpayer income information at the county level, because that's, that's 93 vectors for, for bad actors to, to make mischief. Those applications are sent to the Revenue Department. The counties receive notifications on the exemption percentage from the department by-- on or before November 1. And then on and before November 30, the, the county assessor and the county treasurer certify what the tax loss will be for those exemptions being applied within the county. And then, you know-- and, and of course, a lot of people say, well, you know, counties always like homestead exemption because, you know, the counties are always going, going to be reimbursed. And that is true. I, I-- I'm, I'm not going to sugarcoat that. The reimbursement part, part of it is, is essential. However, one of the, the hidden aspects of the homestead exemption program that I, I think is very critical when we're talking about why the homestead exemption is preferred, is because it has the salutary benefit of holding the levy down. Because we're-- we are levying property taxes against the whole amount of value for those homestead exemption-- exempt properties, but also every other property of the county. And so ordinarily, if the property is exempt, then that value isn't certified and we're levying against everything else, and that would drive a levy up. When you're levying against the whole amount, that will, that will-- has the benefit of driving the levy

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down. And so that's one of the reasons that, that we actually like the, the homestead exemption is because instead of levies going up-- and we have a 50-cent constitutional limit at the county level-- they're actually held down a little bit by-- through that, that reimbursement process. I do want to note, the fiscal notes that were submitted by NACO for both two-- LB270 [SIC] and LB425, they are identical, even though the bills are not identical. And I, I want to apologize for that. We had a lot of fiscal note requests and that's not an excuse, but we essentially submitted the same note and we, we did not intend to do that. We are working on a revised fiscal note. I, I think our, our note for LB272 is-- it is acc-- that's the accurate one. We didn't get to the 80% disability. Our, our rough back-of-the-envelope estimate is that it's probably about a \$15 million fiscal impact to the state, as far as reimbursements are concerned. Again, I would urge you to advance both of these to the floor. I think it's a very good conversation for us to have, and I'm happy to take any questions you may have.

**von GILLERN:** Thank you. Mr. Cannon. Could you clarify that last part? The LB425 fiscal note you think should be what?

**JON CANNON:** I, I, I think, and this is-- don't-- please don't hold--

**von GILLERN:** No, no, no, no.

**JON CANNON:** It's a good thing I'm not under oath. I, I think that's about \$15 million.

**von GILLERN:** Well, you're on record, though. You know that.

**JON CANNON:** Well, that, that creates a chilling effect, sir.

**von GILLERN:** Just asking you to repeat what you already said.

**JON CANNON:** Sure. It, it-- we est-- right now, it's a rough estimate of probably about \$15 million.

**von GILLERN:** 15, 1-5?

**JON CANNON:** Yes, sir.

**von GILLERN:** Over the cost of LB272.

**JON CANNON:** No, sir. So LB425 would have a lower cost because--

**von GILLERN:** Oh, 420-- got it. OK. I'm sorry.

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**JON CANNON:** --because you're limiting-- yeah.

**von GILLERN:** All right.

**JON CANNON:** We, we, we think and I, I want to verify that first. And we'll-- and we will resubmit the fiscal note.

**von GILLERN:** OK. All right. So we'll watch for the resubmission. Thanks for the clarity.

**JON CANNON:** Yeah.

**von GILLERN:** Then I know-- I know that you'll know this number. What-- and I should know this number, and I will know it from here forward. Could you remind us, what does the state pay out in homestead exemptions annually?

**JON CANNON:** I, I don't have last year's number.

**von GILLERN:** OK.

**JON CANNON:** Recently, I, I, I believe it was about \$130-some odd million.

**von GILLERN:** OK.

**JON CANNON:** I mean, it's a, it's a significant amount.

**von GILLERN:** OK.

**JON CANNON:** And actually, it looks like you're going to get a much more accurate number.

**von GILLERN:** Looks like 142. So, I wasn't, I wasn't trying to trick you. We were both-- we were scrambling to look it up at the same time. So. OK. Thank you very much. Any questions? Senator Jacobson.

**JACOBSON:** I would ask you probably the same question I asked an earlier testifier. You obviously understand homestead exemption inside and out. As I have continued to work on-- in the past-- on these veteran bills to try to get homestead relief, the-- I'm, I'm looking at all of the different homestead exemptions that are out there. And I'm just curious, as you look at the program from your viewpoint, do you see some fixes that we could do with the program itself that might create some fiscal relief to allow more dollars to shift to veteran relief?

