

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 13, 2025

von GILLERN: Good afternoon everyone, and welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. I serve as the chair of this 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 on testifying today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill; these sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name, and spell your first and last name to ensure we get an accurate record. We'll begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally, by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer, if they wish to give one. We'll be using a 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 have one minute remaining, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard; it's just a part of the process, as senators may have bills to introduce in other committees. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room; such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position 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. We'll now have the committee members with us today introduce themselves, starting my left.

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

KAUTH: Kathleen Kauth, LD 31; Millard.

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BOSTAR: Eliot Bostar, District 29.

MURMAN: Dave Murman, District 38; eight counties in the southern part of the state.

DUNGAN: George Dungan, LD 26; northeast Lincoln.

IBACH: Teresa Ibach, District 44; eight counties in southwest Nebraska.

von GILLERN: Thank you. Also assisting the committee today, to my right is legal counsel Sovidia Tran, and left is legal counsel Charles Hamilton. To the far left is committee clerk Linda Schmidt. And I'll ask the pages today to please stand and introduce yourselves.

LAUREN NITTLER: Hi, I'm 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 political science and criminal justice.

KYMBERLI DYKSTRA: Hi, my name is Kym. I'm from Blair, Nebraska. I'm in my second year at the University of Nebraska-Lincoln, and I'm studying political science.

von GILLERN: Thank you for your help today, ladies. With that, we'll begin today's hearing. We're going to do a joint hearing with LB169 and LB170, and welcome Senator Brandt.

BRANDT: Good afternoon, Chairman von Gillern, and members of the Revenue Committee. My name is Tom Brandt, T-o-m B-r-a-n-d-t. I represent Legislative District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. Today, I bring before you two bills aimed at increasing state revenue to help address the budget shortfall while also providing property tax relief. First, we'll start with LB169. This bill seeks to impose a sales tax on numerous items and services that are currently exempt. After last spring and the special session, I was disappointed that we could not eliminate even a single exemption. Following the special session, I pursued input from fellow senators, constituents, and other stakeholders on which exemptions they could reasonably support eliminating. From those discussions, we have developed a list of more than 20 items for consideration. After introducing the bill, I received additional feedback from individuals and lobbyists requesting clarification or expressing concerns about certain provisions. As a result, I introduced a white copy amendment,

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AM589, which makes the following changes from the original bill: it removes any references to broadband and telecommunications infrastructure; it eliminates references to the Mechanical Amusement Device Act [SIC]; it removes language that would have taxed haircuts and hair care services; it clarifies the language on animal specialty services to ensure that only non-veterinary pet grooming is subject to sales tax; and it adds explicit language ensuring that certain services deemed medically necessary remaining sales tax-exempt. After these changes, the remaining items that would be subject to sales tax include: pet grooming; chartered flights; dry cleaning; dating services; interior design and decorating; lobbying services; limousine and similar luxury vehicle services; marketing and telemarketing services; non-medical massage services; nail care; personal instruction for golf, tennis, and dance; sightseeing services by ground vehicles; non-medical skin care services; swimming pool cleaning and maintenance; tattoos; telefloral delivery services; travel agencies; weight loss services; film rentals; and admissions to zoos and museums. These 21 items are estimated to generate roughly \$37 million in new tax revenue for the state. I have provided the committee with a handout showing how these services are taxed in other states. That will be the big one that you got. Legislative Research took two weeks to put this together. OK? It has all 50 states down the left side, and across the top, with the exception of the fourth one, we took hair care out after the fact that hair care would not be included in this. And also, I might say, on the original fiscal note, it included hair care; that is now removed. And so, you can go through, and if there's a yes, they tax it. There are five states in the United States that have no sales tax whatsoever. That would be the capitalized "Nos," which are Alaska, Delaware, Montana, New Hampshire, and Oregon. So really, you're, you're going against 45 other states. And I didn't total on yours, but I did on mine; I went down each column and totaled how many "yeses" there are, and it ranges from 4 to 40 on these different things here. And you're welcome, welcome to go through on that. And if you want to just do the surrounding states, you can do that also. In addition to that, you received another handout that shows by service how many dollars-- and that's this white one right here-- are expected for each one of those lines. OK? And then, I guess while we're discussing handouts, the last handout will be on the next bill, and that's basically on pop, candy, cigarettes, and alcohol, and we just did the surrounding states and what they charge for those things. So, now you've got all that powerful information in front of you. So, moving on to LB170. LB169, for purposes that we've nicknamed "luxury tax," LB170 we've nicknamed "sin tax." I don't know if that's accurate. It originally was pop and candy; the governor's people brought us tobacco and alcohol, and those are--

