

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 28, 2025

von GILLERN: OK, folks. Welcome to the Revenue Committee. Now, before I make my opening remarks, we are going to juggle the schedule a little bit. Senator Moser's LB479 will go first, and then we will have Senator Kauth's LR12CA. And then the others will be in order. So welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. I serve as chair of the committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a 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 on the table in 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-- 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. Spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally 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 three-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 will have one minute remaining. And when the red light-- 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 part of the process, as senators may have bills to introduce in other committees. A few final items for today's hearings. If-- hearing. 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 outburst or applause, no matter how phenomenal any of the committee members' comments might be, are not permitted. Verbal-- such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position comments 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. 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 will now

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have the committee members with us today introduce themselves, starting on my left.

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

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

JACOBSON: Mike Jacobson, District 42: Lincoln County, McPherson, Hooker, Thomas, Logan, and most of Perkins County.

MURMAN: Dave Murman, District 38. Represent eight counties mostly along the southern border of the state.

von GILLERN: Also assisting us today: to my right is legal counsel Sovida Tran; and to my left is legal counsel Charles Hamilton. And the far left is committee clerk Linda Schmidt. Our pages today will please stand and introduce yourselves.

LAUREN NITTLER: Hi. My name is Lauren. I'm from Aurora, Colorado. I'm in my second year at the University of Nebraska-Lincoln, and I'm studying agricultural economics.

JESSICA VIHSTADT: Hi. My name is Jessica. I'm from Omaha, Nebraska. I'm in my second year at the University of Nebraska-Lincoln, and I'm studying criminal justice and political science.

von GILLERN: Thank you for your help today. With that, we'll begin today's hearings on LB479. Welcome up, Senator Moser. Good afternoon.

MOSER: Good afternoon. Thank you, Chairman von Gillern and members of the Revenue Committee. My name is Mike Moser. It's M-i-k-e M-o-s-e-r. I represent the 22nd Legislative District. Today, I'm introducing LB479, a bill to increase funding for the Build Nebraska Act. Enacted in 2011, the Build Nebraska Act was championed by U.S. Senator Deb Fischer when she was then a senator in the Nebraska Legislature, and it dedicated revenue generated by 1/4 of 1% of the general sales tax rate of 5.5% for the expansion of the expressway system, federally designated high-priority corridors, and the reconstruction of the existing transportation system. The BNA funds became available in 2013. In 2023, I sponsored a bill, LB706, which was folded into LB727, and it, it extended the BNA sunset from 2033 to 2042. The Build Nebraska Act generates about \$100 million per year. This act dedicates 85% of the revenue toward Nebraska Department of Transportation projects and 15% towards city and county roads and streets. In 2016, more than 2,000 Nebraskans participated in a process that identified more than \$8

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billion in potential transportation projects for funding consideration. They were evaluated for their economic and engineering performance and given overall scores. Projects were selected-- and it's in handout number one-- for BNA Next 10 and TIA based on performance scores and other considerations such as geographic location, progress on the expressway and high-priority corridor, corridors, interstate and expressway connectivity, and available supplemental funding. Published in the most recent annual needs report that NDOT shows a need for 1.0-- \$16.9 billion over the next 20 years, which has grown from 1.0-- I-- \$12.5 billion in 2018. The most recent annual Transportation Innovation Act and Build Nebraska Act report, str-- reassessed four very important projects. Pulling from the report, you can see in handout two that these four projects' costs have essentially doubled within just four years, which in turn has caused delaying in these projects. This is not just a Nebraska issue. The National Highway Construction Cost Index graphing tool that my office used to track the costs from 2011-- the start of BNA-- to the most current date available. As you can see, costs have risen slightly year after year. And then in 2020, the costs skyrocketed. Our roads funding sources have not kept pace with the increasing cost associated with road construction. Therefore, we need to increase the percentage of sales tax revenue dedicated to fund the Build Nebraska Act from 1/4 of 1% to 1/2 of 1%-- I agree that's my opinion. According to the most recent Build Nebraska Act fiscal status report, the amount of revenue the department rev-- received year to date was \$102 million and some change. I respectfully urge the committee to advance LB479 onto General File. And I'd be happy to answer any questions you may have. Just one proviso that I don't have in the opening is, this was driven by the report that the Department of Transportation gave to the joint Appropriations and Transportation Committees last December, and they said they were going to be \$150 million a year short in funding. And I understand there's a tug of war in funding that we need to talk about. And this, this kind of puts roads on a little more solid footing should this advance, so. Be glad to answer any questions.

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

MOSER: Sure.

von GILLERN: OK. Thank you. Because I, I def-- we'll have some questions by the time we've--

MOSER: Yeah. Just in case it blows up or something [INAUDIBLE].

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von GILLERN: Well, I'm not anticipating that, but. We will invite up our first proponent. Good afternoon.

TYLER CHICOINE: Hello there. Chair von Gillern, members of the Revenue Committee. My name is Tyler Chicoine, T-y-l-e-r C-h-i-c-o-i-n-e. And I am testifying in support of LB479 on behalf of the Associated General Contractors Nebraska Chapter. I wish to thank Senator Moser for introducing this bill to increase funding for our state's roads and bridges. Over the past 15 years, the Nebraska Legislature has been innovative in addressing Nebraska's infrastructure funding needs. The truth of the matter is our state continues to lag as compared to the needs. Our state's largest asset, its infrastructure, should hold the same commitment we have to other areas of the state government-- but it doesn't, at least financially. We all speak of the importance, but rarely do we make the needs-- not the wants or wishes-- but preservation, maintenance, and inspe-- expansion of our current system a priority. Our highway system is the backbone of economic development, growth, and safety of our constituents and the traveling public. In December, NDOT Director Kramer presented a needs study to your colleagues on the Appropriation and Transportation Committee. This study found that we are \$150 million short in funding on an annual basis and is expected to increase. One reason that we have so much unmet need is that our main revenue source, the gas tax, is generating the same amount of money that it has decades ago. Construction costs have increased dramatically. Many reasons reflect the increase in costs. These include but are not limited to labor, materials, and equipment costs have skyrocketed. Project risks due to utility relocation and environmental mitigation have added additional pressures. Nebraska ranks 25th in the nation in total fuel tax as of January 21-- or, January 1, 2025 at \$0.304 per gallon. As far as some historical figures: January 1, 1995, our fuel tax was \$0.242. January-- excuse me-- January 2020, the fuel tax was \$0.293. July of 2020, \$0.332. That was mainly the-- because of COVID and the variable gas tax increase. And as of January 1, 2025, the highest state in the nation, the gas tax was \$0.6982 per gallon. The Nebraska AGC chapter represents 300 businesses involved in the highway construction industry. I served as the AGC president in 2011 and again in 2022. Our firm, Garcia Chicoine Enterprises, will begin its 46th year in the Nebraska highway construction industry. In 2011, when Senator Fischer unveiled LB84, I testified to this and to the ta-- Transportation Committee on the importance of this bill. When the bill was first proposed, the amount of sales tax set aside for roads program was at 1/2 cent. It was whittled down by-- to 1/4 cent by the opponents. Just think, if-- as this body we would have held firm back then, the Nebraska expressway

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system would probably be finished and we wouldn't be waiting on Highway 275 and 280-- and Highway 81.

VON GILLERN: Can I get you to wrap up your comments, please?

TYLER CHICOINE: Yes. Just one more paragraph and I'll be done.

VON GILLERN: OK. Quickly.

TYLER CHICOINE: I conclude by urging all of you to take serious look at the success of LB84 and how little discomfort it brought to the budget processes and how LB479 will have the same success. The needs of Nebraskans as they relate to the funding of our infrastructure are not and should not be political. It is our duty.

VON GILLERN: Thank you.

TYLER CHICOINE: Thank you.

VON GILLERN: Questions from the committee members? Senator Kauth.

KAUTH: Thank you, Chair von Gillern. What, what is the actual road usage for those projects? So we want to [INAUDIBLE] four projects that were listed-- US-6, US-275, and US-83. What are the actual usage numbers of those?

TYLER CHICOINE: You mean, like, the-- in the number of vehicles per day?

KAUTH: Yeah. So-- I mean, is it, is it something that-- are we making things a four-lane highway that it's actually necessary? Or is it something where it's just going to be a project that we hope will be used eventually?

TYLER CHICOINE: Sure. I-- to be honest with you, that would be a better question for the Department of Transportation. But I can-- you know, it's part of their needs assessment.

KAUTH: OK.

TYLER CHICOINE: Again, these are not wants and wishes. These are the needs.

KAUTH: And I'm assuming they're here behind you somewhere.

TYLER CHICOINE: I don't know if they are today or not.

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KAUTH: OK. All right. Thank you very much.

TYLER CHICOINE: Mm-hmm.

von GILLERN: Thank you. Any other questions from the committee? A quick question. And this is a big question, but if you can boil it down to a quick answer. You mentioned the gas tax several times. And, and no-- I'm not-- no dispersions on LB479 or Senator Moser for bringing this. Is the gas tax a better way to do this or is it just harder?

TYLER CHICOINE: Well, I think-- you know, I think the gas tax is a difficult maneuver--

von GILLERN: I saw about 15 people flinch in the room. Keep going.

TYLER CHICOINE: I, I think that's a-- I think it's a difficult maneuver, and I-- and, and it requires a political base that's willing to, to make that fight. The success of LB84 as it relates to the sales tax has allowed it to grow, and I think that's been important. Our fuel tax, you know, has been pretty stagnant. There are numerous other ways that, that we could look at funding. But I know today is really just about LB479.

von GILLERN: Great. Thank you.

TYLER CHICOINE: But I can certainly educate those.

von GILLERN: Nope. You did a great job. Thank you.

TYLER CHICOINE: All right. Thank you very much.

von GILLERN: Seeing no other questions. Thanks for being here. Next proponent. Good afternoon.

JEANNE McCLURE: Good afternoon, Chair von Gillern and members of the Revenue Committee. I'm Jeanne McClure, J-e-a-n-n-e M-c-C-l-u-r-e. I'm the Executive Director of ACEC Nebraska. That's the American Council of Engineering Companies. I'm also the registered lobbyist for that group. We are the business association representing engineering firms across the state. So I'm here to testify today on behalf of our 46 members to express our support for LB479, which proposes increasing that Build Nebraska Act funding from 1/4 cent to 1/2 cent sales tax. And to address that question that you just asked the last testifier about sales tax versus gas tax, sales tax might help get us to more folk-- I mean, a broader base of, of collecting versus gas tax, especially with more electric vehicles. I-- even with what we've raised our electric

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vehicle registrations to, I still don't think they're paying their fair share. So this might get us to a broader base. Just my, my thoughts on that. Not an engineer. So we would like to thank Senator Moser for introducing this bill that would provide a much needed investment that is essential to ensure that Nebraska's transportation infrastructure supports economic growth, enhances public safety, and meets the needs of our communities. Our member firms design and oversee the construction of critical infrastructure, including roadways, bridges, and transportation systems, partnering with the Nebraska Department of Transportation and the cities and counties across our state. We understand the importance of a sustained investment in infrastructure to ensure Nebraska remain competitive, safe, and economically vibrant. Many of our state's roads and bridges are aging and constantly in need of significant improvement. Without increased funding and essential maintenance-- an expansion projects will be delayed and result in higher long-term costs and safety concern. Our members are also citizens who live, work, and play in Nebraska. They are business owners, they pay taxes, they employ thousands of workers, and they care deeply that our state remain competitive and takes the necessary steps to move forward. Increased investment in infrastructure will enhance public safety, support economic growth, ensure long-term cost savings across our state. ACEC Nebraska was at the table in 2011 when then-State Senator Deb Fischer brought the Build Nebraska Act. And as I reviewed the testimony that we offered then, it seemed to be-- we are back in that similar situation. Funding was scarce then. It's scarce now. The need was high then. The need is high now. But the big difference is the ever increasing cost of construction. I provided you a chart from the U.S. Bureau of Labor and Statistic, and it shows that while architecture and engineering-- it says on there A&E services-- have experienced slight inflation, the cost of materials and overall construction costs have sharply increased and remain high, as noted by the Center for-- ENO Center for Transportation. And there are a couple of links to articles at the end of that testimony as well. I'll leave you with a quote from our testimony an ACEC member gave in 2011. Our infrastructure today represents an enormous investment at a time--

von GILLERN: Can I get you to wrap up your comments, please?

JEANNE McCLURE: Yeah. So there's a-- there was a huge investment of time by past generations-- 14 years ago-- that was 50 years-- 64 years later, we're still trying to dig out of this hole. So we, we would love to see this go forward.

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

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JACOBSON: Thank you, Chairman. So I'm trying to make sure I understand the bill. We're, we're basically going to take-- kind of like we did evidently with the air-- airport fund, that we're going to take certain sales tax that the state's collecting today going into the General Fund, and we're going to redirect those funds to this fund. So we're, we're-- now the Revenue Committee's becoming the Appropriations Committee, evidently. Because we're not raising any new revenue here. And it's too politically a problem to raise gas tax. And evidently it is to raise the sales tax. So let's just redirect what the state's getting today and put it in another fund. Is that really what we're doing?

JEANNE McCLURE: We're, we're, we're using that, that option sales tax, yes.

JACOBSON: Well, you're saying option-- is it local option or-- what option sales tax?

JEANNE McCLURE: I, I think I'll let Senator Moser answer that question upon his close. But I would not be opposed to raising the gas tax. I think we're far be-- beyond. You know, we could do that as well. I'm not the pu-- but I'm, I'm not someone that has to answer to the public, right, when it comes to-- so I, I'd love to help rally the cry on that. But we, we, we are, we are falling behind on our investment in infrastructure in our state. And, and-- you know, it's like if we didn't upkeep the Capitol, right? We have an engineering firm that's been working on that. So we, we've invested how much millions of dollars in this Capitol over the years. And we need to keep investing. Same goes for our roads systems across the state. It has to come from somewhere.

JACOBSON: I think that's true. And I, and I think we need to keep investing in our health care. We need to keep investing in a lot of things in the state, but we don't have the money to do it. So fundamentally, I would be opposed to just reallocating dollars that the state has today for another purpose. So we, we gotta find new revenue, in my, in my judgment. And, and if the industry's willing to have the courage-- political courage to bring a new revenue source, I'm all ears.

JEANNE McCLURE: And as I understand it, there is a bill that Senator von Gillern has introduced and that we'll have a hearing on towards the end of hearings.

JACOBSON: I can't wait to hear it.

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JEANNE McCLURE: And we will discuss many-- like, an option and a task force and those kinds of things. I think that'll be a great conversation at that time as well.

JACOBSON: Thank you.

von GILLERN: Thank you. Are there questions? Just for clarity, my bill is to do a study.

JEANNE McCLURE: It's to do a study. It is not to-- I-- yes. It is to--

von GILLERN: On the record.

JEANNE McCLURE: Yes.

von GILLERN: Feel free to read that bill, everyone. Thank you. Next proponent. Good afternoon.

LYNN REX: Good afternoon, Senator von Gillern, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraska Municipalities. You've seen this chart before. And it has been-- it is designed and put together by the Nebraska Department of Transportation. And I just wanted to highlight for you what we're talking about here in terms of what little square comes into the matrix of state highway trust funds. So it is actually the one off to the far left that says Build Nebraska Act. That is the 1/4% of 1% of the Build Nebraska Act that Senator Fischer-- then-State Senator Fischer-- put in play in 2011. And those funds were split, with 15% going to the highway allocation funds for municipalities and counties to split, and then basically 85% going to the Nebraska Department of Transportation. And the whole essence of LB84 was to deal with the fundamental issues, first and foremost, of public safety. The economic development piece-- it's important. We all understand that. Getting exports and getting imports, being-- having safe travel for trucks and everything else. We understand all of that. But when you really look at it, it comes down to public safety. Economic development, critically important, but the public safety, which is why-- already indicated by Senator Moser-- in 2023, this committee advanced LB706, which is \$450 million in bonds that could be issued for-- basically for streets and roads and, and highways. And so in any event, we do support this because, again, the longer you wait, the more expensive it gets. Exponentially the more expensive it gets. Which is why you're seeing, by the way, municipality after municipality approve local option sales tax for the purpose of improving their streets and roads because they understand if they don't, it's going to be so much more expensive down the road. And

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Lincoln's going to be looking at another 1/4%, assuming that-- with the local option sales tax and with voter approval to do that very thing. So it is critically important. And again, this is based on-- LB84 is based on a 1986 plan for the development of the Nebraska expressway system, which still is not complete. With that, I'm happy to respond to any questions you might have. I know you got a lot of tough choices.

von GILLERN: Thank you. Any questions from the committee members? Seeing none.

LYNN REX: Thank you.

von GILLERN: Thank you for being here. Next proponent. 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 can call us NACO. Here to testify today in support of LB479. Certainly appreciate Senator Moser bringing this bill. I know that he's devoted to transportation across the state. Frankly, Ms. Rex took almost all of my testimony, so I'm just happy to take any of your questions.

von GILLERN: Senator Jacobson.