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**JON CANNON:** Sure. Great question. And, and frankly, it gets to really, the fundamental power of, of the Legislature, as far as how this homestead exemption program is administered. One of the things that I frequently talk about is that we have these sliding scales for both value and income. And so if your, if your value is more than the, you know, the 225% of the average assessed value of single-family residential-- try not-- don't say that five times fast if you can help it. You know-- and we also have a sliding scale based on income that, that is certified by the Department of Revenue. Those, those scales can be adjusted. And so, if-- and, and oh, by the way, because they are, they are specific to individual categories, if you-- if the Legislature wanted to create a very specific category for disabled veterans, in its, in its own separate statute, they can. And that can have its own income scale and valuation scale.

**JACOBSON:** And, and just to make sure I understand what you were telling me earlier, that the counties are going to figure out what the property values are and, and-- but then you're saying that then the applications are sent to the Department of Revenue to confirm the income, income side?

**JON CANNON:** Yes, sir.

**JACOBSON:** So as it relates to setting up parameters that are both income driven and property value driven, that shouldn't be an extra burden for county officials to administer.

**JON CANNON:** No, it would not, sir.

**JACOBSON:** I-- and I, again, I know you're familiar with this, but I-- I've had a situation in Lincoln County, where elderly person lost her husband, lived in a house forever out on the lake. That was before everybody wanted to live at the lake. So she lost out on her homestead exemption. She's living on Social Security. But the value of a vacant lot out there today is \$500,000, so it blew her out of the water in terms of-- literally-- in terms of her property value. So she's no longer entitled to any homestead exemption. So there's, there's a lot of pieces to this. And I think what we're trying to balance is making sure the people that are most in need get relief. And then we've got to balance that with what the overall cost is to the state to, to make that happen. And of course, if the counties would like to pick up, say, 10% of it, you know, we'd be more than happy to see that happen. That would give us some relief, too. So--

**JON CANNON:** You know--

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**JACOBSON:** --just [INAUDIBLE] a suggestion.

**JON CANNON:** Well, and, and I, I-- actually, I appreciate that because of the nature of how homestead works, it-- and it allows me the opportunity kind of explain it a little bit further. We're certifying values and we're certifying an exempt amount, and, and we're providing an exemption based on an exemption as of a date certain. And we are-- when we're, when we're setting our, our budgets and we're setting the property tax requests, those all come before we get the certifications from the Department of Revenue. And so a 10%, a 10% exemption off the top that the counties are picking up. And, and I'm, I'm not saying that it's, it's a, it's a, it's a disfavored idea, but it would automatically create a hole in the budget because that's something that was accounted for on the levying side and then not picked up on the reimbursement side.

**JACOBSON:** It could be 9. I mean, I'm just-- I'm not--

**von GILLERN:** Thanks for your flexibility. Any other questions from the committee? Seeing none, thank you, Mr. Cannon.

**JON CANNON:** Thank you very much.

**von GILLERN:** Other proponents? Hop on up. Pretty sure you're on the same team. Good afternoon.

**BOYD YOCHUM:** Hi there. I'm Boyd Yochum. I'm the American Legion Department of Nebraska Commander. I represent 27,000 Nebraska Legionnaires. We support LB272 and LB425. In just visiting with guys, we wanted to be real clear that the percentage of service-connected disability is mentioned, not just disability. And that's really all I got. Thank you.

**von GILLERN:** Thank you for being here. Pardon me? Could you spell your name for the record, please?

**BOYD YOCHUM:** Y-o-c-h-u-m.

**von GILLERN:** And first name?

**BOYD YOCHUM:** Boyd, B-o-y-d.

**von GILLERN:** Thank you. Any questions from committee members? Seeing none, thank you for being here.

**BOYD YOCHUM:** Thank you.

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**von GILLERN:** Thank you for your service, sir. Next proponent. Good afternoon.