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have been amended into LB170. So, LB170, as originally introduced, would eliminate the sales tax exemption on pop and candy. Yesterday, I introduced AM603, which adds an increase to the cigarette and alcohol tax. I introduced this as a separate bill because I believe it deserves its own discussion. Pop and candy, in my opinion, are non-essential goods, and there is no compelling reason why they should not pay sales tax. Many states, including Iowa, Kansas, Colorado, and South Dakota already tax these items, and Nebraska should follow suit. The revenue generated by this simple change contributes to our larger effort to stabilize state finances and reduce the pressure on property taxes. As the fiscal note shows, this measure will generate \$40 million in a full tax year, and that is just for pop and candy. AM603 increases the taxes on cigarettes and alcohol. Currently, Nebraska taxes cigarettes at \$0.64 a-- per pack, which is significantly lower than our neighboring states. This amendment proposes raising it to \$1.36 per pack, bringing it in line with Iowa, and is still lower than the national average. It's time for Nebraska to modernize this tax. The projected revenue from this increase on tobacco alone is estimated to be \$42 million. On the alcohol side, the amendment proposes increasing the tax from \$3.75 to \$4.50 per gallon of pure alcohol for manufacturers that produce over 100,000 gallons of alcohol and spirits in the state. However, it has been brought to my attention that this provision may violate the Commerce Clause. The Liquor Control Commission will provide further explanation on this issue, and we are certainly open and probably will be removing this provision, if necessary. It is estimated if that provision would go into effect, it would only be \$2.5 million. So, between LB169 and LB170, we're looking at generating approximately \$120 million in new revenue for the state. This will help cover the budget shortfall, and will be used to fund property tax relief measures such as LB303 from Senator Hughes and the Education Committee. At their core, these bills are about broadening Nebraska's sales tax base to better reflect the modern economy. Our current tax system is outdated, with too many carve-outs that create inconsistencies in how we apply sales tax. By expanding the sales tax base to include these services, we create a more balanced and stable revenue stream, which in turn helps us address Nebraska's ongoing property tax burden. I understand that tax discussions are always difficult, and I don't bring these bills forward lightly. However, if we are serious about addressing Nebraska's budget shortfall and providing meaningful property tax relief, we must be willing to take a hard look at our tax structure. These bills take a measured, common-sense approach to tax reform; broadening the base, ensuring fairness, and generating necessary revenue for the state. I'm sure we'll hear from numerous testifiers

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today, and I look forward to the discussion. I ask for your careful consideration and support, and I'd be happy to answer any questions.

VON GILLERN: Thank you, Senator Brandt. Questions? Let's start with Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you, Senator Brandt. I'm going to dive right into just one detail. I think it's L-- the one that increased the cigarette tax.

BRANDT: Yep.

SORRENTINO: I think that's actually LB170.

BRANDT: Yep.

SORRENTINO: So, my understanding of this-- correct me if I'm wrong-- it's, it's currently \$0.64.

BRANDT: Yep.

SORRENTINO: It's going to go up \$0.72 to \$1.36, correct?

BRANDT: Yeah, that'd be correct.

SORRENTINO: OK. I don't know a lot about the dispersal of the current \$0.64. I do know that \$0.15 of it goes to some special funds. It could be to fight cancer-- whatever it might be, it goes to some special funds. As we go up \$0.72 to \$1.21-- I'm sorry. If we go up \$0.72 to \$1.36, can you tell me, does that entire \$0.72 increase go to the General Fund, or does the special fund get pieces of that, as they do now?

BRANDT: Yeah, I'll have to get back to you on that.

SORRENTINO: You're not sure?

BRANDT: And, and because of all-- basically, we're looking at about 24 different things here. For the most part, we took the Department of Revenue definitions on everything. And on that specifically, I'll have to get back to you if it's a percentage of that, or if that's a hard number in there.