JACOBSON: I'll bite. So I'm, I'm, I'm kind of back to the beginning. I-- as I understand, the forecasting board met this morning. And according to my math, our \$435 million budget shortfall's down to about \$100 million. But like I say, right now, the Revenue Committee's starting to feel like the Appropriations Committee. And we got two Appropriations Committees working and visiting somewhat lightheartedly, as much as you can be, with a couple Appropriation Committee members today. They're asking us, where's the revenue coming from? And I said, well, we're waiting for the bill, because right now the bills we're looking at all are bringing negative revenue. And they need it now. And we should have done it last year, and so on and so forth. And I get it. I mean, roads are critically important. I completely get that. But, folks, we need more revenue to do the things we're trying to do. The, the state is, is out of money. We're \$100 million short. And I-- we seem to be having a hard time getting that across to people that it's not going to get rid of itself. There's some strong likelihood that we're going to see federal funding cuts to the state on programs that we must statutorily fund. So I'm having a hard time figuring out how we get there, and it's going to be hard to get a yes vote out of me on anything that doesn't self-fund. Meaning, bring me a revenue source

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that's going to match up with the spending source. And you guys fight the political battles on whether that's raising the gas tax, whether that's raising loc-- whether that's raising sales tax, and then dividing that out. Bring me solutions. But we need to raise revenue. And that's what I'm hoping to do on the Revenue Committee, is-- I think we were told the other day we needed to be creative. And so that's what I'm hoping we can get done. I think Senator Kauth was pretty [INAUDIBLE] on that idea. So far, our creative ideas have not resonated. But, but we, we need to be creative in-- well, we've got to create-- we've got to create some revenue. So. Any ideas you have there, please share that with us.

JON CANNON: You know-- sir, I, I appreciate that. You know, you mentioned the gas tax earlier and-- you know, the, the question about raising gas tax-- frankly, I'm fine with it. I, I don't mind paying an extra 1/4 cent or 1/2 cent on, on the gas tax. And, and the question always comes down to the, the concept of tax elasticity. You know, how much does the purchase of a good go up or down depending on what the rate is? And so my, my feeling is that at, at 1/4 or 1/2 cent on the gas tax that that the consumption probably doesn't-- that doesn't move the needle that much. And so you're-- you probably do realize-- end up realizing more revenue. That's-- I'm sure there are, there are far more stout economic minds than mine that could probably tell you, oh, no. This will, this will actually move it, you know, 0.31% or something like that. But I agree with you that-- you know, outside of the current revenue sources that we have, you know, and-- all you're, all you're doing is just kind of shifting the fader or the, the, the, the, the little button to make, you know, this one go up and that one go down or whatever. You know, as far as other revenue streams-- I mean, I've mentioned before in this committee, you know, you, you could put a surcharge on, on all retails-- purchases with [INAUDIBLE] go within a quarter mile of I-80. That would-- you know, that-- there's-- you know, in the last five years, there's been at least 4 billion travel miles along I-80. Most of those folks are from out of state and most of those folks are not going to drive around the state of, of Nebraska if there's a 2% surcharge on retail sales, but that's-- that, that's all I've got for now, but. Happy to have that discussion and, and kind of brainstorm what some, some other revenue streams might, might be.

JACOBSON: Well, the good news is the Petroleum Marketers aren't in the room today. So you-- you're free, free to talk about it at least today.

von GILLERN: Thank you.

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JACOBSON: And I don't see the electric vehicle people, so. That would be another thought.

JON CANNON: Yes, sir.

von GILLERN: Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here, Mr. Cannon. About the bill. On LB479, this contemplates giving additional funds to two different funds, it looks like: Highway Trust Fund and then the Highway Allocation Fund. The Highway Allocation Fund goes to cities and counties. Is that correct?

JON CANNON: Yeah. It's split up 50/50 between cities and counties.

DUNGAN: Can you talk about what, if any, interplay there is between that money and property taxes?

JON CANNON: So-- yeah, sort of. So with-- the, the money that comes to us from the Highway Allocation Fund, not a huge amount. But that would, that would go into the General Fund. That would be cash on hand when we're-- we start to budget for the next year. And so as far as that cash on hand is concerned-- now, it's not, it's not a restricted fund because counties and cities are no longer, no longer under the lid on restricted funds. But, but that is cash that we have available as a resource. And so presumably when you have a political subdivision that's going to start their budgetary cycle, if they've got cash on hand that will offset any of their needs that they might have-- you know, presumably that, that helps buy down the, the, the property tax levy. I'm not going to say that every single one will, will do that. Someone will say, well, you know, gosh, we've been, we've been waiting to, you know, fill in the cracks on the Merritt Reservoir or, or you know, we've been waiting to, to fix the, the 421 road for a long time. We've never been able to and now we have the opportunity to. And so I-- I'm not going to say that it's always going to buy down the levy, but there will be that interplay there.

DUNGAN: That makes sense. And then it looks like this is contemplating about anywhere between \$12 million to \$19 million going to the Highway Allocation Fund between '25 and '29 annually. Does that get distributed evenly among cities and counties or is it more proportionate to size or-- what is that distribution like?

JON CANNON: Yeah. The distribution's going to be-- there's gonna be a-- there's an allocation formula that, that-- it, it's based on volume.

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And, and that-- if you're asking me for the details on, on what the allocation formula is, I will be-- that's quite beyond me.

DUNGAN: Well, me too. But I appreciate that. Thank you.

JON CANNON: Yes, sir.

von GILLERN: Any other questions? Seeing none. Thank you for your testimony.

JON CANNON: Thank you very much.

von GILLERN: Any other proponents? Seeing none. Any opponents for LB479? Seeing none. Is there anyone that'd like to testify in a neutral position on LB479? Seeing none. Senator Moser, would you like to close? And we had 4 proponent letters, 0 opponent, and 0 neutral online comments and no ADA comments. Senator Moser.

MOSER: Thank you. I appreciate your time today. Listening to the merits and the details of my bill, the one question about traffic count on the highways that were in the expressway system. The expressway system was put together to connect all cities of the first class to, to a four-lane. I mean, if you live in North Platte, you live on the interstate. That's great. You live in Omaha, Dodge Street is double-decked. I mean, you've got roads to drive on. But when you're out in Columbus and areas with-- don't have four-lane access to the interstate, it gets to be an issue with potential manufacturing prospects. They want to know that they can haul their goods, both finished and inputs, to and from quickly and easily. The, the geography was considered in the setup of the original expressway system. Economic development was a factor because, when I was mayor, we had numerous prospects come and ask about transportation and, and whether we had four-lane access. Safety, we've had numerous Columbus residents killed around North Bend, where the road on Highway 30 was-- had some real tight radiuses and it was really close to the, the railroad tracks. And sometimes you'd have a real bright light on the railroad engine coming at you as well as bright lights coming at you from the highway and you didn't know which one-- well, hopefully you missed them both, but it was, it was scary. And when I looked at the, the ways, as Senator Jacobson said, we need to, you know, do something different to raise money, looking at those-- you know, raising the gas tax, raising the sales tax-- we can't do anything about federal transportation aid. That's out of our control. We can lobby for it. We could have toll roads. We could raise the fees on electric vehicles. But I thought that the odds of any of those happening were about, like, Professor

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What's-His-Name's flux capacitor launching us into 1972 so we can go back and fix these things. This takes current funds and it does allocate them. And it takes \$100 million away from other things that the Appropriations Committee may deem as more important than roads. But adjoining states have put general funds into roads. Missouri just put \$3 billion general funds. They are a bigger population. But we've neglected roads funding, and this is a way to fix it. You could advance it to the floor. We could talk about it. And then if revenue forecasts and budgeting doesn't allow, we could let it languish at Select or, or Final. I would appreciate the opportunity to bring it to the floor so we can talk about it. The allocation that somebody asked about, 15% of the BNA Fund goes to cities and counties. And it's allocated based on-- more or less on a legislative district. So out of the \$15 million, each of the 49 districts got about \$300,000 in the current split. Now, if you increased it, they'd get whatever multiplier you increase it by. If you double it, they would get \$600,000 for each city, each county. And that does give them money to fix the roads that they don't have to use property tax to pay for, you know. So, so that's a plus. Any-- [INAUDIBLE] if you have any other questions.

von GILLERN: Thank you. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. Senator Moser, can you talk a little bit about the economic development that will occur because of this? Because I-- as, as you were just speaking, I think we have a dairy operation that wants to move in out west. I mean, we have things that are happening in more of our rural counties, and I, and I feel like I keep hearing about roads being essential to that development.

MOSER: Sure. Like, I think that the traffic count on 81, which is kind of on the horizon, is about 10,000 cars a day, roughly-- which, compared to some of the city traffic counts, is not as large. But Columbus is one of the most industrialized cities per capita of any city in Nebraska, and we have hundreds and hundreds of trucks coming through Columbus, going to ADM shipping grain. They're going to Camaco hauling Ford car seats. Finished out and steel in. Behlen Manufacturing. BD makes millions, probably billions of needles. They take in resin in pellet form and they turn it into gold and, and sell it. So it, it's a great boon. They have over a thousand employees in Columbus.

KAUTH: OK. Thank you.

von GILLERN: Thank you. Any other questions? Senator Ibach.

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IBACH: Thank you, Chair. I just have one question-- follow-up question to that because I would love nothing more than to pave Highway 18. That goes to Smithfield, the county seat, which is still gravel. But are-- is there any opportunity for industry to invest in any of the roads? Because oftentimes you will hear of industry say, I want to go to this location and I'm willing to cost-share or provide some of that revenue. Might just be thinking out of the box.

MOSER: What you're describing does happen. I know in Fremont there, there were some contributions to the-- kind of South Beltway there. They got-- they've got trucks around the edge of Fremont for the poultry processing plant there. And I know ADM has paid for part of the expenses of the road and the divide that they're putting in to get trucks to and from ADM in Columbus. So I know there's some of that done. The-- but the majority of the expressway system were roads from Columbus to York, Columbus to Omaha. The, the-- Highway 30 is complete from Columbus to Omaha. That is really nice. I had one complaint. Some lady called up and complained. She said, it's so smooth and you travel so fast and it all looks the same. She said, we need some kind of a 7-Eleven or something along the way so I can tell where I'm at. She, she, she needs a landmark so she can tell where she is.

IBACH: Thank you.

von GILLERN: Any other questions from the committee? Seeing none. Thank you, Senator Moser. That'll close our hearing on LB479.

MOSER: Thank you very much. Appreciate it.

von GILLERN: Thank you. We will open on LR12CA and welcome up Senator Kauth.

KAUTH: Really do need to change this chair. Good afternoon, Reveney-- Revenue Committee. My name's Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h. I'm the senator for LD 31. I'm bringing to you today LR12CA. It's based on Prop 13 out of California. I'm bringing this bill mostly to open up discussion on different means of assessing property tax. We heard Senator Andersen's bill yesterday about capping property tax at 3%. He and I agree on one thing: as I've gone around the Millard district, the thing that has been consistent is that our property taxes are very, very high. When we talk about property tax, everybody gets very nervous and, and protective over their portion of our property tax. So the goal of the-- this CA is to not hurt schools. It's to not hurt the counties. It's to not take money away from anyone. But it is to put a pin in what people are experiencing with their property tax. So LR12CA-- and I

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introduced this in the special session as well. Nothing much has changed. Again, I want to have the discussion and compare it to some of the other things that we've been hearing about, how do we actually change what it is we're doing? I've talked to people who are losing their homes because their valuations have gone up so fast and by so much, and all of a sudden they are expected to come up with thousands of dollars more for their property tax. And most people in my area simply don't have the funds. They're not budgeting and they don't know how to plan for something that is so unpredictable. So LR12CA is based on finding a way to be very predictable about what it is we are paying. The gist of it is-- and I picked-- I based this off Prop 13 out of California. And again, it kills me to say that California has done anything well. I think the, the best thing about this is that the California politicians hate this act. Prop 13 is something that they've tried to get rid of and have never been able to because it is so popular with people. Politicians tend to use property tax as a piggy bank. And again, we are punishing people for actually investing in their future. What this bill will do is say your-- and this is-- and Senator Jacobson and I had some discussions about the differences between agricultural and residential. So we're going to have to adjust the bill going forward. But this would say for residential property, your property tax is 1.5% of the sale price of your home. So if-- when the bill is, is established, it would be January 1 of 2027 because this won't get onto the ballot until 2026. So it would be the valuation on that date that the-- it goes into effect, 1.5%. Now, that number can have a 2% escalator for inflation over the years, but you would always know what your property tax is going to be. This, this makes it incredibly fair for people to say, OK. I know what I'm going to be purchasing. I like this house. It's \$300,000. I know that \$4,500 is going to be what I will pay in property tax. It gives consistency and stability to all of the subdivisions, the political subdivisions that use the property tax for their funding and their fees. I know that-- and I've, I've had great conversations with Jon Cannon, and I, I do appreciate his expertise in this area. He actually geeks out about tax policy, which is something that I don't understand. But that's OK. He and Lynn Rex. They-- and they oppose this. And we've had conversations about this because there's a uniformity clause and how do we make sure that we're not harming anyone by doing this. So the goal is to not harm the people who use the money but also at the same time provide stability and consistency and setting expectations for the people who are paying the money. So I ask as, as we go through this-- again, this is-- everything's up for discussion. Senator Jacobson and I had talked about the agricultural land being different. And I sat down with Senator Clements, and we actually came up with 1.125% for agricultural

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land because it is valued differently. But again, this is-- I would like us to start thinking differently about how we assess property taxes. So with that, I'm open to questions.

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

DUNGAN: Thank you, Chair von Gillern. Thank you, Senator Kauth, for bringing this again. I'm sure-- we've had this conversation before, as you said, during special session. So my questions might be the same, and I apologize for that. But I just want to address a couple of things. So one of the things I know that has been a major issue with Prop 13, or at least a-- one of the issues, is the fact that it essentially caused a lot of local political subdivisions almost immediately to be in budget deficits, and then that subsequently required the state to do bailouts, essentially, where the state was then spending money on local political subdivisions who couldn't meet all their obligations. Is there anything in your proposal that is different in-- than Prop 13 that you think addresses that particular problem?

KAUTH: Well, Prop 13 actually was 1%. So I-- because of that, doing the research on it-- and the research is fascinating, actually, when you go back and look at-- once people figured out, oh, wait a second, this is-- I now know what I'm going to be paying. They got very protective over this. So they've never really been able to modify it very much. So they started at 1%. I started at 1.5% because when I looked at, at how much are people paying now-- and, and again, my math is sketchy, so I'm open to work on that. 1.5% seemed to be about average. And so then we're fixing that number at that. So again, \$4,500. You buy a \$300,000 home-- you know, during COVID, all of a sudden houses are worth 30%, 40%, 50% more. And people are paying that, which is great if you're the person who sells the home. But because the-- of the way we do mass appraisals, anyone who is left in that neighborhood all of a sudden their rates went up really, really high and they saw no benefit from it, you know, unless you're going to sell your home, which-- a lot of people want to stay. And I, I like it that people want to stay in Nebraska. I like it that it's not a highly transitory neighborhood. So we want to encourage people to build relationships and stay there. So that was one of the problems. I think they started out too low. And the escalator clau-- cause-- a clau-- pardon me-- clause that they had I think was too low also. So figuring out what that number is, is important. Again, the goal is stability and setting your expectation. So again, if you, if you are buying a home and you say, I can afford this much of a home and I know that this is how much that property tax is, then you're not going to be surprised and can actually make an

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educated decision for the next 10, 20, 30 years on, I will be able to afford that payment and that interest-- or-- pardon me-- and that property tax. Again, it's with the-- this-- when your property value goes up 30% or 40%-- which we want our property values to go up. That's a very good thing. We want to know that we are investing in something. And that's-- with, with Senator Andersen's bill, I think he's capped off the valuation growth at 3%. I don't necessarily agree that that's a great thing, because I, I want to know that my property's increasing in value so that when I do sell it, then I would be able to recoup that.

DUNGAN: And that makes sense. One of the conversations I know we also had during the special session that I, I guess I would ask your opinion on here--

KAUTH: Fairness?

DUNGAN: Well, the-- sort of. Yes. Right? So one of the things you kind of just indicated is this is intended to promote, I guess, a less transitory community, as you said. But I think the effect that that ultimately ended up having, at least in California, is folks who have been in their home for a long time a, a much smaller proportion of the property taxes than new homeowners. And so if you're a new homeowner, which we want to encourage-- and that's been a stated goal of this Legislature, is to get people to buy homes and buy property-- then it feels like this places an undue burden on the new homeowners who are going to, in some circumstances, have an astronomically higher property tax payment than folks who've stayed in their home for a long time, and then could potentially also discourage the folks who are buying homes to then essentially upgrade into newer homes because they know they're going to be paying a massively larger amount of property tax. So is there anything built into this proposal that addresses that concern, which I know has been brought up in the past with 13 and then your, your prior amendment as well?