**KENNETH YOUNT:** Afternoon, Chairman Gillen [SIC], members of the committee. Good afternoon. My name is Kenneth Yount. That's K-e-n-n-e-t-h Y-o-u-n-t. I am the state commander of the Department of Nebraska Veterans of Foreign Wars. I'm here to speak in support of both LB272 and LB425. Both of these bills have-- you know, would go a long way in showing support to our veterans and, and their families and respect to their service. And we're talking about disabled veterans here, we're not just talking about veterans that did their time and came home. I've, I've listened to quite a few testimonies and heard some great testimony. And I think that while there's always a fiscal note and I appreciate the, the point of this committee addressing that and trying to drive that point home, I also want to drive home Senator Andersen's point that this is another way to keep our veterans here, not just retirees like myself, like Senator Andersen, like so many of us. But we fought that fought-- fight for our, our retirement pay, and we had to drive the, the point home then. But I think that what the committee also needs to take a look at is this is just one more reason not to come home. I retired after 27 years in the Army at Fort Leonard Wood, Missouri. If I would have done my studies and played by the numbers only, my wonderful hometown of Ravenna, Nebraska, I would have never-- I would just continue to visit every three years because it made no sense for me to retire and come home. In 2012, my retirement was taxed by this state. My-- the property taxes, you know, was a problem in this state, and, you know, we're, we're only offering it to 100% disabled. So once again, I've had great conversations with the governor about doing more for veterans in this state. And this is one small measure that we should be doing to benefit our veterans and their service, especially coming home disabled-- to their hometowns. But not just to the veterans, because this bill also addresses-- could be passed on to the widows. You know, if, if they're under the age of 57-- over the age of 57-- under the age of 57, not remarried, over the age of 57 even if they're remarried. Once again, sort of helping that situation you were talking about, Senator, this would actually be able to transfer to the spouse. So I, I, I think that recognizing the family members and passing that-- keeping that verbiage in the bill would allow that to pass and that would help exempt that situation. Once again, we're, we're stuck with the financial note. I, I understand that. And that's the reason why Senator Andersen is, is trying to get the foot in the door with 80 to 90. But the reality is, is as a state commander, I, I have to address the needs of the 10, 20. Let's, let's address the needs of all

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the veterans who are disabled. So, yes, I, I support both bills. But make no mistake, the VFW, the Veterans of Foreign Wars of this state, we, we want to see it eventually encompass all of our disabled brothers and sisters and their families. Let's not forget the silent ranks. I would entertain any questions from the committee.

**von GILLERN:** Thank you for your testimony. Any questions from committee members? Seeing none, thank you for being here today.

**KENNETH YOUNT:** Thank you.

**von GILLERN:** Thank you for your service.

**KENNETH YOUNT:** Thank you.

**von GILLERN:** Next proponent.

**MELISSA ALLEN:** Good afternoon.

**von GILLERN:** Good afternoon.

**MELISSA ALLEN:** My name is Melissa Allen, M-e-l-i-s-s-a A-l-l-e-n. I'm here today to represent the DAV, Disabled American Veterans, state of Nebraska, and also the Nebraska Veterans Council, which is the legislative voice of all nine veterans service organizations in Nebraska. I want to thank Senator Dungan and Senator Andersen for proposing the legislation. I was a little prepared to testify on both of these bills, so I'll try and put it all together. I want to start that I'm a proud veteran, and I come from a family that has served in every conflict in the United States since the Revolutionary War. So being a veteran in my family is a, is a big deal. So I want to thank Senator Jacobson. During another testimony, you had asked the question, any suggestions to fix these numbers? So since I have watched legislation on this fail for six years now, my testimony is going to come from a little different point of view. Some-- unfortunately, some of these numbers will fix themselves within the, the fiscal note. So I believe that most often the fiscal note on the homestead exemption bills are written under an assumption that our estimated, estimated veteran population owns their own homestead. What it doesn't include is that total number of veterans in Nebraska, how many are homeless? How many live in a long-term care facility? How many veterans that rent their primary residence? That is not included. I know that DAV, DAV had done some studies and was thinking about 30% of that population in Nebraska is not owners of a homestead. We also need to include a projection of our veteran population over the future years. Unfortunately, our veterans population in Nebraska is greatly