SORRENTINO: Anyway.

BRANDT: So, I, I--

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SORRENTINO: Can I, can I ask your opinion? Of the \$0.72 increase, do you feel like--

BRANDT: I think it should all go--

SORRENTINO: it should all go to the General Fund--

BRANDT: Yes.

SORRENTINO: --or should it go to the special funds?

BRANDT: I'd like to see it all go to the General Fund. You're asking my opinion; that's my opinion.

SORRENTINO: I am, yeah, right now. OK. Thank you.

BRANDT: Yep.

von GILLERN: Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So, Senator Brandt, we had talked a little bit about heated tobacco products, which are not-- I don't even think they're technically sold in the U.S. yet. Are you intending them to be treated as cigarettes so that they'll have that same tax rate?

BRANDT: My understanding that the existing definition of that includes heated cigarettes.

KAUTH: OK, great. And then, I have a second question. For the body-- the tattoo and body modification services, does that include plastic surgery that is cosmetic?

BRANDT: We, we were very careful that anything medical is not taxed.

KAUTH: OK.

BRANDT: So, for example, massage initially, and I had forgotten last year that we had carved out medical massage. The, the white copy amendment exempts medical massage; I think it exempts medical skin care. If, if that needed to be in there, we would certainly put that in. I don't know if, if cosmetic surgery would needed to be included or not.

KAUTH: OK.

BRANDT: Yeah.

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KAUTH: All right. Thank you.

BRANDT: But that is a reasonable question. We can look into that.

KAUTH: Thank you.

von GILLERN: Senator Murman.

MURMAN: Thank you. And thanks for bringing this bill, Senator Brandt. The purpose of raising these taxes is to provide property tax relief-- I assume that that's the purpose.

BRANDT: Well, it's to provide both-- yeah. My ultimate goal is property tax relief, but, you know, the General Fund started this year \$432 million in the hole, so you got to, you got to fill that hole before you provide any additional property tax relief. And you know, LB303 that, that is in your committee on education funding, to drop the levy and increase our per-student would require \$112 million. And I believe when that came through your committee, a lot of people asked "Well, where's the funding side of it?" We kind of thought this would be the funding side for that.

MURMAN: Oh, that'd be great.

BRANDT: And we intentionally, intentionally kept it separate because it really gums up a bill when you have both the bill and then the proposed revenue side.

MURMAN: Yeah. My question is why, why didn't we just put it right into the property tax credit fund, but I think you've already answered that.

BRANDT: Yeah.

MURMAN: Thank you.

von GILLERN: Thank you. Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you, Senator Brandt. I think this is-- obviously, is a lot to digest here. So, I just, I just have a couple of questions, or a few questions, I guess. Big picture, we're talking about expanding the sales and use tax base, and we keep talking about getting rid of these exemptions. Do you know how many of these services were originally taxed and then exempted? Or are these things that have never been taxed previously?

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BRANDT: That's a deep dive, Senator Dungan. Each one of these is very unique, and I-- I'm going to assume-- you know what assume means-- that most of these have never been taxed, that somehow-- I'll use the zoos as an example. I-- my understanding is the Henry Doorly Zoo, a number of years ago, senator came in and say, hey, if we, if we can keep the sales tax, we can build an aquarium. And then they built an ape house, and then they built a desert, and then they get-- they've never stopped. And it's the best zoo in the United States; it's wonderful. But when 40% of the people that go through those doors are from out of state and we don't sales tax them, you know, we're not taking advantage of a, of an asset that we have in the state to generate revenue for the state of Nebraska.

DUNGAN: Mm-hmm.

BRANDT: So, I use that as an example. You know, last year we did-- a couple years ago, we exempted twine and net wraps, something I'm very familiar with as a farmer. And now, that's going to go back on the books because the governor is going to take that, that exemption off, even though I truly feel that's a business expense. And I think that's where you get into it on this, on these, on the, in the gray area; is it a business expense, or is this, is this something that you have a choice as a consumer that you, you can purchase or not purchase?

DUNGAN: And, and I appreciate that. I think-- I-- the reason I bring this up is we've talked a lot about other things that are services that have been proposed to be taxed--

BRANDT: Yes.