KAUTH: Well, and so-- and, and I think-- you know, there's kind of a philosophical difference. I think it boils down to choice. You always have the right to choose, do I want to take on more for the property tax? The-- with the way we have it now, the property owner has virtually no choice in what happens to their property valuation, what happens to their property tax. Again, if your neighbor sells and, you know, gets a great deal, the burden is not on that neighbor who is, who is now leaving and going somewhere else. The burden rests on those people who are still there because that mass-- it's distributed amongst people. So I think that having the choice is very, very important and making sure that you're the one I'd like-- if, if you buy-- and we-- I

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think we talked about this. If you bought a house 50 years ago, you would have paid, what, \$10,000 for a house? And this is when you were buying your house and you paid way more for it than the people in your neighborhood. Is that fair? Well, yes, because it's a different time and a different place and different circumstances, and you're making that choice to pay that price for the house. I'd like it to be the same for the property taxes. That way, again, you always know what it's going to be. And I do think you're still going to have people who decide to move when you have-- you know, my son has a very cool house in Minnesota, but it's an A-frame, which is great, super funky, awesome, and cool, but he's about to get married. And now all of a sudden the conversations are, huh. When we have kids, how is this going to work? So they will be looking at making the changes because of life circumstances. I would much prefer people make changes in where they live based on life circumstances rather than, I can no longer afford this home that I bought because the taxes have gone up so high. And again, I talked to people who lost their homes. I talked to someone whose house was purchased by someone who buys up foreclosures and then rented back to her. That was crushed, and she lost all of her equity. And, and it's because she kept trying to keep up with the increase in the valuation and the taxes. So, you know, we can boil down to every-- you know. Everybody's had an individual, sad tale. We have to figure out how do we design a law that helps the most people. And how do we do it in as fair a way as possible? So it, it's very, very tough to do. And I think that it, it boils down to what you want to choose.

DUNGAN: And that makes sense. Thank you. I appreciate it.

von GILLERN: Senator Jacobson.

JACOBSON: Thank you, Chairman. Well, thank you, Senator Kauth. I know we have had discussions in-- and-- about the concerns I have about the ag piece of this bill. I, I just want to get on the record so that people kind of understand how this can be problematic. I'll give you an example of a farm I own down in Clay County. This particular farm's an inside quarter. There's 161 acres. So today, that farm would be worth \$14,000 an acre. But it's tax assessed at quite a bit less than that. The gross real estate taxes for last year would have been \$12-- \$12,461. But with the \$4,000 credit, basically this would be the tax credit by the state that the state's providing basically vis-a-vis the-- the former sales tax refund got applied to the credit. So that's \$4,000. So the net tax is \$8,397. On the gross tax at \$12,000 an acre, that's \$77.39 an acre. OK? At the gross level before the property tax rebate-- or, the property tax credit. If we take the \$14,000 and we take that times 1.5, I'm, I'm looking at \$210 an acre.

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KAUTH: Right.

JACOBSON: So from \$77 to \$210, I will tell you \$77's too high. And here's why. Today, if I were to rent that farm out, OK-- but I'm farming it-- OK? And the APH, average proven history-- which would be what you would expect every year, year in and year out on average-- 240 bushels of corn. If I look at the current market price of corn at roughly \$4.50 a bushel, that means that farm's going to gross \$1,080 an acre. So I've always looked at cash rents being roughly 1/3 of the gross. So if I can get 1/3 of the gross, that seems to be fair cash rent. So that would mean the cash rent would be \$356 an acre. So under this bill, I would receive \$356 an acre in cash rent and I'd pay \$210 an acre in property taxes. That's problematic.

KAUTH: Yup. I agree.

JACOBSON: And that's just an example as to why ag land has been valued at 75%-- or roughly 75% of value-- 70%, 75% of value and why that's still too high. So if we move ag land up to 100% and then-- where this really gets to be a problem isn't so much for the true rural areas that don't have large cities or, or communities with it-- they got maybe villages-- probably is going to matter. But I'm thinking about the people that were in this hearing room here a week or two ago that live in Lin-- in Lancaster County. OK? Their ag land values are more exacerbated versus the revenue they can receive. And you've got the city of Lincoln sitting here in Lancaster County. So now it will make a difference. And so you start looking at what they'd pay in property taxes, they just will stop. I mean, they're, they're-- pretty soon it's going to take more than they can gross just to pay the taxes. So it's a huge problem for agriculture, and that's-- we've, we've got to be able to somehow to get this back to income capability as opposed to market value because market values are not based upon the income anymore. It's more of a store of value.

KAUTH: And I, I will need to check and see if this is even legal, but I don't know if we can say this applies just to residential. So on-- for ag land to remain completely separate from that, I don't-- that'll be a Jon Cannon question--

JACOBSON: Well, the next, next step in that would be that-- and there was a-- there was a bill last year, I believe, that would basically allow us to value owner-- our-- owner-occupied residences--

KAUTH: Is that Senator Brandt's?

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JACOBSON: Yes.

KAUTH: Yes. Mm-hmm.

JACOBSON: The problem with that is what you do is lower the tax base then, which means that everybody else sees levies go up because you got a smaller base. And that's why I was opposed to that bill as well, because I think it makes more sense to have everybody valued the same. But we got to figure out-- ag is so much of an outlier. I mean, people talk about crypto, they talk about gold, they talk about investments. Farmland is trying to become an investment class, and people are turning a blind eye to income production. They're looking for a safe place to put money, and it's really messing with the property taxes that are being paid by farmers that are trying to eke out a living. And they're right there with the homeowners saying, how do I continue to my profession? Because I need the land to operate. And, yeah, if I can sell it one day when I retire, I'm going to be in pretty good shape. But I'm dying in the meantime because I can't afford to make the taxes work.

KAUTH: Right. OK.

von GILLERN: Thank you. Any other questions? Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. If you could find a question here, congratulations. I just wanted to mention to you that by the-- by placing a cap on the increase in the assessed values-- it's not talked about very much. Granted, that keeps your taxes low. But the other thing that homeowners are complaining about, my tax-- you know, my tax credit. So are insurance rates. And assessed rates do have something to do with the insurance value. So to the extent it's necessary or you need it, there's a hidden value in here for insurance purposes with this bill. There's my question.

KAUTH: So-- and-- OK. I'll ask-- can I ask you a question? Can I respond to that question?

SORRENTINO: [INAUDIBLE] if you can find it.

KAUTH: So, so you're asking if my bill has-- would impact the insurance rates--

SORRENTINO: Yep.

KAUTH: --because the assessments would-- you could still have a higher valuation. And I think what you would probably find is that insurance

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companies are pretty smart and they know to rebuild a home. Even if we have forcibly limited how much a valuation can be, the actual cost to rebuild a home is going to be whatever it is.

SORRENTINO: Replacement value.

KAUTH: Replacement value, right. So I, I don't know if, if that would actually impact insurance rate as much.

SORRENTINO: I think-- as long as the home is still standing and not destroyed. I think it helps. It does keep it down. It's one of the factors they use, is assessed value. It's not the only. So I think it has the added benefit of helping during the lifetime of the homeowner. If indeed it's destroyed, typically the policy is to say replacement value. But I, I think this is an a-- an asset that maybe isn't talked about enough--

KAUTH: OK.

SORRENTINO: --on the bill.

KAUTH: Thank you. I appreciate that.

von GILLERN: Seeing no other questions. I know you'll stay to close, so thank you.

KAUTH: I do have a bill in Judiciary, but I think they're going to be going very long.

von GILLERN: All right. Well, I'm sorry for that. First proponent. Welcome, Mr. Kagan.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n. Omaha, representing Nebraska Taxpayers for Freedom. For too long our state property tax crisis has burdened both our urban and rural residents. For too long our Legislature has applied temporary and expedient solutions to this raw fiscal wound. In LR12CA, we finally have a cure that loosens the shackles that tie valuation to tax. This amendment will tame exploding spikes in property valuation. A, a bonus in this proposal would permit transferability of these benefits for senior citizens and the physically impaired. It restricts the use of school district bonding that now allows evasion of direct property tax increases. School districts and-- excuse me. School districts and community colleges would have to make a strong case to voters to convince them that bond issues paid for basic needs, not fantasized wants. Also that such bonding would become closely scrutinized by

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audits to ensure that bond money is expended as intended. An especially heartening content in this resolution is the procedures by which victims of natural disasters like tornadoes can take advantage of lower valuations. It will be more difficult for future legislators to tinker with this legislation because it is a constitutional amendment. The primary reason for our support is that this resolution would take this burning issue out of the Legislature once passed and give Nebraska voters the opportunity at the ballot box to alleviate their property tax burdens. Thank you. Questions?

von GILLERN: Thank you. Questions from the committee? Seeing none. Thank you for being here today.

DOUG KAGAN: OK.

von GILLERN: Next proponent. You're welcome to begin. Good afternoon.

ALAN SEYBERT: Good afternoon. Alan Seybert, A-l-a-n S-e-y-b-e-r-t. I'm a member of the Nebraska Taxpayers for Freedom. LR127-- LR12CA is a step in the right direction. However, Section 3(a) should be revised to address the current inequalities between individual residential valuations caused by the valuation process used by county assessors and that the valuation process doesn't prevent future inequalities. Property values-- tax-- property tax values are supposed to be between 92% and 100% of market value. They're not. When properties are sold, a real estate transfer statement is filled out. That statement is Nebraska Department of Revenue's Form 521. They're submitted by the 15th of each month to the county treasurer and then the county assessor to update tax rolls. Some of the fields on the form are property type, type of deed, type of transfer, adjusted purchase price, and current market value. A quick and easy review of property records files and their associated 521s will show questionable compliance with the 92% to 100% range requirement. For properties not sold-- in other words, where ownership did not change-- there are hundreds if not thousands that have a history of having the same valuation for the last few years. If any property was valued at 100% at one time but didn't have an evaluation increase for two years in a market that was appreciating 4.5% annually, the valuation would be out of range compliance in two years. So my suggestions would be, for sold properties, tax values one year after the sale should be 92% of adjusted purchase price-- that's on those 521 forms-- and then be subject to the CPI limit after that. For properties not sold, there should be a countywide reassessment. That would be a considerable effort and might take longer than a year so those values should be as of January 1, 2027. Then a factor of 0.8 be applied. That would reverse two years of appreciation. Then

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valuations would be subject to the annual CPI limit. For all properties sold and not sold that are not owner occupied, they should be subject to the same valuation process as commercial real estate. The second page that I've handed out is something that Senator Hughes had approached me about the other day, and it was a-- also addresses Senator Dungan's question. It's a deviation from property 13, where if a-- you bought a house for \$200,000 and the initial cash value, if you used an 80% factor, the initial cash value would be \$160,000. After ten years, there'd be a, a split between those two where if the house was sold for \$358,000, the cash value would have appreciated to \$215,000. You'd have a 60% difference between the two.

VON GILLERN: You're, you're beyond your time. Are there any questions? I'll just give you-- just-- if you could wrap up the-- your discussion on the chart very quickly, please.

ALAN SEYBERT: My suggestion would be that that 60% calculation could be transported-- could be moved to a-- the-- either the purchase price of a new house, a larger house or a smaller house. If you had growing families that wanted to move into a bigger house, they could still get some benefit of a decreased--

VON GILLERN: Thank you. And I know that you had conversations with Senator Kauth about this too, so.

ALAN SEYBERT: I was starting to explain with-- to her.

VON GILLERN: I know you will have conversation with Senator Kauth about this, so-- and she's indicating, so. Thank you for your testimony. Any questions? Senator, Senator Sorrentino.

SORRENTINO: Thank you, Senator von Gillern. Just a real quick question. On your chart, you refer to cash value.

ALAN SEYBERT: I was trying to use a term--

SORRENTINO: Are you-- is it equity? Is that what we're talking about here?

ALAN SEYBERT: I was trying to use a term that I think Senator Kauth had put it into her bill.

SORRENTINO: OK. When I think of cash value, I think of life insurance.

ALAN SEYBERT: Yeah. I'm thinking of assets and book values, but.

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SORRENTINO: So you mean by what--

ALAN SEYBERT: It would be a different-- it would be-- right now, what they're using is market value of houses to-- assessors are using market value to apply levies to. This would be a different value. It could be-- I had suggested using taxable value rather than cash value, something that would tie into--

SORRENTINO: How do you get-- I guess, how do you get to cash value? I, I'm not following your chart.

ALAN SEYBERT: If, if you were going-- right-- the current acceptable range is 92% to 100%.

SORRENTINO: Right.

ALAN SEYBERT: I used 80% because that was a number some people, some-- I've heard from other senators saying that 92%'s too high. We need something else. So I put the 80% in here for my example. It doesn't have to be 80%. It could be--

SORRENTINO: But you used 80% just--

ALAN SEYBERT: Yeah. And I wanted to show a difference between the two on this so it would be easier to follow the--

SORRENTINO: I, I get it. I get it.

ALAN SEYBERT: --the dis--

SORRENTINO: Thank you.

ALAN SEYBERT: OK.

von GILLERN: Thank you. Seeing no other questions. Thank you for your testimony. Next proponent. Are there any other proponents for LR12CA? Seeing none. Are there any other opponents? Good afternoon.

STACY WATSON: Hi. Good afternoon. Chairman von Gillern, members of the Revenue Committee. My name is Stacy Watson, S-t-a-c-y W-a-t-s-o-n. I am here on behalf of the Omaha Chamber, Lincoln Chamber, and the Nebraska Chamber in opposition. I appreciate Senator Kauth looking for different angles for our property tax issues. I also appreciate LB34 that was passed during the special session. I think that's something good that we can build on with caps and, you know, things out there for our real growth. Unfortunately, I think since 1978, we've seen the problems Prop

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13 has caused in California. And I know Senator Kauth referred to it as a choice, but there is no incentive to move in California. And so they're not building homes. There's a housing shortage. People between the ages of 25 and 40, there's significant drop in homeownership. I think about it. If I move-- I've lived in my house now for 23 years. If my property taxes were the same, they'd only be \$5,000. My income has significantly increased. You're right. When my husband and I first in-- moved in there, we could-- you know, we were scraping pennies to afford our house payment. My neighbor that lives right next door, they just moved in. Right? They would pay significantly more. The issue is property taxes. You're receiving the same services neighbor to neighbor. We're getting the exact same services. And property taxes are a service that you can actually see lined out on your property tax statement that you're getting value for each and every day. Those costs go up every year. This bill does not account for that. So you're getting significantly less from me who can probably afford it more and younger people won't be able to. The other thing is you still have to make up this revenue. To your point, they lost 50% to 60% of their revenue within three years following this bill. We haven't changed funding-- I mean, we're changing funding. We haven't changed the cost. So we have a spending problem, you know, not a revenue problem. So where are they getting those? They have all these extra local taxes. This is 93% of a municipality's normal revenue and we're cutting it off. And so most people don't want to build a home there. There's no incentive to do so. And so now they have an income tax rate in California of 13% because they're trying to make up of extra property tax revenue. So I think at the end of the day, we have a people and a spending problem, not a revenue problem. Just a fun fact: in 2003, Warren Buffett announced that he paid \$14,000 in property taxes in Nebraska on a \$500,000 home, which is about 2.9%. In California, he paid \$2,200 on his \$4 million home, which was, like, 0.05%. I don't think he did that because he's a good nedo-- negotiator of property taxes. That's all because of Prop, Prop 13 in California. I'm fairly certain he could have afforded the increase. He stayed in Nebraska, though, because he's not paying the 13% income taxes that other people have to pay to still fund their schools. That's all I have. If you have any questions. Sorry. I'm a really fast talker.

von GILLERN: Go ahead. Go ahead.

JACOBSON: All right. All-- let me just-- well, thank you for pointing out-- I think that has been my concern as well on the motivation for people to sell. And we do need people to sell. OK? I'm not a realtor. I don't represent the realtors. But I will tell you that what I find in North Platte is we have people who age. They may have a four-bedroom

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home. The kids have gone on. They continue to stay in the house. One of the-- one of them dies, and now they're rattling around in this big, four-bedroom house that's way too big for them. They need to go somewhere where they can get lawn care, snow removal, that kind of thing. And suddenly they look at the proposition, the fact that the taxes that I'm paying on this big house that's way too big for me is really low. And if I downgrade, my taxes are going up. And so there's no incentive to move. And, and it furthermore-- young families coming to North Platte that are needing that four-bedroom house, it's not available because of external factors that are keeping them from wanting to move. So I do worry about the unintended consequences of trying to manage this way. And-- so I would still argue that Californians aren't smarter than us, but this is still a problem.

STACY WATSON: I've always agreed with that. And I agree. My husband actually wants to move. We have no children at home. I live four houses from a school. It would-- the house I would want is smaller, cost me more. I mean, I'm an accountant, right? And, and you haven't even told me I don't even have to-- you know, my property taxes will never go up. But it, it is absolutely an issue at the end of the day, and we're only going to make it worse.

JACOBSON: Well, I hope you don't move. We need your income tax-- we need your, your income tax revenue.

STACY WATSON: Yes, you-- the-- yes, my-- yes, you're happy to have those.

von GILLERN: So that's a great segue to my question. I, I could have sworn I heard you say the-- that our income tax rate is 13%.

STACY WATSON: No, in California. So he hasn't moved to California because theirs is 13%. He stayed here because ours is going down. Right? I mean--

von GILLERN: All right. Thank you. I--

STACY WATSON: Warren Buffett's not-- he doesn't want to live in California, but he loves his \$4 million house.

von GILLERN: You may have seen my head snap when that one was said.

STACY WATSON: Well, it could be--

von GILLERN: I do want to push back on another-- on something else that you said, and that is that you said spending is the problem. And you're

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here representing the chambers. I don't recall the chambers being supportive of LB34 in the special session, which did have a spending lid.

STACY WATSON: It did have a spending cap.

von GILLERN: Yes. [INAUDIBLE] spending cap. I don't recall the chambers being supportive of that.

STACY WATSON: I do have to apologize. I was on sabbatical during part-- firm set me on sabbatical.

von GILLERN: We'll follow up on that one.