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reduced each year. This includes the mortality rate of our aging veteran population, as well as lower numbers of total military force each year within the U.S. armed forces. If you looked at one of my attached reports, it shows estimated numbers projected over the next 10 years. So over the next 10 years our World War II veterans in Nebraska will go from an estimated numbers of 885 to just less than 10. Our Korean veterans will go from estimated numbers of 4,854 to only 351. Our Vietnam veterans will go from estimated numbers of 35,793 sadly, to only 19,711. May God bless each of these American and Nebraskan heroes. So as you can see, most of our veteran population does not have the time to wait each year for this legislation to pass. Like I said, I've been watching this already for six years. One more thing I want to note is that we take into and account the number of veterans and recently separated military members that choose to leave Nebraska to a more veteran-friendly state. We've always heard from our government, we want to make Nebraska the most friendly state in the nation for our veterans, or we need to explore more ways to keep our current military veteran population in Nebraska. This would be an amazing step for Nebraska to move towards those top 10 lists that I always look at, in terms of benefit, exemptions, altogether. So on the third chart that I showed you, it's the large number of states that offer a property tax exemption for some veterans that don't even have a rating, and then the number of states that give an exemption for veterans that are not 100%, so between 10 and 90%. We thank you for your consideration on this legislation and for allowing DAV and Nebraska Veterans Council to participate. Mr. Chairman, this concludes my testimony, and I would be pleased to try and answer any questions you may have.

**von GILLERN:** Thank you for your testimony. Senator Jacobson.

**JACOBSON:** Thank you. I'm intrigued by your numbers, and I don't disagree with, with the analysis that you're making there. What would really be helpful, I think, is first, let's understand that the Fiscal Office, that is far from an exact science.

**MELISSA ALLEN:** Right.

**JACOBSON:** And they make their-- develop their fiscal notes based upon the information that they have available. And if they don't have the best information available, they just have to impute something.

**MELISSA ALLEN:** Right.

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**JACOBSON:** What would be very helpful, where, you're heading up the DAV, for you to drill down deeper into these numbers and perhaps provide that information to the Fiscal Office, in terms of-- you know, we look at the disabled veterans. Well, you also have spouses. And so they're going to be able to take over that exemption. If they are, that's an important part of the calculation. But if the fiscal note-- and, and again, fisc-- right or wrong on the fiscal note, that's all we've got to work off of. When we go to the floor, and the governor-- and, and we're putting the budget together, nobody-- at that point, it doesn't matter whether we agree with the fiscal note. That's what we have to work with. The, the-- when you look at the Revenue Forecasting Board, we often don't agree with their revenue forecasts, but they've taken the best information available and they impute it, and we're sitting here now with a negative budget projection, largely because the fi-- the, the Forecasting Board significantly cut revenue projections.

**MELISSA ALLEN:** Mm-hmm.

**JACOBSON:** And that's why we're looking at that shortfall. So I think to the extent that we can get really good data to back up the, I think, the assertions that you're making, that would be very helpful--

**MELISSA ALLEN:** OK.

**JACOBSON:** --in terms of any legislation as it relates to determining the fiscal note. And not, not just for you, but I think anyone that has concerns with fiscal notes, the Fiscal Office can only work with what they have--

**MELISSA ALLEN:** Correct.

**JACOBSON:** --have to work with.

**MELISSA ALLEN:** OK. Yeah. I would love to work with Levi and the Nebraska Department of Veterans Affairs--

**JACOBSON:** I think that would be great-- very helpful.

**MELISSA ALLEN:** --nail down some of those numbers--

**JACOBSON:** Thank you.

**MELISSA ALLEN:** --for the committee.

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**von GILLERN:** Thank you. Other questions? You provided a map with your information. And there-- there's two areas out kind of in the north central part of the state that are pretty dense. I'm just kind of curious, what communities-- do you know offhand what communities those are? Where there's-- OK.

**MELISSA ALLEN:** I do not, off the top of my head. What was that?

**von GILLERN:** Yeah, interesting that there's a high density of veterans in, in a couple of counties there. OK. Thank you. The information's very helpful. Thank you for your testimony. Thank you for your service.

**MELISSA ALLEN:** Thank you.

**von GILLERN:** Appreciate that. Any other proponents for LB272 or LB425? Seeing none, is there any opponent testimony? Seeing none, anyone would like to testify in a neutral position? Seeing none, Senator Dungan, would you like to close? And then we'll ask Senator Andersen to close. And we had letters-- let me look here. For LB272, we had 8 proponent letters, zero opponent, and zero neutral. And LB425, we had 6 proponent, zero opponent, and zero neutral. Thank you. Senator Dungan.