DUNGAN: --like legal services. I know that's not in here, but there was--

BRANDT: We can certainly put that in.

DUNGAN: I'm good, thank you. But there was the, the debate or discussion over whether that was something that was at one point exempted, or if it's a new tax being implemented.

BRANDT: Yeah.

DUNGAN: So that's why I ask, and I just think it's important for us to be clear-eyed about whether or not we are implementing new taxes or simply undoing exemptions. And I think it gets a little bit complicated in some of those areas, but that's my understanding as well.

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BRANDT: This chart took our Legislative Research Office two weeks with their best guy to come up with.

DUNGAN: Yeah, it's-- and I--

BRANDT: You know, that question was-- is probably-- I would say at least ask for a researcher to dig into that and try and figure that out, if the history is even there--

DUNGAN: Yeah.

BRANDT: --you know, to research it.

DUNGAN: And I just think that might be an important context to have. Addition to-- additionally to that-- and this is part of probably a larger conversation that we can continue to have with your LB171, and I think there's obviously a philosophical debate to be had about tax policy, right? We're the Revenue Committee. And I don't want to get too into it, but I know there are members of this committee who have made it clear on the record that there's a, a-- some believe that we should be moving to a more consumption-based tax system, which I think this seeks to do by broadening the sales and use tax base, whereas there's others, I think, who may support, you know, a more progressive as opposed to regressive tax policy like freezing the income tax reductions, which you've also proposed. Do you have fears, or have you at least addressed the concern that broadening the sales and use tax base without lowering the overall rate of sales tax is ultimately regressive, and impacts lower-income folks in a larger way than higher-income folks? Is that a thing that you've--

BRANDT: We, we can certainly look at that. My understanding-- and I'm sorry I don't have the number for you, but I've always been told we lead the nation in sales tax exemptions, and I believe that. Department of Revenue puts out a report every year; I think I counted 110 different services and goods in there that are sales tax-exempt in Nebraska. If, if we wanted to-- South Dakota's a good one to look at, because South Dakota has no state income tax. They sales tax attorneys and accountants, and I'm not so sure, dentists and, and doctors, because that's their only revenue stream for their state. So, yeah, you could, you could look at that, but I don't know-- where you need the income, why would-- you would offset that. Let's say we, we sales taxed all these goods and services and dropped the sales tax half a percent or a full percent, you've just kind of given up-- you've, you've added these back in, but you've kind of given your income up.

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DUNGAN: No, and I think that's-- maybe people coming up after you who maybe have done some of that research, I'd be curious to know if there is sort of a, a point on the graph where you could broaden the base but lower the rate, so ultimately the impact on lower income individuals is less, but if you broaden the base enough with a lower rate, you still raise money. So, I'd be curious if we could maybe have that conversation moving forward, but I know it's kind of a bigger thing. The last thing, or, a couple things I wanted to talk about was specifically some of these industries. I've obviously been reached out to by a number of folks.

BRANDT: We've been contacted by a number of folks.

DUNGAN: I'm sure you have. You know, some of these in particular, focusing mostly on things like tattoo and body modifications-- you know, I've received a lot of emails, conversations about the tattoo industry. And it's one of those things that I think sometimes people can be a little bit flippant about, but we're talking about small business owners, and we're talking about people who maybe just have one or two employees there. Are you concerned that the amount of-- I guess, for lack of a better way to put it, accounting and effort and bookkeeping that would have to go into some of these sales tax collections is going to be more of a burden on small businesses than it will be with regards to the larger businesses? And does that offset the, the benefit that we have here?

BRANDT: Yeah, I would agree with you 20 years ago, but everything is powered by a computer now. You know, you're gonna have people come up here and say, oh, it's going to be so hard for my C-store to do this. Half the stuff in a C-store is already taxed, half of it's not taxed. How do they do this? There are not a lot of businesses that sit there and hand-calculate stuff anymore. So, I don't think that's a, that's a valid excuse. It's, it's almost easier-- let's say it-- my example on a, on a convenience store-- just tax everything inside of it. Problem solved.

DUNGAN: That certainly would be easier.

BRANDT: It would be. Yeah.

DUNGAN: I don't know if I agree with it, but.

BRANDT: Yeah. That's true.