STACY WATSON: But we can definitely follow up. But I, I think at the end of the day the-- everybody wants a cap. It's what the right cap amount is. It's what the right inflationary rate is. I'm not sure slice is the right rate to use, right? I would think maybe CP-- I will-- right? Everybody has a different version of what that is. And then what-- you know, what do you use for growth funding? How many, how many times do you put in there that someone can overwrite it? How do-- you know, you're just putting holes in the cheese. I know Swiss cheese tastes great, but not every cheese should have holes in it. So--

von GILLERN: So, so I'll, I'll just-- I'll-- I'm, I'm going to make a blanket statement. And I'm sorry that you're the one sitting in the chair.

STACY WATSON: Oh, it doesn't bother me at all.

von GILLERN: I can tell you the committee's getting a little tired of getting coached on things from organizations and groups and lobbyists that have opposed us from trying to do those exact things in recent sessions, so. Again, I'm sorry. I don't mean to take that out on you, but this is just the most recent example.

STACY WATSON: You did-- I did thank you at the beginning for LB34. So just in case you missed that line, I did. I think it's a great starting point.

von GILLERN: Thank you. I appreciate that greatly. No. What? Quickly.

JACOBSON: Well, I just want you to know, between von Gillern and I, I'm the nice guy at the table. So, so--

SORRENTINO: That doesn't take much.

JACOBSON: But-- yeah.

von GILLERN: It doesn't take much.

JACOBSON: But it does come back. And, and obviously we try to ask everyone. So what is your solution to being creative to be able to fix the problem? Because everybody talks about we need to cut spending. Please be specific. What should we cut? And for those who say we need to increase revenue, please be specific. How do we raise that revenue? And it's always helpful for people that are opposed to tell us what your, what your plan is or what you think our plan should be to fix it.

STACY WATSON: OK. Like Mr. Cannon, I am a huge tax policy geek, so sometimes my friends have actually stopped inviting me to dinner.

von GILLERN: I'm, I'm actually going to suggest that that's a follow-up conversation for another day because I-- it's a much broader conversation than we're prepared to handle in the hearing here.

STACY WATSON: Yep. Perfectly. Yep. I've got it-- I truly have an idea, Senator Jacobson.

JACOBSON: Perfect.

STACY WATSON: So just invite me to dinner. I'm all in.

JACOBSON: I will do that.

von GILLERN: Always appreciate your testimony and, and your expertise. So thank you for being here today.

STACY WATSON: Yep. Have a good one.

von GILLERN: Thank you. We're still on-- no, we're on opponents. Next opponent. 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 NACO. Here to testify today in opposition-- respectful opposition to LR12CA. First things first, I, I have to take exception to Senator Kauth saying that nothing good ever comes out of California. I was born in California. So-- you know, it, it-- but we also moved as quickly as we could. My parents were, were stationed at Beale Air Force Base and, and they got the heck out of Dodge as soon as they could. Our-- the, the principal reason for our opposition today is what this does to the uniformity clause in the constitution. It doe--

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does away with it entirely. There's a, there's a certain amount of predictability that the uniformity clause affords us when it comes to the property taxes that, that we're collecting. And that predictability is, is-- from a budgetary standpoint, from a planning standpoint, that predictability's kind of very, very key. Actually, I-- one of the things I, I learned just being in this hearing today is it's always good for me to follow the ladies that are speaking because Lynn Rex took my testimony on the prior bill and Stacy Watson took a lot of my testimony for this bill. So I was gonna talk about Warren Buffett paying property tax of \$14,000 and-- on his California-- or, in his Omaha home, and, and Stacy took care of that. You know-- and she also mentioned you can draw a straight line from Prop 13 passing in 1978 to a lot of the economic conditions in the Golden State today. You know, mostly because the, the-- as has been noted, is that the, the state has to backfill the, the deficits that are created for each of the local political subdivisions. One other thing I'll mention is that in-- you know, in the example in California, you can have a property in Malibu that's assessed for \$5 million because it changed hands last year and it's going to be sitting next to a property that's, that's at \$200,000 because it hasn't changed hands in 50 years. That is a, a, a serious inequity when it comes to the services that are being provided to the owners of each of those homes that are sitting right next to each other. You know, the other thing I, I, I did want to mention is that assessment limits traditionally have a distortionary effect on the housing market. And, you know, one-- as has been noted already, one of the things that we're trying to do is we're trying to encourage new housing and, and we're trying to encourage new homeownership. This-- I mean, and, and the statistics and the studies show that this would have the negati-- the opposite effect in-- on that. You know, and the way to keep values in check is to, you know, build more housing. And that, that isn't accomplished through this bill. A, a prior testifier had mentioned that we need to do something about severing the link between valuations rising and taxes rising. I think LB34-- you know, it, it did successfully do that. Senator von Gillern, we, we were in opposition to that bill last year. But by the same token, we did recognize the fact that it does sever that link because it is a tack-- a, a cap on property tax askings as opposed to, well, you know, you can only go up so much based on your valuations. There was a-- a prior testifier talked about the range, and, and that's something that is, is frequently kind of a misnomer for a lot of folks. And I, I did want to talk about that briefly. So the range that we have-- 92% to 100% for residential and commercial property, 69% to 75% for agricultural land-- that range is a statistical range. And so what happens is every county assessor across the state, they'll take all of their sales-- and, and,

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and this is all based on sales-- and they will-- by each market area, they will array those sales according to their assessment ratios from low to high, high to low, whichever. And they will pick a median. And that median is kind of a determinative factor as to, you know, what-- whether or not they fall within that statistical range. And because statistics aren't precise-- you know, we've, we've said if you are between 69% and 75% in ag land or you're between 92% and 100% for residential or commercial, it is as if you got to 100%. And, and that needs to be-- that, that's-- I think is a, is a takeaway that should be taken away, which is the assessor has an obligation to get to 100% of market value. We measure them through statistics. And the statistics say if you're between this range, it's as if you got to 100%. Now, there will be some-- I'm out of time. I'm happy to take any questions.

von GILLERN: Any questions? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Just briefly-- and I apologize if this was mentioned yesterday or talked about yesterday during Senator Andersen's hearing on the cap in valuation increases. I missed that. I was introing bills all day elsewhere. Can you speak towards the interplay of LR12CA and general capping of, of property taxes and the interplay between that and what happens during larger economic downturns and sort of the difficulty that maybe political subdivisions might have in making money back up after an economic downturn over a long period of time?

JON CANNON: Yeah. Statistically, when you-- Senator, that's a good question. Thank you. And when, when you look at what happens with the net-- with, with these sorts of bills that have assessment limits, over time what you're doing is you're holding out your, your assessed values. And, and that can only go up so much per year. Meanwhile, the actual value of, of property is continuing to go up. I mean, the market's going to do what the market does. One of the very frequent misperceptions that's out there is that, that the assessors are, are telling us what the market is-- that the assessors are making the market. And that's not true. The assessors are following the market. And, and so when, when the assessor has the obligation to still follow the market but keep the assessed values at, at a, a relatively flat, you know, gradation of, then when you do have a-- that economic downturn, you're still going to be trying to catch up. And so you will have-- and, and, and it-- this happens-- in assessment, in assessment practices, you will have values continue to go up when you've got a, a, a drop in the market. And so this only exacerbates that. And, and you would have-- people would say, well, why is my value still continuing to go up when, when I just took a 30% drop in the market? You know. Or

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my neighbors sold his house for 3% less than, than it was assessed that-- or, or, that, that it was purchased for a few years prior. That's a problem that, that this bill does not address. And it would be-- I mean, that would be a significant distortion for market value and, and those sorts of things that we rely on when we're trying to make sure that we-- everyone pays their fair share.

DUNGAN: Thank you.

JON CANNON: Yep. Thank you, sir.

von GILLERN: Other questions? Seeing none. Thank you, Mr. Cannon.

JON CANNON: Thank you very much.

von GILLERN: Next opponent. Welcome back.

LYNN REX: Senator von Gillern, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraska Municipalities. We're here respectfully just opposing LR12CA. The reasons for our opposition have already been outlined. I don't think I can bring much to the conversation other than to say we are concerned about the unintended consequences. We're concerned about the uniformity clause and how this will play out. That said, I really appreciate the fact that she introduced the bill so we could have this discussion. I'm happy to respond to any questions that you might have.

von GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you for being here.

LYNN REX: Thank you for your consideration.

von GILLERN: Any other opponent testimony, LR12CA? Seeing none. Would anyone like to speak in a neutral capacity? Seeing none. Senator Kauth, would you like to close? And as you come forward, we received 3 proponent letters, 3 opponent letters, and 1 neutral, and no ADA--

KAUTH: Basically, everyone agrees. It's--

von GILLERN: They're-- yeah.

KAUTH: --just neutral. OK.

von GILLERN: Wipes its-- wipes each other out.

KAUTH: So thank-- first, I would like to thank Jon Cannon for his expertise. Again, I cornered him in the Rotunda this morning. And any

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time I have a tax question, he's usually my first go-to person. And Lynn Rex's encyclopedic knowledge of everything tax related is truly phenomenal. So I, I very much appreciate their, their stance and coming up and testifying. I'd like to push back on Ms. Watson's statement about California, a direct line from Prop 13 to, you know, everything horrible that's happened in California. California has a really pretty terrible everything else. I'm sorry. But the weather's great, but that's about it. They're not building homes, not because of Prop 13, but because they put so many onerous restrictions, whether it's environmental, whether it's, you know-- their restrictions are nuts for building homes. That's why they're not building new homes. It has very, very little to do with the Prop 13. They lost a lot of their revenue because of their restrictions. So we're trying very hard with this bill to not reduce revenues. And that's, that's where I want to get to, is we don't want to say, you're going to lose money. We want to say, here it is. Here's your budget. You know what you're going to get. It's what you're getting now with a slight increase. I think there's got to be a way that we can figure that out. And, and I understand it might not be this bill, but the-- I'm grateful for the discussion. But we do have a spending problem. We keep saying, well, we've got to re-- figure out how to get all this revenue back, but we're not saying, what are we going to cut that is not necessary? What are we going to say-- you know, what maybe it's, maybe it's a social program. Maybe it's something that a charity should be doing instead. Maybe it's something that government needs to get rid of regulations and make things easier to do. But we are not addressing the spending problem, and, and that is hugely concerning. The entities who come in and oppose, they don't want to give up that hidden windfall. We have-- when valuations go up 20% and they say, well, we're going to lower your levy by 3%, what's-- where's that other 17% going? They're getting hidden money that they don't have to justify to the public for. We need to make sure that any money that, that political subdivisions are getting is fully accounted. So if they don't have enough money to do what they want and they have to raise taxes, let's make them actually have to raise taxes or cut spending instead of taking a windfall from property taxes. I feel like we are constantly being gaslit. So again, I appreciate all of the conversations. I think this is probably one in a long years of working to solve this problem, but we cannot solve this problem if people continuously come up-- and thank you, Senator von Gillern, for mentioning the fact that at every turn this Legislature, while we have tried to do things for the people of Nebraska and have tried to, to impact their taxes positively, we've had groups from the chambers to the political subdivisions saying, well, sure, it sounds good, but don't take my money. And, no, that won't work. We're going to fight you

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tooth and nail. And I would refer everyone back to LB388 in the session-- last year in the short session where we worked very hard to come up with, with adjustments that could have been very successful and we were fought at every step of the way. And again, with no, here's something we would recommend instead. So when we get lectured to be more creative, when we get lectured how we are spending too much money or how we are taxing people out of house and home, I want the citizens of Nebraska to understand that we are trying very hard to make it happen. So they also need to start showing up to their political subdivisions and demanding change from that level. So any further questions?

VON GILLERN: Thank you. Questions from the committee? Seeing none. Thank you, Senator Kauth.

KAUTH: Thank you very much.

VON GILLERN: That'll close our hearing on LR12CA. Is Senator Spivey in here? Or-- you opening on behalf--

NATE GADZINKSI: Senator Spivey is just wrapping up [INAUDIBLE].

VON GILLERN: OK.

NATE GADZINKSI: She will--

VON GILLERN: All right. We'll--

NATE GADZINKSI: She'll be here very shortly.

VON GILLERN: --give a few moments.

[BREAK]

VON GILLERN: All right. Welcome, Senator Spivey. You are welcome-- take a deep breath, and then you're welcome to open up LB439.

SPIVEY: Thank you, Chair von Gillern and the rest of the Revenue Committee. I am Ashlei Spivey, A-s-h-l-e-i S-p-i-v-e-y. And I'm proud to represent Legislative District 13 in northeast and northwest Omaha. I am here to introduce today LB439, which provides the Legislature and means to target funding to Nebraskans who struggle the most to pay their property taxes or rent. I know this is a topic that the Legislature and the body has been grappling with, and so I'm excited to bring forth hopefully something that provides a commonsense solution to what we're seeing around the property tax burden. The main components

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of this bill are to implement a program where the state pays a portion of property taxes or rent for the most econ-- for the most economically constrained homeowners and renters by reimbursing 50% of the tax or rent bill exceeding 5% of the taxpayer's federal adjusted gross income. I do have in my handout a case study of what this looks like for a homeowner versus renter so that you can kind of see that, that formula play out. This bill also provides the support calculated by qualifying taxpayers in the form of the refundable income tax credit. It caps the amount of taxes reimbursed by the state annually at \$4,000 for homeowners or renters and \$5,000 for senior homeowners or renters aged 65 or older. It insures homeowners and renters eligible for the credit only claim it on their primary residence, and for homeowners only claim the property tax they paid on the taxable value of their home up to 200% of the average assessed value of a single-family residential property in their county of residence. This bill does not require the state to provide broad-based property tax reliefs for hall-- for all homeowners or broad-based rent relief for all renters. Rather, this bill really targets residents whose property taxes or rents are high relative to their income. It allows qualifying taxpayers to claim the credit on more than one property, including any property which is, is not their primary residence. So again, it does not allow for that. And it does not interfere with any of the other state programs aimed at reducing property taxes. The Property Tax Circuit Breaker Act would function after other credits are applied and would not take any homeowner's property tax bill below \$0. So why is this necessary? Again, we've heard the stories. I specifically-- as I was knocking thousands and thousands of doors in District 13, I heard firsthand from my neighbors about their property tax concerns-- seniors especially. And folks on more-- lower and fixed incomes were afraid that they are going to be out of their home because of their property tax bill. And so this is a concern, I know, across the state, but especially for me as a representative of District 13. LB439 provides real tax relief by targeting assistance to those most burdened rather than offering the broad-based cuts that strain public budgets. By trying-- by tying relief to income and tax burden, it ensures low- and mil-- middle-income homeowners and renters get that-- get the help that they need without jeopardizing essential services. I believe that this is a balanced approach and keeps people in their homes without-- while maintaining fiscal responsibility. You have seen bills in front of you, for those that have been in the body, around property tax circuit breakers, and one of the things that was important for me was around renters. We have high populations of renters that is continually increasing. And homeowners and-- or, that property owner is not passing down that property tax relief even though that renter is paying into

that, right? That property owner is passing that down. And so as rent keeps increasing, I wanted to ensure that folks that also are in that space are seeing some relief because it's going to make a difference for them to be able to establish and keep a home that is safe and quality for them as well. And so unlike more general caps, circuit breaker tax policies provide effective and targeted property tax relief. And so that's why I'm suggesting this model versus, again, some of the other broad-based tax cuts that we are seeing. LB439 will help senior Nebraskans stay in their home-- which I think is very important-- and age in place and, and with dignity. So you see, best practice, especially for seniors, are being able to stay in their home. They have a higher quality of life and longer life when they're able to do that. And so I want to ensure that that happens with this. And with the, the tax break, it would allow for them to hopefully maintain their housing stock. So we know that there's an issue too with aging housing stock and not having the funds to really maintain it when we have a shortage. And so I think this approach provides some different types of solutions for some of the issues that we're seeing around housing. But again, especially for keeping those that are most vulnerable that need that income tax break to be able to realize that. I appreciate the committee for their consideration for this bill. I welcome any questions that you have. I will say I am not a tax expert, so there are people that will be testifying behind me that, if you have questions around the technical application of this, that will be better suited to answer those. And so I just want to uplift that. But appreciate any other questions and thoughts that you have. Thank you, Chair.

von GILLERN: Thank you. Before I open up for any questions-- I know you're not a tax expert, but I also know you're a very smart lady. The, the fiscal note, would you like to comment--

SPIVEY: Yes.

von GILLERN: --on potentially doubling our deficit with the fiscal note?

SPIVEY: Well, my hope would be is that we see some property tax changes in some of that broad-based cuts that we have, and this would replace some of those. And so we know that we have-- we know that we are offering property tax relief, and that comes at a cost. And so that is still a part of our budget. And so my hope would be is that we curate solutions that we would look at addressing some of those broad-based cuts and take a more targeted approach that has still a fiscal note but smaller fiscal impact when you look at it compared.

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von GILLERN: So-- I, I want to make sure I heard you correctly. You would, you would rather surrender the broad-based cuts that we've made, particularly-- well, most recently in the special session, and then target those-- take them, take them away from all Nebraskans and then target them to specific Nebraskans?

SPIVEY: I would say not--

von GILLERN: I don't want to put words in your mouth. I want to make sure I'm with you.