**DUNGAN:** Thank you, Chair von Gillern. Thank you, members of the committee, for listening to these hearings. Again, I appreciate the opportunity to join these together. I think having a joint hearing is perfect, given that our language is essentially the same in the two bills. But Senator Andersen, like we've talked about, stops at that 80%. I also want to echo, yet again, the thanks to all of our veterans, but especially those who came here today to testify. This has been a long fight. And I know this is not the first time you've been here. I hope it's one of the last. But I understand it's an ongoing process. And so I do really, really appreciate the folks who came a long ways, and, and from nearby as well, to testify, to provide that expertise. I guess I just want to urge caution to the Revenue Committee in general, which includes myself, when we're talking about homestead exemptions. I understand that we find ourselves in a precarious fiscal situation, and I think we're all very acutely aware of that. But I want to make sure that when we start having conversations about homestead exemptions, that doesn't lead to kicking people off. Because the point of the homestead exemptions is to provide individuals targeted property tax relief who have demonstrated either a need or, or a necessity to, to have that property tax relief. And so, I think we're all open to conversations about what this could

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look like moving forward. But I just-- I have a lot of hesitation when we have a conversation about removing people from homestead exemptions that already exist. And I don't, I don't know if that's exactly what's been implied. I'm, I'm guessing it's not. But we have people right now who are receiving this homestead exemption who need it and are counting on it, and want to continue to receive that. And so, we can be fiscally responsible while still ensuring that the individuals who are currently receiving benefits don't have them taken away, because then we're getting into the business of increasing property tax for a number of folks in our community who absolutely have earned the right to have a discount on those property taxes. So I just want to be very careful when we have those conversations moving forward. The fiscal note, as we've talked about, Senator Jacobson, you're completely, completely correct. It's what we have. And I think it's hard sometimes to push back on that. I can sit here and debate the analysis on that. I would tend to agree with a number of our testifiers that both my fiscal note as well as Senator Andersen's fiscal notes are potentially inflated, but that's the Fiscal Office working with what they have. Certainly, I don't think it would be that much money, but I, I would argue that even if it is, it's money that is well spent. And a lot of what we're going to have to talk about this session, probably next session, too, is prioritization, and who we prioritize and what we prioritize. So it's part of a larger conversation, and I am very hopeful that we can continue to include, include this population of folks in our conversations and keep them in mind given the service they've given to our country. So with that, happy to answer any questions, or I can let Senator Andersen also close.

**von GILLERN:** Thank you, Senator Dungan. Any questions? Thank you, again, for your testimony.

**DUNGAN:** Thank you.

**von GILLERN:** And we'll invite Senator Andersen to close on LB425.

**ANDERSEN:** Thank you, Chairman von Gillern and the members of the Revenue Committee. I also want to thank, like Senator Dungan, thank the veterans for coming out and appreciate the fact that you drove seven hours to represent your, your brothers and sisters in arms. And that's, that's admirable, so God bless you for what you've done. And thanks to everybody else that has come out. If you haven't taken a look at the comments on our record, each story shares why this is important stuff for Nebraska. Simply put, the VETS Act is-- offers aid to recognize, honor, and reward the significant sacrifices that military members have made for our great state and for our country.

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Military veterans are, as I said earlier, an extraordinary group of professionals who are an unrealized treasure, this extraordinary group of professionals, within the state of Nebraska. The Legislature wants to encourage military members, their families, and veterans to stay right here in Nebraska. We recognize the tremendous opportunities available here, and this legislation aims to incentivize these families to stay and raise their children in our state. As introduced today, there are two bills, LB425 and, and LB272, which we've discussed, with the same goal but different approaches. The different approaches as we discussed, sometimes the debatable point of the precision of the, the fiscal note is a challenge, but I think as we look and go forward, we'll realize that LB425 is really a third of what LB272 is. So I think when we have the discussion on the floor-- and hopefully each [INAUDIBLE] will advance to the floor, we don't throw the baby out with the bathwater and say it's all too expensive. I think there's a way we can take an incremental step to look at how do we continue to improve the support that we give to the-- to military personnel. Thank you for your time today. And I look forward to working with this committee and to move LB425 to the floor for a-- to engage with the body. And I'll take any last questions you may have.

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

**ANDERSEN:** Thank you, Chair.

**von GILLERN:** That will close the hearing on LB425 and LB272, and that will close our Revenue hearings for the day. Thank you all for being here.