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DUNGAN: And then, the other specific industry I was curious about, because I've had questions about this, dating services? Are we talk-- what-- are we talking about--

BRANDT: And we didn't put escort services. Now, why are dating and escort services even on there? I don't know.

DUNGAN: That's my question.

BRANDT: I mean, some-- somewhere along the line in the state of Nebraska, somebody got that exempted. I'd like to know which senator that was, and what his reasoning was.

DUNGAN: That would be a good use of the Legislative Research Office's time, I'm sure. [LAUGHTER]. Well, I, I appreciate that. I'm sure I'll have questions for other people coming up, but I do appreciate your efforts here. I know it's a broader philosophical conversation, but I do appreciate you digging in. I know you've done a lot of work over this, over the interim and this session, so thank you.

von GILLERN: Thank you. Senator Jacobson.

JACOBSON: Thank you, Senator von Gillern. I'm sorry I missed the early part of your opening, but I, I did do a little research on this, a little bit of a look at this ahead of time. I guess my concern, you've-- this is going to-- if we, we make this change, this isn't this year, this is going on into perpetuity, and so-- you mentioned that you want to put this into the General Fund, but I thought we were really looking for property tax relief. And if we're serious about that, shouldn't we consider at least dedicating at least 50% of it to property tax relief, and maybe the other half into General Fund?

BRANDT: Well, I--

JACOBSON: I'm, I'm-- my concern is whether we're going to have the intestinal fortitude to actually collect these dollars and then use it for tax relief, as opposed to just taking the-- bringing in new revenues, and spending it.

BRANDT: Right. So, I brought a bill here last week to put \$150 million into the School District Property Tax Relief (Cash) Fund; that would come straight out of the General Fund. I kind of look at it as opposed-- as dump it in the General Fund, take it out. We've got programs that will take property tax relief money out of the General Fund. If, if this committee wanted to target that, I could certainly do that. We could rewrite this, that it would go into--

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JACOBSON: So, you'd be open to that?

BRANDT: Yeah.

JACOBSON: OK.

BRANDT: Tier 1, tier 2-- you know, if LB303 goes through, LB303-- I just thought it'd be just a lot cleaner for a future Legislature that these things are just getting dumped in there. And my hope is once we pass these this year, maybe we go back to that list, and maybe there's, there's-- instead of getting 21, there's 1 or 2 that the Revenue Committee could look at every year. We-- we're going to bring a bill this year that sunsetted every sales tax exemption every five years, and would stagger it. It's very difficult to try and figure that out; it'll be a lot easier if we can get some of these off the books and then come do that. I, I-- we've often thought to introduce a bill that says anytime anybody brings a tax credit or a sales tax exemption, it automatically has a five-year sunset to be reviewed, to see if it's working. How do you know that all of these have helped these businesses, for how many years? I mean, I'd be interested-- if there's very many, very many of the opponents of this can come up and tell me how many years these have been on here.

JACOBSON: Well, I, I would just, just raise one other point. I mean, it seems to me that the goal has been with this bill-- and really, one of the benefits out of LB34 and the special session was I think we all concluded that we don't want to put sales taxes on items that would be regressive to low-income people. We also agreed that we didn't want to tax business inputs. But everything else seemed to be on the table, and I think that's what we're looking at with this list. I don't see anything on this list that's necessarily going to impact low-income people. And I think there may be a couple of issues we may need to talk about through the hearing here, perhaps business inputs. But by and large, I think that's what the goal has been, and to the extent that we can do that and raise real revenue-- the, the concern I have is there are going to be people saying it's a, it's a tax shift. But the problem is, is that what happens today is property taxes become the shift. That's what everything gets shifted to; if there's new money needed and there's no money to fund it, it results in property tax increases, and we witnessed that over the last several years to the tune of about \$280 million a year in collective property tax increases in the state. Therein lies the problem that if we don't push that down, it takes \$280 million a year to cause property taxes to be flat. New money into the property tax relief fund, or new money-- less money being taxed to be able to make it flat. So, we've got a lot of work to do there, and so

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I'm very sensitive to the fact that we need to make sure that if we're going to raise revenue, it needs to go somewhere that we're reducing taxation somewhere else.

von GILLERN: Thank you, Senator Jacobson. Any other questions from the committee members? I've got a few, Senator Brandt.