SPIVEY: I would say not surrender, but I would say take a intentional, critical viewpoint around those broad-based cuts and who is benefiting and who is needing, really, the property tax relief in that way and, and trying to come up with a solution that allows those that are most impacted by the property tax burden to see some relief. And so I don't think it's a one-size-fits-all. I think that this is a step to that. And there's a second set of conversation around reviewing what we're currently doing and how does that fit-- fit into this or not and, and what would that need to look like.

von GILLERN: So-- not to belabor this point, but I-- and, and-- you weren't, you weren't here for LB34, but one of the things that LB34 did was make sure the property tax relief did make it to, in particular, Nebraskans of modest means and modest incomes that were not receiving that credit before through their income taxes. So I, I-- and again, I, I know you're a smart individual and, and I know you already know that, but I want to make sure that those in the room and those on-- that might be listening online also understand that. So--

SPIVEY: Yes.

von GILLERN: --there, there was hundreds of millions of dollars that was expended in increasing the property tax program specifically to ensure that people of modest means received that-- those cuts-- or, those, those benefits. I'm sorry.

SPIVEY: Yeah, absolutely. And I hope that this doesn't come off of, like, that, that is not being considered from the work of the body before. That's not my intention. My hope is that we can still continue to be intentional around that because, as I mentioned, I think folks-- especially, like I said, the stories and emails that I get and just talking to my neighbors that they are still highly impacted and that people are still feeling that burden. And so I want to-- not that this is the silver bullet, but to start that conversation, to say, how do we

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continue to ensure those most impacted by property tax burden are seeing that relief? And then where could we do better in maybe some of those broad-based cuts? And maybe make some adjustments.

von GILLERN: OK. One last comment and then I'll quit picking on you.

SPIVEY: I know. I think my son is in here, Chair. You have to make sure I look good.

von GILLERN: By the way, is it-- is your son in--

KAUTH: He left.

von GILLERN: Did he?

SPIVEY: No.

von GILLERN: It was a--

SPIVEY: Oh. He's here.

von GILLERN: It was a pleasure meeting--

SPIVEY: He came back for day two.

von GILLERN: It was a pleasure meeting him on the floor yesterday. Nice, nice young man. I complimented you. He looked me in the eye and shook my hand. And that's always, that's always a great measure of a--

SPIVEY: Thank you.

von GILLERN: --of a nice, nice young man who's been parented well, so.

SPIVEY: Well, thank you.

von GILLERN: Com-- compliments to you. Now you got me all off track here. The way I read the bill, I would qualify for this refundable credit.

SPIVEY: OK.

von GILLERN: And I'm not sure that's the targeted relief that is most needed.

SPIVEY: Would you mind--

von GILLERN: Not that I wouldn't take it.

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SPIVEY: Would you mind-- like, what, what in the bill-- can I ask you a question back?

von GILLERN: Well, I don't make very much money here. And next year, I'll be 65.

SPIVEY: Got it.

von GILLERN: So. Anyway. OK. Dun-- Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for bringing this bill. I'm sure-- obviously, you're aware we've seen a couple of different-- or, a number of different circuit breakers over the few years that I've been here in the Revenue Committee. The ones that we've had in the past did not, I don't believe, include renters as well. So is this kind of an amalgamation of what we've seen in the past with regard to renter tax credits and circuit breakers?

SPIVEY: Absolutely. So this bill is more closely aligned to what Senator John Cavanaugh brought in special session, just to kind of tag on to what you all have seen before. And I specifically added in renters because while they don't directly pay property tax, they are still experiencing some burden in-- and rents keep rising. We know that finding affordable properties to rent is also an issue. And so this is trying to think more, for me, holistically about that. How can we ensure homeowners and people that are renting have some relief to be able to, again, stay in their home and have quality, affordable housing? And so yes, it does combine that. But this bill is-- kind of the bones of it that is most similar would be to Senator John Cavanaugh's.

DUNGAN: And that makes sense. And I, and I also want to say too having been here through the special session and last year, I know a lot of efforts have been made for both renters and homeowners. So I, I appreciate the inclusion of that. To make sure I understand that the, the mechanism of this-- and maybe this is a better question for people coming after you, but this doesn't necessarily take away the obligation of paying the property tax. It pro-- it provides a tax credit that an individual renter or homeowner can claim that sort of is a sliding scale based on a number of different factors, but that can't exceed \$4,000 for most people and \$5,000 for some, correct?

SPIVEY: Correct. Yeah. So it's over-- it looks at their AGI. So what does their gross-- adjusted gross income look like? And if their property taxes exceed that over the-- I think it's 200% in here-- then

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they're going to be able to receive that credit. And so it's looking at-- this doesn't stop the, the assessors. It's not addressing that process. But saying you are being assessed, that you have to pay it, how can we provide some relief? And so you are still responsible for a portion of that. And then that's when the relief kicks in after that. And I have some data and information in here just about some of the other states that have some sort of circuit breaker. And so 29 states and the District of Columbia offer, like, a property tax circuit breaker program of some sort, and about 17 of those still use a cap. And so-- that is on the back page of your synopsis. And so this does-- like, we're not an anomaly with, like, me proposing this. This does align to some-- what other states are trying to figure out around property tax relief as well.

DUNGAN: OK. Thank you very much for bringing this. Appreciate it.

SPIVEY: Thank you, Senator Dungan.

von GILLERN: Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Senator Spi-- I love the intent, because I would take advantage of it. But-- so I ran-- there's an example that you put in here.

SPIVEY: Yes.

SORRENTINO: And I, I ran the exact example. I used different numbers. And the reason I did that, sort of to Senator von Gillern's point-- and we did not talk about this-- there's a lot of people who are over 65 who might live in a \$0.5 million house, because during their lifetime they did OK. Now they're retired. And I can tell you that most people my age and if they're married probably make at least \$4,000 a month on Social Security. So the two of them together are at about \$100,000, most of which is not taxable. Maybe 80% of it is not taxable. You start to throw in investments, interest, maybe, maybe income that you have to take from your 401(k) minimum distributions. And the income can be-- you know, without doing anything, the good thing, you can be about \$150,000, \$200,000 a year. That person can afford the property taxes on that house-- which, I took a \$500,000 house, property tax levy of 2.5%-- which is very possible in, in, in the inner part of Omaha. Tax levy, about \$12,500. I ran the discounts, came down to a \$10,250 net. Very, very affordable for somebody in that area-- neighborhood. But I would still get a \$4,000-- and, and thank you for that. But I think that's why our fiscal note is so darn high and it's-- my problem with

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the bill, it, it's very generous, almost making it inconceivable to pass. Any thoughts on that?

SPIVEY: Yeah. I mean, I appreciate-- and I know that you have a strong background in this space. And so the goal was-- and in some of the guardrails, it has it in the synopsis right before the, the example, is that we were trying to create and look at a formula that had a cap over what their property tax were assessed compared to their income. And so I would be happy to entertain any amendments that you have around that you think to strengthen that or to truly align to the intention of the bill. And so I would be happy to look at that. And then there's some folks behind me that will be able to better speak to, like, the formula and some of the, the information that you're sharing.

SORRENTINO: Thank you.

SPIVEY: Yeah. Absolutely. Thank you for that feedback, Senator Sorrentino.

von GILLERN: Any other questions? Seeing none. Can you stay to close?

SPIVEY: Absolutely, Chair.

von GILLERN: No other bills and no other committees?

SPIVEY: I'm, I'm all yours the rest of the afternoon.

von GILLERN: Thank you. All right. We'll invite up our first proponent. Good afternoon.

LILLIAN BUTLER-HALE: Good afternoon. Good afternoon, Chairman von Gillern and members of the Revenue Committee. I'm Lillian Butler-Hale. That's L-i-l-l-i-a-n B-u-t-l-e-r-H-a-l-e. I'm the Outreach and Engagement Director at OpenSky Policy Institute. We're here in support of LB439, as it would target state funding to Nebraskans facing the highest property taxes or rent paid relative to their income. We want to start by recognizing the significant state funding already dedicated to decreasing local property taxes for Nebraska property owners. For the upcoming biennium, the dollar amount of broad-based property tax funding-- funding which goes to every land and homeowner in the state regardless of their ability to pay-- is about \$3 billion. That's about 21% of projected General Fund revenues over that time. Renters, on the other hand, currently have no mechanism to relieve the burden that increasing rents have caused. Renters too have faced a significant increase in rent paid. And while the property tax funding this committee has ushered through the Legislature could help lower rents,

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that will likely only be realized over the longer term. This program would help the state's most income-constrained renters right now. Even with the work the Legislature has done on property taxes, some residents still face bills that are high relative to their income. This is particularly true for low-income and fixed-income Nebraskans. What LB439 does, and ultimately what brings OpenSky to support it, is to target any additional state funding for property taxes to those who need it most. What we particularly like about the circuit breaker mechanism is that it can be tailored to fit within existing state fiscal constraints. Multiple levers in the proposal can be tweaked to ensure the funding is directed to the taxpayers most in need of additional property tax reduction. Additionally, this is a well-tested concept used in 17 other states in 2023, the most recent year for which we have data. Finally, we must address the fiscal note of this proposal, especially in light of the state's current financial situation. OpenSky has been in front of this committee several times this year already urging caution by not spending additional funds, as they will make the current projected shortfall even worse for the coming biennium. The fiscal note for this bill is about \$200 million per year, an amount we recognize the state will struggle with at this time. However, we remain in support of this bill because it is a tool that the Legislature can use to direct any additional funding to property taxes to the homeowners and renters who need it most. And so we urge the committee to use this powerful tool of LB439 as part of any effort to direct additional funding for property taxes, particularly because this concept can be tailored to the fiscal constraints the body must work within. It's for these reasons we support LB439. And I'm happy to answer any questions.

von GILLERN: Thank you. Questions from the committee members? Thank you for acknowledging that OpenSky is opposed to every bill with a fiscal note other than this one.

LILLIAN BUTLER-HALE: Sure thing.

von GILLERN: Thank you.

LILLIAN BUTLER-HALE: Yep.

von GILLERN: That is appreciated.

LILLIAN BUTLER-HALE: We try to lead with honesty, so-- yep.

von GILLERN: It is truly, truly appreciated. Thank you for being here.

LILLIAN BUTLER-HALE: Yep. Thank you.

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von GILLERN: Next proponent. Good afternoon.

TRACIE McPHERSON: Good afternoon, Senator von Gillern and members of the Revenue Committee. My name is Tracie McPherson, and I serve as the Chief Communications Officer for Habitat for Humanity of Omaha. Thank you for the opportunity to testify in support of the LB439. And special thanks to Senator Spivey for introducing this important bill. Over the past several years, we've seen a steep increase in home valuations among our home-- Habitat homeowners. While rising home values are a positive sign of wealth building-- we like that-- they can also pose serious challenges, especially for families on fixed incomes. As you know, higher valuations lead to higher property taxes and increasing monthly mortgage payments. At Habitat, we've watched property values rise dramatically from about \$130,000 just five years ago-- that's what a Habitat home was selling for-- now we're looking at \$230,000 today. While increased equity is a benefit, it can also create financial hardships. We have a homeowner. Her name is Lawanda. Her-- and her husband. She has a disability. Her husband is retired. And in just five years, their mortgage payment has more than doubled due to rising property taxes. They've been in their Habitat home for a number of years. So, yeah, the mortgage was pretty low to begin with, but not having a plan for having your mortgage payments doubled. It's a struggle. And they struggle to keep up with payments and at times have fallen behind and having to work tirelessly to catch up. And then we have a homeowner whose name is Salvador, who works in the construction industry, which is not a bad income at all. But while-- his wife is a stay-at-home-- take-- to take care of their children. In just three years, his mortgage payments have also skyrocketed. Again, not because of reckless spending or refinancing but simply because of increasing po-- property valuations resulting in tax hikes. These homeowners made responsible, well-planned financial decisions when they purchased their homes. They didn't buy beyond their means. They haven't cashed out on their equity to purchase new items. Yet today, they're struggling to keep up with rising costs beyond their control. And they're not alone. Currently, Habitat Omaha has 982 homeowners facing similar challenges. Every year, we receive hundreds of calls from worried homeowners asking what can they do. The realy-- the reality is when home values rise faster than incomes, families suffer. LB439 is an opportunity to change that. By supporting this bill, you can help ensure that hardworking Nebraskans aren't priced out of their own homes. Let's make Nebraska good life a reality for more families. And I did include just about 50 homeowners, their taxes for three years, what their mortgage payments was and what they are looking like up to 2023. I would have done 2024, but I'm a very last-minute person. I didn't ask our mortgage team in

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time to get that for you, but I'm happy to email it to anybody who's interested.

von GILLERN: Thank you. Ms. McPherson, could I get you to spell your name for the record, please?

TRACIE MCPHERSON: I'm sorry. I meant to do that. Normally I write it on here, and I didn't. See? I forgot. It's Tracie, T-r-a-c-i-e; McPherson, M-c-P-h-e-r-s-o-n.

von GILLERN: Any questions from the committee? Seeing none. Thank you for being here. Thank you for what you do for Hab-- with Habitat.

TRACIE MCPHERSON: Thank you.

von GILLERN: Is there any other proponents? Seeing none. Are there any opponents like to speak regarding LB439? Seeing none. Is there anyone who'd like to testify in a neutral position? Welcome back.

JON CANNON: Thank you. 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 NACO. Here to testify in a neutral capacity on LB439. Thank you, Senator Spivey, for, for bringing this. She's always been very gracious with her time and, and-- in discussing any of the sorts of issues that, that NACO's interested in. Our, our neutral testimony is, this, this is, this is fine. This is very similar to a homestead. A homestead is, is kind of a, a type of circuit breaker with a few key differences that I wanted to note and a few technical issues that, that we think should probably be brought up with the committee. This applies to renters. It applies to all of their rent, or at least under my reading of the bill. And-- whereas with the, with the people that own their property, it's only the portion of it that relates to their tax. And so I know that when I pay my mortgage, a large portion of my payment is principal, large portion is, is interest. And then there's tax and insurance that's also a, a part of my mortgage payment. This is assuming that, that the entirety of the rent is going toward paying the property tax. And I, I, I, I'm not sure that was the intent necessarily, but-- and, and if so, that's fine. I-- it's-- just wanted to bring that to the, the committee's attention. The-- this will create an administrative burden on the Department of Revenue. You know, currently, a lot of the homestead-- and, and, and they have an administrative burden as well processing homestead exemption applications. However, the homestead exemption application is done-- is, is initiated at the county level and then certain things are forwarded on to the department for them to review income and, and a

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couple other things. I will note that the bill doesn't require payment information to flow from the county assessor-- or, the county treasurer-- pardon me-- to the Department of Revenue so they can verify the amount of property tax that's been paid. I suspect that because of the regulatory authority that's granted to the department in, in the context of this bill that probably ends up happening. And I can tell you that when it, it has come to processing property tax credits in the past-- and we've been sending information from the counties to the department-- that has been a little bit of an administrative burden. Now, we programmed for it once. We can program for it again. And, and again, not strictly required under the bill, but you would you would almost have to expect that. I mean, in, in tax policy, we, we tend to want to have accurate figures. You know, the, the-- one of the questions is, is, which is more efficient, whether it's, it's the homestead exemption program-- do you just expand the program we already have in, in place? And it may be that we have different goals between homestead and the property tax circuit breaker, and that's fine. I, I, I, I, I think it's a policy thi-- consideration that should be discussed. And the, the last thing I wanted to mention is, as I was reading through the bill and-- in case I missed it, it seems that someone that, that is on homestead can still apply for homestead. And I'm, I'm not sure if that kind of double-dipping was intended through this bill as well. And with that, I'm happy to take any questions you may have.

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

DUNGAN: Thank you, Chair von Gillern. I'm sorry I'm asking you so many questions today, Mr. Cannon.

JON CANNON: You know, I, I thought I got off easy when I, when I said Lynn Rex had done my-- all my testimony.

DUNGAN: I know, right? Assuming-- let's pretend that you are in favor of the bill. I know you're here neutral, but let's say you want this to go into effect. What, if any, changes would you recommend in order to reduce the fiscal note? I think Senator Sorrentino, Chair von Gillern pointed out some of the issues with the fiscal note and the broad strokes in this takes. Are there any suggestions that you have just from having read the bill and looking at the fiscal note to narrow that effect while still accomplishing the goal of targeted property tax relief?

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JON CANNON: Yeah. I, I think-- the, the first item that I brought up as, as it applies to renters, where the entirety of the rent is going to be picked up through the, the circuit breaker, one of the ways that you could-- you know, you, you could essentially allocate that a portion of the rent, 25% or something like that, is, is going toward paying-- you could-- like a proxy for going toward paying for the property taxes. You know, by, by doing that, that would certainly reduce the, the fiscal note and, and also would kind of address that, that concern that, well, we're, we're going to allow for the entirety of the rent to be picked up through a credit, pre-- presumably, potentially, whereas it's only the, the portion that you're paying in property taxes as opposed to your-- the entirety of your mortgage on the, on the homeownership side. The other one, probably clarify what information's going to be traded between the county treasurer and the Department of Revenue. Because I, I think that's necessary to really get an understanding of, of what the Department of Revenue's costs are going to be. Not to speak for them. And then also probably having something where a person that qualifi-- that's already qualified for homestead is precluded from applying for the property tax circuit breaker. Those are probably some, some administrative details that could, that could lower the fiscal no-- I'm not sure how much it's going to lower it, but those are certainly some commonsense things that I, I think that could be done.

DUNGAN: If hypothetically those were to be implemented, say, in an amendment, do you think the information that we're talking about here is tangible enough that we'd be able to get an updated fiscal note that would be accurate? Could we see, for example, who would qualify for homestead that then could be exempted from this program if they applied for that first?

JON CANNON: I would imagine so, but I, I don't want to-- I mean, I-- we're not preparing the fiscal note, so I, I, I don't want to speak for anybody that would have to.

DUNGAN: OK. I know it would be difficult, but I'm just curious if that's information that, that exists.

JON CANNON: I mean, we know who applies for homestead. We know approximately the number of renters in the state. And, you know, we, we know the levels of homeownership in the state. So that, that's information that could be gathered. But again, I, I don't want to put anybody on the hook because I'm, I'm saying they could do it.

DUNGAN: Fair enough. Thank you.

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JON CANNON: Ye-- yes, sir. Thank you.

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

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

von GILLERN: Any the other neutral testifiers? Seeing none. Senator Spivey, as you come forward: we had 5 proponent letters, 0 opponent, and 0 neutral. So you're welcome to close.

SPIVEY: Thank you, Chair von Gillern again, members of the Revenue Committee. As I mentioned in my opening, I think we are all as a body-- and just as residents of Nebraska are trying to wrestle with, what do we do around property tax and what does that look like? And so I appreciate the opportunity to present a solution to this very complex problem that we are focused on. I took some notes around some of the feedback and then, Senator Sorrentino, your kind of example. And so I will do some follow-up and then send some information back out to the committee to get you some answers to some of those questions and things that you posed. But again, I appreciate the time. I appreciate the opportunity to be a partner with you all and trying to address and create property tax relief to those that most need it in our state. And with that, I would be happy to answer any additional questions.

von GILLERN: Thank you. Any additional questions? Seeing none. Thank you, Senator Spivey.

SPIVEY: Thank you, Chair. And I hope you all have a great weekend.

von GILLERN: Thanks. You too. That'll close our hearing on LB439. And we will open on LB712. Welcome, Senator Hughes.

HUGHES: Last one, right? Last one, best one.

von GILLERN: You're the only thing standing between us and the weekend.

HUGHES: That's the last-- I don't know. All the things. What the-- this thing doesn't move.

JACOBSON: You're the one that's actually bringing revenue to the Revenue Committee.

IBACH: We appreciate that.

HUGHES: You're welcome. I keep bugging Brad to do his job. He's Revenue Committee.

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von GILLERN: You're wel-- you're welcome to open.

HUGHES: This chair-- I'm just going to tell you. It's either the table's really tall or the--

von GILLERN: It's the chair.

HUGHES: --the chair is really short.

von GILLERN: It's the chair.

HUGHES: I feel like I'm a little kid in a chair. OK. And my arms are, like, up here. All right. Sorry. Chair-- Chairman von Gillern and members of the Revenue Committee. I am Jana Hughes, J-a-n-a H-u-g-h-e-s. And I represent Legislative District 24. I am here to introduce LB712. LB712 replaces the current bifurcated tax structure for electronic nicotine delivery systems-- some call them ENDS-- and replaces it with a 40% whole-- wholesale tax. I'd like to give you a little background on how we ended up here. During my first year in the Legislature, I discovered that Nebraska did not have an excise tax at all on vaping products while it did have similar taxes on other nicotine items. I decided to pursue this for a variety of reason, reasons. I was urged to adopt a bifurcated model after learning that the large tobacco companies had convinced enough of my colleagues at the time to support only this method on taxing vaping products. Today, vapes under 3 milliliters are taxed at a \$0.05 per milliliter rate while larger vaping products are taxed at 10% of wholesale. The bifurcated model was what we had to do to get this passed in 2023, but I really don't think it's the right system. In 2024, during the regular session, I successfully amended LB388-- the Revenue Committee package-- to remove the bifurcated system and replace it with a 20% wholesale tax. However-- and, and this got on as an amendment. However, due to several senators' opposition to raising taxes on any product-- primarily because of the pop and candy-- LB388 was passed over on Final Reading. Today, after doing more research, a 40% wholesale tax makes a lot more sense than our current bifurcated mo-- model. Looking at other states, there are many ways vaping products are taxed, which is also why vape-- when you talk about taxing vaping products, it's very confusing and there's no standard. When you talk about taxing cigarettes, it's-- a pack of cigarettes is a pack of cigarettes across all the states. However, digging into this-- I've included District of Columbia here in the breakdown-- 15 states tax as a percent wholesale-- either percent wholesale, retail, or manufacturing. So this is a percentage tax on the volume sizes. Ten states, including Nebraska, have a bifurcated system. Eight states tax on a per milliliter basis

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for-- regardless size. And 18 states don't have a tax at all. For the 13-- so 13 out of 15 states do a wholesale tax. The average is 56% wholesale. The high is 95% and the low is 15%. So in my opinion, a 40% tax on wholesale is quite reasonable when you're looking at all these other states that do wholesale. With a percentage of wholesale tax, we also will not have to go back into our state statute and change it. As specific dollar amounts grow and the items grow, it, it follows that. When you do a flat \$0.05 per milliliter, 20 years from now, what does that \$0.05 mean? Taxing on a wholesale basis is also line-- in line with other taxes on some other nicotine and tobacco products. I am asked all the time how this tax lines up with cigarettes. This is also tough, as the nicotine content in vape liquid can come in at different concentrations. In general, 1 milliliter of vape liquid with 28 milligrams of nicotine is about equal to a pack of cigarettes. So for a vape product of 1 milliliter, they are taxed at \$0.05 while we are taxing an equivalent pack of cigarettes here in the states-- in Nebraska at \$0.64. This is almost a 13 times difference. If the nicotine content is greater than 20 milligram, then the math gets worse. The tobacco companies will come in here today in a number of different forms representing themselves as a number of different organizations to oppose this bill. They hire a lot of lobbyists to come and fight this. They will tell you that it's not fair to tax their smaller products at the same wholesale percentage that the larger and cheaper products are taxed from overseas. But last year, we passed vape regulation. And starting this coming October, as part of that legislation that I introduced and-- with-- working with tobacco companies and vape manufacturers, these products will have to get registered in the state of Nebraska to be continued to be sold here. As part of this bill, we also banned online delivery of vaping devices in Nebraska. So this takes the argument off the table because I would argue that the garbage vape products from overseas will vanish from the shelves in Nebraska starting in October. Overseas manufacturers have shown little desire to comply with federal laws and regulations, and I think it's pretty safe to say that they're not going to start now with the state of Nebraska. I would also a-- I would also ask you to listen to testimony today that you discern between those that are opposed to this bill due to the 40% level of wholesale tax and those opposed to the vi-- bifurcated model. You will hear also from those who oppose the 40% le-- level but also oppose maintaining the bifurcated system versus the percent wholesale. Thank you for your time and consideration. And I welcome any questions that you have.

von GILLERN: Thank you. Questions? Senator Dungan.

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DUNGAN: Thank you, Chair von Gillern. Thank you, Senator Hughes. You and I have talked a lot about vape over the last couple years, so.

HUGHES: Yes, we have.

DUNGAN: I just have a coup--

HUGHES: And we sit by each other, so.

DUNGAN: Exactly. And I do appreciate your work on this. I think you-- you've really dove deep into it. So I, I know you're kind of trying to find the right solution here. Big picture, is your goal to raise revenue for the state of Nebraska or to ultimately get people to stop vaping?

HUGHES: I don't-- I'm not-- let me-- I'm going to rephrase that. I would like to see no more youth vaping and trying to stop that. And that was-- honestly, when I came in off of school board-- and I have teenagers. The, the vaping youths was skyrocketing. Now it's going into other vape device things, like the Zyn pouches and, and things like that, and, and getting a fresh group of people, right, hooked onto vape. Am I trying to stop adults from vaping? No. I-- and, and, and there are good actors in this industry that really, in fact, would support-- and I might be coming back next year with stiffer penalties if you sell to a youth, you know, things like that. And, and the good actors support that. So I think-- one, I, I really would like to try to eliminate this from youth. And I-- the problem with vaping in youth is because of the flavors and because of the fun pack-- and a lot of these are garbage products that won't be sold anymore with cartoons and look like toys. You're getting kids doing this young-- 9, 10, 11-- that wouldn't touch a cigarette because it's burning and smells terrible. But they might take a puff off or something that tastes like strawberry. So I think we have an issue with youth, and I want to see that. So I-- and, and then when you ask, are you also doing it for re-- revenue, I, I think it's a little bit of both. But the reality is, if you-- I mean, with cigarettes, they have very clear data. As you increase cost of cigarettes, usage does come down. So if you're-- you can't rely on something like this as a, a very strong revenue source because if you're going to increase it so much, it, it also--

DUNGAN: Well, and I-- I think you're speaking to kind of the point that I was going to get at next, which is, like you said-- and there's a lot of data that shows if we increase cigarette taxes by a certain amount it starts to reduce usage. But if you don't hit that point, people will continue to use but you're able to have a little bit more revenue off

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it. So the reason I ask too-- we look at the fiscal note. Obviously, we see \$22 million or 20-- \$34 million in '26-27. That's exciting. But I guess my bigger question is, do you think there's a negotiation or agreement that can be made where if we stay at 40% it could harm the industry compared to states around us but we could still reduce it to 20%, 30%, whatever, and raise revenue while still not killing the industry in an effort to make that funding source more sustainable?

HUGHES: I guess I don't see 40% killing it when the average of the, the states that go to wholesale-- and, and, in my opinion, it's going to-- I think more and more states are going to go to a wholesale-- that makes more sense-- versus a straight number that you have to, to, to go back after. But I want to mention something. Yes, the research isn't there. But if you look in your online comments and, and submissions, there's a-- public health that-- they, they have some stats that if you increase wholesale by 10%, it drops youth usage by 7%. And so I think they are starting to capture some of those numbers. Again, it's super difficult, right, when all these states do different-- and if, if anybody would like to see a breakdown of how every single state does it, I'd be happy to get that. I didn't know if you want to be inundated with all that paper, but I can-- I would be happy to get that for you. But it's hard to track then, you know. So I-- there is some argument that we can go higher and it will affect youth and possibly bring in revenue as well. But, I mean, that's a conversation we can always have, right? Everything's probably a little bit negotiable.

DUNGAN: Sure. Well, I appreciate that.

HUGHES: We could also go up.

DUNGAN: And, and thank--

HUGHES: That's negotiable too.

DUNGAN: And thank you for your continued effort on this. I appreciate it. Thank you.

HUGHES: Yes. Thank you, Senator Dungan.

von GILLERN: Senator Jacobson.

JACOBSON: Thank you, Chairman von Gillern. Well, first of all, Senator Hughes, thank you, first of all, for bringing the bill, for doing all the background work. And you're always known for doing the research--

HUGHES: I know. I'm the vape person.

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JACOBSON: And you're-- [INAUDIBLE]--

HUGHES: And I do like research. I like numbers.

JACOBSON: --hard work on the research, so I really appreciate that. And also thank you for bringing a bill to the Revenue Committee that actually produces revenue. OK? I mean, this is a rarity.

HUGHES: Do I get, like, a-- do I get, like, a star sticker or something?

JACOBSON: My, my back of the envelope right now is if we approved every bill that came to Revenue this year that had a fiscal note, we'd be, we'd be--

HUGHES: How much in the hole?

JACOBSON: --about \$1.5 billion that we'd be handing to Senator Clements to say, hey, add this to your revenue number-- or, to your expense number. So, so thank you again for that. I personally like what you're doing here. I, I will tell you I got pulled out to the Rotunda this morning by someone who opposes your bill. And then when it was clear that I wasn't going to be supportive-- I, I was going to be supportive of the bill, then evidently I wanted to kill kids and, and-- so it got pretty crazy. But we've got to understand that this smoking leads to health care problems. That's going to continue to add to Medicaid costs and all of our hospital costs. These-- this is a-- that-- I, I applaud your effort. Let's keep it away from kids. And, and clearly you look at all the nefarious things that go on with vaping today. It's not all nicotine that's going into those pouches. And so-- or, into those capsules. So, again, I applaud the effort. I, I, I'm gathering you're going to be open to some modification if we need to, but I just think this is a good bill that needs to pass even if you're 30% or whatever. But I assume you're going to be open to--

HUGHES: Of course.

JACOBSON: --move that if we have to.

HUGHES: We can talk about anything. I always listen.

von GILLERN: Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you for bringing this bill. A couple of quick questions. Any data on the income level of users?

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HUGHES: I don't have that, but I could, I could kind of--

SORRENTINO: Because some will say, oh, this is a sin tax on the poor. That's where I'm going. OK?

HUGHES: I don't have that, but yes.

SORRENTINO: Rhetorical question.

HUGHES: And, and I, I would ask, have you asked that same question for the people that are probably going to come opposed that actually sell these products? And somebody might have some of that. I, I do believe that--

SORRENTINO: I could ask the income level of people who sell it, but I won't.

HUGHES: You could ask both.

SORRENTINO: Any data on the average age of the user?

HUGHES: The average age? I don't have average age, but hold on. Let me get my-- for youth-- you're going to ruin my closing, Mr.-- Senator Sorrentino. Let me get my numbers.

SORRENTINO: I'm guessing it's young.

HUGHES: So according to the U.S. Food and Drug Administration, youth vaping was at 7.7% nationally. And then in 2023-- and then that number dropped to 5.9% in 2024. So you're going to hear that youth vaping's going down. The most recent youth data survey-- so we do a tobacco-- sorry-- a tobacco survey in Nebraska. It's a survey-- anonymous survey with our high school kids. We actually do it at-- I think it's, like, 8th grade-- it's at 8th grade, 10th grade, it's every-- and 12th grade, I believe. It's done by DHHS. They found that, in 2023, 10% of kids under 18 used vaping products at the time. So that's kind of saying our Nebraska average is higher than what they're saying nationally. So I have those numbers for youth. But-- so we kind of-- we were like, OK. Well-- right. We all like-- I know you really like numbers, but we like numbers. So if the national average of underaged kid-- like, under the age of 19-- 21 is-- or, 18 is about 5.9%. So Nebraska has 2 million people, right? 24% of those 2 million are under 18. So-- and you can't vape till you're 21, supposedly. But--

SORRENTINO: Allegedly.

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HUGHES: Allegedly. 24% of 2 million is 486,000 kids that are under the age of 18. So if 5.6% of those kids are, are vaping, that's 27,200 kids in our state.

SORRENTINO: So if I make the logical leap of faith that kids have lesser disposable income than adults, raising this to 40% or 50%-- whatever you raise it to-- could potentially bring that number down, correct?

HUGHES: Yeah.

SORRENTINO: OK.

HUGHES: For sure.

SORRENTINO: So--

HUGHES: And I, I think-- I've heard-- and again, this is just from myself having teenagers and some of the people I work with. I have a friend that does a-- like, a youth group on Wednesday nights. And they, they are-- they talk a lot about the vape thing. And what they-- what happens is the older kid-- like, maybe somebody 21 and over will go buy it and then, you know, if it costs, whatever, \$5.50, hey, pay me \$10. That's-- I mean, that's a lot of times how they're getting them. So they're actually probably paying more, but.

SORRENTINO: So-- you're also aware that Senator Linkowski [SIC-- Lonowski] has a, a bill on this. And his bill is to take away what I'll call the flavors, for lack of a better word, or reducing--

HUGHES: Yes. I am aware in front of General Affairs he had a bill to-- a flavor ban bill, except for, I believe, menthol and tobacco flavors.

SORRENTINO: Does that have any effect, any interaction whatsoever with your bill? I mean, his is not trying to ban. It's--

HUGHES: It's, it's banning the flavored ones.

SORRENTINO: It's banning the flavored ones. Will that-- in your opinion, does that reduce use at all--

HUGHES: Yeah.

SORRENTINO: --instead of banning?

HUGHES: I'm sure it would reduce use. I'm-- and, and-- so his flavor ban is a tough one because, as I was Se-- telling Senator Dungan, what

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is my goal? Is my goal to get no one to vape or is my goal to-- and I-- so my goal would be to not get kids, kids to start vaping, or even any nicotine thing until they're older. Because if you wait till you're older, the chances of you being addicted drop dramatically.

SORRENTINO: So could I give you a multiple choice question?

HUGHES: Yes. Go ahead.

SORRENTINO: So--

HUGHES: I call it Sophie's Choice. Give me Sophie's Choice question.

SORRENTINO: All right. So the question is-- you have three choices--

HUGHES: OK.

SORRENTINO: --A, the intent of this bill is to raise revenue; B, reduce the number of minor users, young-- and, B, ban vaping altogether, which-- I know what the correct answer is. I just wonder if you do.

HUGHES: You want to ban completely. I know that.

SORRENTINO: Well, I'm asking for your opinion.

HUGHES: I want both A and B.

SORRENTINO: You want B and C? You want A, B, and C?

HUGHES: B and C-- C is a ban too.

SORRENTINO: Well, A, B, and C is all of the above. [INAUDIBLE].

HUGHES: You know what? I kind of--

SORRENTINO: OK.

HUGHES: I'm a-- I don't know if it's, like, the libertarian in me or whatever, but if you're over the age of 21 and know what you're doing and, and as long as things are labeled correctly, like, what you buy is what-- and you know what's going into your body and, and you want to be dumb and do it, go for it.

SORRENTINO: So this is a bill to help kids. Yes?

HUGHES: Yes, I think it'll probably help kids. Yes.

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SORRENTINO: Thank you for the answer.

HUGHES: Ooh, that was a roundabout way of doing it. I'm sweating now.

von GILLERN: Anybody have a direct question?