BRANDT: Sure.

von GILLERN: You mentioned pop and candy are taxed in several other states around us. Did they have a challenge define-- yeah, thank you. Did they have a challenge defining what is pop and what is candy? Are they having--

BRANDT: We are-- we're just using our Department of Revenue definition.

von GILLERN: OK, but they've been doing this for some time, so it doesn't appear that there's a--

BRANDT: We didn't, we didn't deep dive into South Dakota or, or Iowa, if their definitions are different than ours. We-- you know, the examples you used is Kit-Kat bars wouldn't be taxed because they have no sugar in them, they use flour. I do know--

von GILLERN: I think they do have sugar, but they do use flour.

BRANDT: Yeah. Whatever. But yeah, it, it--

von GILLERN: They taste pretty good.

BRANDT: Yeah, it does. I do know Maryland is-- got a 2% sugar tax that would raise like \$400 million in that state. It's hit a buzzsaw of opposition. They're looking at taxing sugar, and I don't know if it's just on soft drinks or if it's across the whole food spectrum. So, there are other legislatures trying to do other things out there. This is the simplest for us--

von GILLERN: OK.

BRANDT: --to enact.

von GILLERN: Let's see what else here. You mentioned regarding zoo admissions, you, you-- and I don't know if this was research that you did, or it was off-the-cuff-- you said 40% of visitors to the zoo were out of state. Is that your estimate, or was that number provided?

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BRANDT: No, that was a number-- that was a number we got a couple of years ago. Senator Hughes-- Dan Hughes, his last year, introduced a bill to eliminate that sales tax exemption, and I remember at that time that was part of his presentation.

von GILLERN: OK. There may be somebody here that'll add clarity to that. The-- you, you titled one-- you referred to LB169 as the "luxury tax" bill. Why--

BRANDT: We, we, we do. I don't-- it's probably an unfortunate one.

von GILLERN: No, no, I'm not, I'm not giving you a hard time about it. Is it-- is-- my question is, did you refer to it that way because it's your belief that none of those things are necessary for day-to-day living in Nebraska?

BRANDT: I think those things, you have a choice. So, for example, pet grooming. When I grew up, there were no pet groomers. You got the shears out, and you sheared your own dog. I mean, there was nobody else that did that stuff. A lot of these things, people used to do for themselves, and now we have people that do these, and-- did we forget how to do that? You have a choice. And if you want to hire somebody to, you know, give the dog a haircut, that's great, but pay a sales tax on it. Look at pop and candy. When I go into my local C-store and you buy a bottle of pop, it's \$3, untaxed. The tax is 5.5% for the state, so you'd have to pay \$3 and 16.5 cents to the state of-- 16.5 cents, \$3.16. And all of a sudden, everybody's going broke. How do you go broke selling pop for \$3 a bottle? So, I think we kind of looked at a lot of these things as-- when we say "luxury," limousine service. Most people use a limousine for prom, for a wedding, for sightseeing; these are things that they choose to do.

von GILLERN: Thank you.

BRANDT: That's, that's roughly how it's broken down. I know Senator Wayne and Linehan last year gave a very good explanation on the floor during special session, and, and that's kind of what I'm following.

von GILLERN: And then, the last comment-- and I'm not picking on Senator Dungan. He mentioned tattoo shops. If a tattoo shop is selling something physical at that shop, they're already set up to collect sales tax on that physical item--

BRANDT: Right.

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von GILLERN: --so collecting it on the service what-- or-- whether it's a tattoo shop or, or a salon, or whatever.

BRANDT: Well, yeah, that's a, that's a-- it's a good point. Most of your hair shops sell shampoo. Shampoo is taxed, so they're already doing that.

von GILLERN: OK. All right. Any other questions? Seeing none. I presume you'll stay to close?

BRANDT: Yeah, I will.

von GILLERN: All right. Thank you. You're here for the duration.

BRANDT: Yeah.

von GILLERN: We will invite up our first proponent. I, I just want to remind-- this is a joint hearing for LB169 and LB170. Please note on your green sheets if you're testifying regarding the one bill or the other, or both. And any of those options are fine as long as it's specified, so. Good afternoon.