SORRENTINO: Ow.

von GILLERN: Seeing none.

HUGHES: Yeah.

von GILLERN: You'll stay to close, I imagine.

HUGHES: Of course.

von GILLERN: OK. First proponent. Are there any proponent testimonies for LB712? Seeing none. We'll invite up the first opponent testimony.

CHRIS PETERSON: Whoa. Hello.

von GILLERN: It's not you. It's the chair.

KAUTH: It's the chair.

von GILLERN: It's the chair.

SORRENTINO: It's not you. It's the chair.

CHRIS PETERSON: Thank you. Thank you. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Chris Peterson, C-h-r-i-s P-e-t-e-r-s-o-n. I'm a registered lobbyist, appearing today on behalf of AMV Holdings LLC in opposition to LB712. Kure CBD Va-- and Vape, a subsidiary of AMV Holdings, operates 68 stores in 14 states, including 11 stores in Nebraska, located in Bellevue, Grand Island, Fremont, Lincoln, Omaha, and Papillion. Customers have trusted Kure for over a decade as a company that meets Nebraska consumer demand with safe and legal products. We urge the committee to consider the negative consequences of LB-- LB712 would have on small businesses, adult consumers, and Nebraska's broader harm reduction efforts. Our primary concerns are as follows: LB712 comes with a disproportionate economic burden on small businesses. Increasing the wholesale tax on electronic nicotine delivery devices, ENDS, from 10% to 40% for products containing more than 3 milliliters of consumable material places an undue financial burden on small retailers. Unlike large national corporations, small businesses operate on thin margins and rely on fair and predictable taxation to remain

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viable. This dramatic tax hike would lead to dis-- decreased sales, store closures, and job losses within our local communities. LB712 may have unintended consequences for public health and harm reduction. Public health agencies, including the U.S. Food and Drug Administration, FDA, and the Centers for Disease Control acknowledge that while e-cigarettes are not risk-free, they are less harmful alt-- they are a less harmful alternative to combustible tobacco for adult smokers seeking to quit. Excessive taxation on vapor products discourages smokers from transitioning to potentially less harmful alterna-- alternatives, contradicting-- contradicting harm-reduction principles. A tax disparity between ENDS and traditional cigarettes may inadvertently push consumers back toward combustible tobacco, which is proven to have far greater health risks. LB712 encourages an unregulated market. High taxation often results in consumers turning to illicit or out-of-state markets to purchase ENDS at lower prices. Nebraska retailers would suffer from lost sales while unregulated sellers who do not enforce age verification laws could profit. This bill may ultimately undermine existing youth prevention efforts by shifting purchasing behavior away from licensed retailers. In conclusion, we urge this committee to oppose LB712 and consider a balanced approach that supports both public health and Nebraska's small businesses. Exce-- excessive taxation will not only hurt retailers but may also push consumers toward unregulated markets and more ham-- harmful tobacco products. Thank you for your time and consideration.

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

JACOBSON: So what's the compromise?

CHRIS PETERSON: Something lower than 40%.

JACOBSON: No, but-- no, what's the compromise number? Give me a number.

CHRIS PETERSON: The, the 10%-- the current tax rate, the bifurcated system, has only been in place a short period of time. And, and so we would respectfully urge caution in moving the rate up until we fully know how much revenue might be--

JACOBSON: So there's no compromise. It's either kill the bill or--

CHRIS PETERSON: Senator, something less than 40%--

JACOBSON: But not greater than 10%.

CHRIS PETERSON: Perhaps 15%, 20%. But 40% seems-- four times the existing rate. Egregious.

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JACOBSON: Well, I think we're open to-- I think there's an openness to something in the middle. But, but I think there's, there's really an interest in trying to get something done here that's more than the 10%, but that, that helps me. Thank you.

von GILLERN: Thank you. Other questions? I, I-- I shouldn't ask a question I don't know the answer to, but I truly don't. But I'll speculate. I, I believe there's somewhere near a hundred years of data on tobacco and the impact of tobacco, but vaping and e-cigs have been around for ten years or so.

CHRIS PETERSON: Ten, ten or so years.

von GILLERN: So isn't it a little risky-- and, and I go back-- my, my mom was born in 1936, started smoking when she was 15. And we saw the negative effects of that, smoking cigarettes, obviously. But there were no warnings. There wasn't enough data. They-- you know, they, they just didn't know the long-terms effects. So I, I, I'm speculating and then I'll, I'll form it in the form of a question. My speculation is we don't have enough data to know if vaping is truly better for you than tobacco, because we've got 1/10 of the data available. And your thoughts on that would be?

CHRIS PETERSON: Senator, thank you for the question. As I respectfully agreed that maybe 10 years-- I heard him-- perhaps someone here said maybe 18 years. I think someone following me may have some information about more-- better information about public health study.

von GILLERN: All right. But you understand my quandary.

CHRIS PETERSON: Yes. And would, would be glad to forward some public health study information to you from that period of time.

von GILLERN: All right. Thank you. Seeing no other questions. Thank you for your testimony.

CHRIS PETERSON: Thank you.

von GILLERN: Next opponent.

SARAH LINDEN: Oh. Good afternoon.

von GILLERN: Good afternoon.

SARAH LINDEN: Chairman and members of the Revenue Committee. My name is Sarah Linden, S-a-r-a-h L-i-n-d-e-n. And I am the owner of Generation

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V, a Nebraska-based business with 16 vape stores in the state. I was born and raised in Nebraska, graduated from UNL, and came back to Nebraska to start my business in what I thought was a business friendly state. I kindly ask that you oppose LB712, which would quadruple the current tax on vapor products past two years ago. A 40% wholesale tax on vapor products is actually twice the tax on deadly cigarettes. When you calculate and equivalize the tax to-- into a retail tax based on the average price of cigarettes and the average price of vapor products and whatnot, the retail tax on cigarettes is equivalent to 8% versus 15% for vapor products. Although I support wholesale taxes on vapor products, 40% is far too high. Even 20% would be about the equivalent of cigarettes, and I don't think that they should be the same. Although I support moving all vapor products to a flat percentage of wholesale tax, I strongly oppose increasing the tax on vapor products. Vapor taxes should be significantly less than a tax on cigarettes due to their proportionate harm. Studies show that vapor products are at least 95% less harmful than smoking and are twice as effective at helping smokers quit than all other nicotine replacement therapies combined because vapor prob-- products mimic the hand-to-mouth habitual aspects of smoking that other cessation products don't. I'm very passionate about this industry because my grandmother died from lung cancer and my mom and sister have both been able to stop smoking using vapor products. And my mom has been able to stop vapor products as well due to these products. The Legislature should be championing vapor products to encourage users to switch to a less harmful alternative rather than taxing people to death, literally. Another downfall of taxing so highly is that 80% of Nebraskans live within a one-hour drive from one of our borders. And if you increase the price of products by 15% at retail-- which is about the equivalent, maybe 20%-- people can just drive across the, across the bridge to-- into Iowa and buy these products. And they will be incentivized to do so. And studies show that when you lower the price-- or, hi-- raise the price of cigarettes, people go to black markets or other states to purchase them. I support restricting. I do have a 12-year-old at home, so I do really care about keeping these out of the hands of youth. And I support restricting access by minors but not at the expense of the hundreds of thousands of adults who rely on these products or the smoking cess-- cessation aid. Laws like this are not necessary at a time when teen nicotine use is at an all-time low. Only 8% of teens are using nicotine in any form, down 49% since 2013. Only 7.8% of high school students are vaping experimentally, only 3% habitually. This is from the CDC's National Youth Tobacco Survey. So it's legit data. Things are already headed in the right direction, which I'm really happy about. I do want to just-- I want--

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VON GILLERN: Can I get you to wrap up your testimony here?

SARAH LINDEN: Yes. I just want to speak on behalf of the bifurcated system really quickly for Senator Hughes--

VON GILLERN: Let's-- I'll tell you what. Let's see if we have any questions, OK?

SARAH LINDEN: OK.

VON GILLERN: Are there any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Could you speak very briefly to the bifurcated system--

SARAH LINDEN: Yes, thank you.

DUNGAN: --and your thoughts on that?

SARAH LINDEN: Yes. I appreciate that because I did run out of time. So I do think that the bifurcated system is grossly unfair. If you calculate what it costs for just a disposable vaporizer product, it's about \$0.90 based on the wholesale percentage tax and a JUUL-- pack of JUUL pods is \$0.14, or the-- Fuze is about \$0.36. So it is a grossly different amount, as well as when you think about inflation and whatnot, if you, if you taxed based on, like, a milliliter or a set weight or something, that tax never increases with the price of things. And so in the long run, they get a huge advantage. And there's a reason why, like, they've been fighting this bifurcated system-- or, fighting for this bifurcated system for the last couple of years. It's because they're getting a steal with it. It, it is a grossly unfair system. So I would, I would like to support Senator Hughes changing the system to a flat percentage of wholesale cost across the board.

DUNGAN: And just as a real quick follow-up because I think you were kind of getting at my next question.

SARAH LINDEN: Yes.

DUNGAN: You-- is it correct that, that you've spoken to Senator Hughes prior to today as well?

SARAH LINDEN: Yes. Yes.

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DUNGAN: You and her have worked together, I think, on some of the past bills she's brought.

SARAH LINDEN: Yes. Very--

DUNGAN: Just to clarify then, so are you open to working with her to try to find a number to Senator Jacobson's point of what that number might be with regards to a compromise?

SARAH LINDEN: Yes.

DUNGAN: OK.

SARAH LINDEN: Thanks for your question. I am very fortunate that Senator Hughes has worked very collaborative with me over the last couple of years on other bills related to vaping, and I look forward to working with her further on this. I've already spoken with her quite a bit. And I do think that there's a compromise that can be made. I know that-- I know she's willing to come down and I'm willing to come up a little bit to find that compromise. My big thing is that I think that it should be lower than cigarettes. If you tax cigarettes at the equivalent of 80% wholesale tax, I'm fine with 40% on vapor products, you know. But the tax on cigarettes hasn't gone up for I don't know how many years, yet we keep raising the tax on vapor products. So I just think that it should be fair. And I don't-- I also don't want it to be so much that consumers are going back to smoking cigarettes or they're going out of state to purchase these products because then the state of Nebraska gets nothing.

DUNGAN: Got it. Thank you for being here today.

von GILLERN: Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So when you said that we keep raising taxes on, on vapor products-- to be fair, it wasn't until Senator Hughes came along and put a tax two years ago on vapor products. So it's-- cigarettes have been getting taxed for a hundred-some years. So it's not like-- I don't know. I, I think you're, you're-- it seems like you feel like you're singled out. You haven't even caught up yet. So I, I, I question whether it is a legitimate concern that you are, are worried that you're getting taxed more than cigarettes are.

SARAH LINDEN: I don't think that we are getting taxed more than cigarettes right now. It's just that every year we're here to fight the

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tax going up. But for whatever reason, the tobacco companies are able to keep the price-- the tax on cigarettes at a certain level--

KAUTH: Because--

SARAH LINDEN: --in perpetuity.

KAUTH: --could it be because they've been taxed increasingly over the past several decades?

SARAH LINDEN: I don't really know. This-- vaping-- vapor products have only been around for about 18 years-- since, like, 2007.

KAUTH: Right.

SARAH LINDEN: So--

KAUTH: Which-- and, and that also leads to the point, what are, what are you seeing as far as-- a response to Chair von Gillern's question about the fact that we only have a limited amount of data on the harms for this. And when cigarettes really started, you know, started, we had no data. And so we grew that data over the past decades. So do you think that over the next decades we will see an increase in data about vaping that's going to show that it actually is harming?

SARAH LINDEN: No. So there are governments that are doing studies, like Public Health England, because they have socialist medicine. Not-- this is not a support for socialist medicine, but because they have socialist medicine, they conduct their own studies as a government. And they have already shown that it is greater than 95% healthier than smoking. And they can't say exactly what percentage because it is still new, but the, the big difference that I think you guys need to understand is-- or, I'd like you to understand is that smoke-- what kills people is the smoke that-- from combusting something. You're breathing tar and carcinogens caused by smoke. When you vape-- it's not water vapor. Obviously, there's other things in it, but a lot of the ingredients are what are found in medical inhalers. And so they are already deemed safe by medical professionals and the government. And so it's, it's not exactly water vapor, but to-- think of it as water vapor. It's water soluble. So it absorb-- absorbs into the lungs. It doesn't create blockages in the pa-- in the small pathways of the lungs or anything like that. Now, is it 100% safe? No, because breathing anything other than pure oxygen is not 100% safe. But there's even studies that have shown, like, secondhand vapor and-- compared it to, like, standing on a street corner with exhaust fumes, and actually standing on a street corner in any city is more dangerous than

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breathing secondhand vapor products. So it's-- it is drastically less harmful than smoking. It, it--

KAUTH: Compared to smoking, correct.

SARAH LINDEN: Yes.

KAUTH: But again, in, in the coming years, we may find that there are harms from it. So I guess I just-- it's still a very new industry.

SARAH LINDEN: I mean, in 20 years nobody's died from, from vaping.

KAUTH: It's still a very new industry, is I think [INAUDIBLE]. So when you're-- when we're talking about bringing taxes up to par, I don't think we're there yet as far as comparable to cigarettes, so. Thank you.

von GILLERN: Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. In your operations that you own or manage, do you sell CBD or Delta 8 products?

SARAH LINDEN: Yes, I do.

SORRENTINO: What is the tax on those?

SARAH LINDEN: Zero.

SORRENTINO: All right. Thank you.

SARAH LINDEN: There is no tax. There is no tax on vapor products in any of the surrounding states except for Kansas, which is \$0.05 per milliliter; and Colorado, which is 50%, but it's based on the manufacturer price, which is about half the wholesale price. So you have to equalize that about to about 25% wholesale.

SORRENTINO: Thank you.

SARAH LINDEN: And there's no-- there's only one state that taxes CBD and hemp, and that's Louisiana at 3%.

von GILLERN: So far. Thank you. Senator Jacobson.

JACOBSON: So when it comes to Delta 8 and other products you're selling, are they completely safe?

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SARAH LINDEN: I would say-- I'm not a-- there's not as much health data, but I would say, like, can you compare to-- I mean, you have to compare it. It's all--

JACOBSON: I just need the answer. Do, do you consider that to be completely safe?

SARAH LINDEN: No, it's not 100% safe.

JACOBSON: OK. And so, really, I think it's only a matter of time before those products are going to be taxed as well.

SARAH LINDEN: And I would support a tax on CBD and hemp products.

JACOBSON: Great. We maybe could amend that bill to include taxes on them as well. So thank you for that.

von GILLERN: Thank you. Seeing no other questions. Thank you for your testimony.

SARAH LINDEN: Thank you.

von GILLERN: Any other opponents?

STACY ALEXANDER: Good morning-- afternoon, everyone. My name's Stacy Alexander, S-t-a-c-y A-l-e-x-a-n-d-e-r. And I, I'm an owner at E-TITAN Vapors. I operate four store-- oh. Excuse me. Chairman von Gillern, members of the Revenue Committee. My name is Stacy Alexander. You guys know that. I operate four stores in the Tri-City area. Sorry, guys. I'm kind of new at this. I have also worked pretty closely with Senator Hughes over the last couple of years to establish some regulatory framework and possibly a taxation for the vape industry. I've been in business for 13 years now. I was one of the first ones to pioneer vaping in the state of Nebraska. And as an owner, before I even get into my statement-- honestly, we've been looking-- anybody who's a good actor-- and we heard Senator Hughes talk about good actors, and I'd like to go ahead and say that I'm one of those that she's talking about. We are embracing regulation and taxation. We believe in the safety of the children. And also the state needs to have revenue as associated with any sin tax. Let me get into my statement. We appreciate that Senator Hughes has been dedicated to finding popular regulatory framework and taxation levels for electronic nicotine delivery systems, also known as vapes, as well looking at taxation of other nicotine products, like the Zyns. We support the elimination of the bifurcated tax structure for nicotine products. However, we oppose the 40% wholesale tax on ENDS. The vape industry worked with Senator

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Hughes in '24 on her bills to put in place a regulatory framework, as well as creating a 10% wholesale tax on the ENDS. E-TITAN supports a reasonable level of taxation and the possibility of gradual increases of the tax level. As I testified in support of Senator Hughes' LB125 on Monday, which proposes a 20% wholesale tax-- I did, I did testify as a proponent of that bill. An average a pack of cigarettes is, is roughly \$8.28 in Nebraska. It's taxed at \$0.64-- \$0.66 a pack. That would be roughly 8% of the purchase price. Cigarettes cost Nebraskans \$924 million a year in medical expenses and another \$174 million a year in Medicaid expenses. Big tobacco gives back about \$45 million a year from their cigarette taxes to Nebraskans. These statistics do not reflect health costs associated with secondhand smoke, smoking-caused fires, or use of chewing tobacco, and yet they pay the lowest rate of all nicotine products available on the market. This bill would give an unfair competitive advantage to big tobacco, all the while lining their pockets at the cost of Nebraskan taxpayers. Respectfully, e-TITAN Vapors is opposed to the increase in the wholesale tax in LB712. We look forward to continuing to work with Senator Hughes on ways to improve regulation of the vape industry that increases safety and enforcement. Senators, I appreciate your time today and would open myself to any questions you may have.

von GILLERN: Thank you. I'm sorry, I don't recall. I don't know that you spelled your name. Would you spell your name for the record, please?

STACY ALEXANDER: Yes. It's Stacy, S-t-a-c-y; Alexander, A-l-e-x-a-n-d-e-r.

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

DUNGAN: Thank you, Chair. And thank you for being here, sir. We've had the opportunity to talk at least briefly I know once before, maybe twice. Can you just-- briefly, if you could-- kind of outline some of the security measures that you at your stores utilize in order to make sure that youth aren't accessing your products? I know that's been a big conversation we've had here. And I would agree that I think you're one of the good actors. And so if you could kind of outline what your procedures look like in order to stop kids from getting access to these things, that might be helpful, I think, for the record.

STACY ALEXANDER: OK. Sounds good. We'll start all the way back in 2014, LB861. We actually had print-- collateral printed and put it on our windows. That's when I believe that vaping actually hit the radar for

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the first time in 2014 and realized there was no age restriction whatsoever and wanted to at least put it at 18, because at that time you could sell it to a baby legally. We supported regulation ever since then and have. At a certain point, we noticed-- and, and coming just to, to hearings, we've heard senators' concerns, which are children. Vapes are getting into schools. Now, it's not a new song, it's a remix. We all remember the song Smoking in the Boys Room. OK? Now we're vaping in the boys' room. OK? It's not a new song. It's a remix. But it does have a lot more appeal. So what we decided-- what was the easiest way to disassociate ourselves from the youth? Well, we thought we'll just self-regulate to 21. To answer Senator Sorrentino's question in case he does have one in the future, yes, we do sell hemp products. And you only have to be 18 to use those products in the state of Nebraska. We don't care. We shut our doors to anybody that's 21. You can't walk in holding a baby. You can't walk in pushing a stroller. You can't come in hand in hand with your kid. If you're not 21 years old, you cannot walk in our store, period. We started operating on that policy about a year and a half ago. We've met with our local chiefs, chiefs of police and local law enforcements around, some different senators. And that was just one place that we did. We also stopped all of the gaudy signs and the flashing lights and the flags that you see outside because we believe that's passive marketing. We believe that's the same as marketing to a kid who's walking by or looking at it the same. We realize that while we hold these standards for ourselves that you can still walk into HyVee with your grandchild and go hand in hand right down to liquor or the, the, the, the wine aisle. And it's not a problem. But the look of impropriety can sometimes be as bad as impropriety itself. That is the model that we have at e-TITAN. So our doors are closed to anybody that's 21. We have two points of industry-- sorry-- two points of IDing that we do: that is at the point that you come into the store and then also at the point of sale. So you're IDed twice in our store. And it's electronically scanned too. And that information is entered into our computer system. So should you ever need to see-- or should there be something, you could do that. We've been stung over 100 times in our stores in Nebraska over the last 11 years. We have a zero loss record. Zero. So what we decided was-- these hemp products. Why do you got to be 21 to smoke a vape-- which isn't really mind-altering-- but you could use these hemp products-- you only gotta be 18 in the state of Nebraska. And it's mind-altering. We thought, well, this isn't correct. So that had another thing to do with us raising. Then we also implemented what is known as our exit bags. We've shared those with Senator Hughes and a few different senators. We have child-resistant packaging that's very nondescript. It's black. You can't see into it. You can't see the fruity colors. You can't see

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anything in it. There's very precise information that's printed on the bag as to how it's used. And we give these bags for free even though they cost us about \$1 a bag. And that's what we've done to kind of self-regulate to try to make the industry look better. Now, all the while we do this, we realized that the 13 other stores in Grand Island who also sell the same products we do, do not. And that when we're mentioned on the news, even though our company may get the lion's share of the proceeds in those Tri-Cities, that we're probably the biggest target. So we've done everything that we can to try to cause, like, a stopgap between children who are possibly 18 years old and still enrolled in high school but still able to legally walk into my store and make a straw purchase. We wanted to present that-- when we started talking with Senator Hughes last year, we wanted to present that as a working model and not one in theory. So even though it does not-- is not favorable to our bottom line to miss out on a two years of demographics, we have not seen any detriment to our business or declinations of sales with, with these kinds of policies self-imposed in place.

DUNGAN: Well-- and, and I appreciate that. And I know you kind of have explained that to, to me previously, and I just thought it was important to note that there are good actors doing that. So thank you for your time here today. And I appreciate your testimony.

STACY ALEXANDER: Thank you, Senator.

von GILLERN: Thank you. Any other questions? Senator Jacobson.

JACOBSON: I just want to thank you for being here. I think your testimony is great testimony. I appreciate your approach to this. And thank you for being one of those good actors in a business that can sometimes get way off the rails.

STACY ALEXANDER: Thank you, Senator. And we are willing for some talks. We believe that there is some room for negotiation in the tax. The only-- one thing I'd have, if I can say it, since Senator Hughes can hear it, is there any way to take that tax off the wholesale side and put it on the retail side? That way, we can itemize it on our receipts so taxpayers know what sin tax they're paying for. Sin taxes are designed to create a slush fund to combat whatever negative things that, that product may bring. And it also is the discouragement to people to not purchase a product because they're a little bit higher.

von GILLERN: Thank you. I encourage you to visit with Senator Hughes more.

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STACY ALEXANDER: OK.

von GILLERN: Thank you.

STACY ALEXANDER: Thanks, guys.

von GILLERN: Thank you for your testimony.

STACY ALEXANDER: Appreciate it.

von GILLERN: Any other--

STACY ALEXANDER: Have a great weekend, everyone.

von GILLERN: Thank you. Any other opponent testimony?

NICOLE FOX: Good afternoon, Chairman von, von Gillern, senators of the Rev-- Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x. Representing the Platte Institute. And I'm here today in opposition to LB712. As you know, LB712 eliminates the current bifurcated tax structure for electronic nicotine delivery systems and it escalates the current 10% wholesale to a 40% wholesale tax. Our opposition is simple. This is a significant tax increase. Vaping products provide an option for individuals interested in smoking cessation. Discriminatory taxes, also known as sin taxes, like the significant tax increase in LB712 proposes, would prevent adult smokers from switching to a less harmful product. It's well-established and supported that ta-- cigarette taxes are not a stable source of revenue, and the same could be said for taxes on vaping. Als-- taxation varies greatly from state to state, and large differences in prices drive smuggling and tax avoidance. Low-tax products commonly find their way into high-tax states. Imposing higher taxes leads to loss of revenue. The revenue loss is not just the tax on the vaping product itself, but it also encompasses lost tax revenue on other things that are purchased when-- purchases when one leaves the state. Additionally, sin and discriminatory-- discriminatory taxes like those proposed in LB712 are regressive, meaning that low-income Nebraskans do pay a higher share of their income than higher income earners, making them especially burdensome. Vaping products offer a means of nicotine consumption that is less dangerous than com-- combustible cigarettes. They allow users to consume nicotine contained in tobacco but with fewer harmful chemicals that traditional combustible cigarettes, and are therefore a potential option for individuals interested in smoking cessation. According to the CDC, 68% of the country's 33 million smokers have an-- have expressed an interest in quitting. Protecting access to less harmful nicotine products is intertwined with tax policy because these products are

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economic substitutes. Low tax rates on products like vape encourage consumers to switch from combustibles. High tax rates are counterintuitive to harm reduction efforts, as they encourage users to return to smoking combustible cigarettes. LB712 would impose taxes much higher than its neighbors. Only Colorado would have a higher tax than Nebraska while Iowa, Missouri, and South Dakota do not tax these products at all. We commend the Legislature on its implementation of smart regulation, such as the ENDS registry that was created to deter the sale of illicit products. But to, to curb teen vape usage, we would prefer the enforcement of current laws and the use of vape detectors, as this is reasonable. Also, we feel that parental, parental responsibility is imperative. Significant discriminatory taxes will not likely result in increased revenue, as I said. Tax avoidance is human nature. A 2023 study conducted that-- showed that unintended effects of vape taxation may considerably undercut or even outweigh any public health gains. And I've emailed you my testimony so you have a link to that article. So again, we believe that LB712 is not sound tax policy. And we would advise the committee to keep it in--

VON GILLERN: Thank you.

NICOLE FOX: --committee.

VON GILLERN: Senator Jacobson.

JACOBSON: So I've got to ask. You said--

NICOLE FOX: OK.

JACOBSON: --tax avoidance is human nature.

NICOLE FOX: Mm-hmm.

JACOBSON: But when we've raised the occupation tax in motels, has that caused motel usage to go up or down?

NICOLE FOX: I don't-- I, I, I don't know if it's gone up or down, but I think--

JACOBSON: Hotel-- hotel/motel usage has continued to go up. Seemingly unaffected by what the occupation tax is. I would also argue when you go to sales taxes. I'm not seeing an avoidance of shopping in various, various places where E-- where EAs are been-- put in place or sales taxes have been raised. So I do challenge the premise that if you raise taxes that sales are going to go down, because it depends on what you're doing. And so-- and particularly when we're looking at items

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that-- I get one side of it. People are going to switch from something that's bad-- smoking-- to something that's less bad. But there are tho-- also those people that quit altogether. And I, I just fundamentally have some concerns that says that, because we've put a tax on it, it's just going away because nobody's going to spend the money. And I, I don't think that's how it works.

NICOLE FOX: OK. Is, is that-- can I answer your question?

JACOBSON: Sure.

NICOLE FOX: OK. So back to the hotel tax. I mean, I would say-- you know, there are some things that are-- you-- people are going to pay for because maybe they're-- there's a business expense and somebody has to travel to a state. They're going to-- they're going to be stuck paying the tax. They're not going to go, well, we're not going to, you know, go to Nebraska for business because we have to pay a higher hotel tax. But I also think, you know, let the free market work in terms of-- I know several people that, that don't stay at hotels because they can find things like Airbnb and such that are cheaper options. So, yeah, I think that price does determine where people can-- you know, what people consume and where people consume. And I also would say that-- you know, this is a significant tax increase. This is going from 10% to 40%. And I think that people that are currently using those products, if they feel the result of that tax increase, they're potentially going to go elsewhere. So I'd, I'd respectfully disagree with you, Senator Jacobson.

JACOBSON: Well-- and, and I would just say that, that I think it's pretty clear I think there's likely the negotiation in the middle. But we're talking about also a fairly low number in terms of-- you know, we have-- percentages sometimes lie when you're dealing with smaller, smaller increments. OK? A 40% increase in the occupation tax could be real money, but I don't think that's the case here. And so I just want to point that out and, and somewhat raise the question that not-- raising taxes do not always result in less usage. But thank you.

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

NICOLE FOX: All right.

von GILLERN: Any other opponents? Anybody el-- are there any other testifiers planning on speaking? OK. Thank you.

TIM KEIGHER: Was there anybody behind me? I'm it?

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von GILLERN: [INAUDIBLE].

TIM KEIGHER: Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name for the record is Tim, T-i-m; last name, Keigher, K-e-i-g-h-e-r. And I be-- appear before you today in opposition to LB712 on behalf of the Nebraska Petroleum Marketers and Convenience Store Association and the Nebraska Grocery Industry. I guess I'm not going to reiterate-- I mean, I have several pages of what I was going to say. I wouldn't do it in three minutes anyway, so. I guess retailers are looking to sell a product that is legal and that is tax competitive. And as been mentioned before, this very large tax increase on these products is going to make us uncompetitive. So I guess I want to give an example. Does, does taxes make consumers' decisions? Yes. I have a member who has stores in Nebraska. Also has stores in Iowa. They were at one of their stores in Iowa one day, and there was people coming in and talking to the manager. Manager had a pad of paper. People would give the manager money. Manager would write down stuff. After the fourth or fifth person came in, the owner of the company said to the manager, are you the local bookie? Jokingly. And she said, no. She said, it's my turn to go to Missouri and buy cigarettes. I mean, Missouri's cigarette tax is \$0.17. Our is \$0.64. Iowa's is \$1.36. So if we continue to raise the tax on this, are people going to-- is consumption going to go down? Somewhat, yes. People who decide to quit using whatever tobacco product it is. But I think they're going to find alternatives for the ones who want to keep doing it. And, you know, to the question that was asked earlier about, is it lower income people that smoke? I have heard that before. I looked it up, and the Google told me that that is a true statement. Whether you believe Google or not, that's up to you folks. But I guess-- you know, retailers thought that when we addressed this issue a couple of years ago that the compromise kind of was the bifurcated system. And I guess we feel that it should stay that way at this point in time. With that, I'd be-- try to-- happy and answer any questions you may have.

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

TIM KEIGHER: Thank you. Have a good weekend.

von GILLERN: Thank you. You too. Any other opponent testimony? Seeing none. Anyone who'd like to testify in a neutral position? Seeing none. Senator Hughes, you're welcome to close. As you come forward, we had 3 proponent letters, 4 opponent letters, 0 neutral, and 0 ADA testimony.

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HUGHES: Oh my God. This chair is awful. OK. Mr. Chairman, members of the Revenue Committee. Appreciate your time today on this late Friday afternoon. I want to mention all the cosponsors of LB712-- including Senators Murman and Sorrentino, who are with us today-- Senators Brandt, Clements, Clouse, DeKay, Dorn, Hardin, Holdcroft, Murman, Riepe, Sorrentino, and Spivey for cosponsoring this. OK. So we've heard a lot of things. I want to mention the-- there was a, a talk I-- it was Mr. Alexander-- to collect the excise tax at retail-- or, the tax at retail, which one state does a percent retail. The problem with that with what I've heard is all our excise taxes are collected at wholesale. And that's for enforcement. You've only got so many wholesale places to enforce making sure they're collecting it. If you are now collecting it at every single gas station, grocery store, what-- it's more-- it's going to cost more money to enforce because there's more places to check. Does that-- if that makes sense. So typically, all, all the tobacco tax and everything is done at a wholesale lev-- or, at the, at the wholesale place. So I want to say, well, if vaping was only truly a cessation devi-- a thing and then only for adults, then I think that would make sense to keep the tax less than what cigarettes are. But however, we are getting new-- vaping is bringing new people to, to nicotine. My kid growing-- I, I will never forget we were walking across a parking lot and he saw a cigarette butt on the floor and he-- he was probably 10. And he's like, drug. I mean, they, they were-- they don't even touch cigarettes. But his whole gang, all those kids, they'll, they'll do the vape. So it's a new nicotine thing and, and they're, they're going to be users too because they're addicted now to nicotine. And nicotine is not safe. I also am super willing-- because I heard this-- that if we would-- what if we keep 40% wholesale and then bump up cigarettes to be the equivalent to that? So if cigarettes today are at \$0.64 or equivalent to maybe 20%, then I'm willing to bring the bill to bump up the cigarettes to be higher than the 40% wholesale. So I'm willing to do that. I also think a percent tax on wholesale makes much, much more sense than bifurcated, which is a mix of wholesale and a fixed price. And you kind of heard testimony to that, that with the percent it's growing as the price grows but with a flat amount per milliliter, that is an advantage to that small group of items, the under 3 milliliter, that stay at that \$0.05 the whole time, or \$0.10 or whatever it is that it doesn't grow. So I really am-- I'm really strong about keeping wholesale price. And I-- honestly, I think cigarettes should be at some kind of wholesale price too and forget this amount. Our \$0.64 on cigarettes hasn't been changed for 30 years, so. I-- again, in your online prod-- or, online testimony, you can see that the Nebraska associate health director said that research says that a 10% increase in the price of e-cigarettes can lead to 7%

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decrease in consumption of our youth. And we did hear that the youth vaping is decreasing. But we looked it up, and it's 7.7-- nationally, it's dropped to 5.9%-- like I mentioned before with Senator Sorrentino, that the survey specifically for Nebraska from 2023, they found 10% of, of the kids 18 and under vaped at that time. We did the math that-- that says 27,000 kids in Nebraska are vaping right now, so. Let's get rid of the bifurcated tax, replace it with a wholesale tax. I am definitely open to talking with folks, talking with you guys to see what we can do. Something that came to mind is perhaps we phase in something, if that-- you know, if we want to phase in something over the next few years, I would definitely be open to that. I also-- I want to say that-- again, I, I brought this-- the tax in-- originally my first year. We showed up here. We didn't have computers for the-- I think we were even hanging out in this room for five days. And I-- reading the excise tax and there's not a tax on vape. I'm like, well, let's do a tax on vape. And we got what we got, which was the-- and, and it was \$0.05 a milliliter. And I feel like-- looking back, I'm a little bit kicking myself because then now they can come in and say, well, you're, you're bumping it up so high. And I'm like, yeah. Because we started out so incredibly low once you do all the research, so. That bothers me a bit. But I-- you-- here's the deal: once we get on wholesale, then we don't have to keep coming back to this. It's not like we're going to address it all the time, because it will, it will grow, but. Anyway, I welcome more questions too. I, I will absolutely work with you guys. I will work with the folks I always have, and I think they gave testimony to that. The-- people were extremely helpful with our vape regulations. I think that's the most important legislation we've done with this. I think we can copy that model perhaps for the, the new CBD stu-- I mean, there's all kinds of things that can follow that. I think kratom-- I think Senator Hallstrom's bill kind of follows that model. So that was really great stuff. I'm open to increasing fines on that if you're selling to under 21. But that's not today's bill. We can work on that in the future. But I welcome any questions.

von GILLERN: Thank you. Questions from the committee? Seeing none.

HUGHES: Everyone wants to go home.

von GILLERN: That'll close our hearing on LB712.

HUGHES: Thank you so much, folks. Have a super good weekend.