BRUCE RIEKER: Good afternoon, Senator von Gillern, members of the Revenue Committee. My name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r. I'm the senior director of state legislative affairs for Farm Bureau, here on behalf of Farm Bureau, as well as the Ag Leaders Working Group, which consists of the Nebraska Cattlemen, Corn Growers Association, Farm Bureau, Pork Producers Association, Sorghum Producers, Soybean Association, State Dairy Association, Wheat Growers, and Renewable Fuels Nebraska. Our groups have long been and continue to be advocates for structural tax reform which balances the burdens between sales, income, and property taxes. We also understand the state's current financial situation. We have a budget deficit, and the state's tax burden-- property tax burden is growing at an unsustainable rate of \$285 million per year. There are only two ways to balance the budget and reduce the property tax burden: one is to reduce spending, the other is to increase revenue. As we advocate for a more aggressive approach to balance our budget and rein in the out-of-control property tax growth, we often hear-- especially during this year-- is we would like to do that, but we do not have the money. LB169 and LB170 are part of the solution to this dilemma. We realize that there will be gains and losses for most Nebraskans if we balance the budget and reduce the state's overreliance on property taxes. Like all other Nebraskans who utilize the services or goods that will be taxed if LB169 and LB170 are enacted, our members will pay those taxes, too. And with that, I will

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end my testimony, and if there's any questions, I'll do my best to answer, if there's any questions, I'll do my best.

VON GILLERN: Thank you for your testimony. Any questions? Seeing none. Thank you for being here.

BRUCE RIEKER: You bet.

VON GILLERN: Appreciate it. Next proponent. If you're going to testify, let's move quickly and-- we got a long day ahead of us. Good afternoon.

MARY VAGGALIS: Good afternoon. Chair von Gillern, members of the committee, my name is Mary Vaggalis, M-a-r-y V-a-g-g-a-l-i-s, and I am testifying today on behalf of Philip Morris International, or PMI, and its affiliates. PMI is an American company that is transforming its products into innovative, smoke-free tobacco and nicotine options that are a much better choice for adults who would otherwise continue to smoke. I'm testifying today in support of Section 2 of AM603 to LB1-- LB710 [SIC], which would recognize in the tax code a new category of heated tobacco products referred to in the amendment as cigarettes intended to be heated. It'd institute a 50% excise tax differential for heated tobacco products versus combustible cigarettes. This forward-thinking policy would provide a financial incentive to help encourage adult smokers to try a nicotine product that is a better choice than smoking. The FDA has recognized the health risks that tobacco products-- and they exist on a spectrum. Combustible cigarettes are the most harmful. Heated tobacco products heat tobacco without burning it, which avoid the production of the toxic smoke that is responsible for most of the cancer and pulmonary diseases caused by smoking. For example, research has found that PMI's heated tobacco product IQOS emits a-- excuse me-- emits an average of 95% lower levels of harmful chemicals compared to cigarettes. The FDA has not only authorized the marketing and sale of IQOS, but has also determined that the product, while not risk-free, is appropriate for the protection of public health. Following a rigorous, science-based review through the pre-market tobacco product application pathway, FDA found that IQOS produces fewer or lower levels of some toxins than combustible cigarettes. Today, roughly 13% of adult Nebraskans are cigarette smokers. This habit hurts not only their personal health, but it hurts Nebraska taxpayers. It is estimated that smoking-related health care costs in the state of Nebraska are \$924 million per year. Making it easier for smokers to afford less harmful products, as this amendment would do, is a sound policy from both attacks and a public health perspective. In fact, other states such as Mississippi and Virginia have started to institute similar policies toward heated tobacco

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products. The Centers for Disease Control and Prevention tell us that half of adults who try to quit every year, but less than 1 in 10 is successful. With this approach, Nebraska policymakers will be helping these smokers to choose a better option than combustible cigarettes. Thank you, and I'm happy to try to answer any questions you have.

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

DUNGAN: Thank you, Chair von Gillern. Thank you for being here today. So, I know that you were testifying primarily about the new sort of heated but not combustible. This bill also does raise the cigarette tax from \$0.64 to \$1.36. Is that right?

MARY VAGGALIS: Yes.

DUNGAN: Do you know-- there's been a bunch of studies that have been done, obviously, that demonstrate that when you increase a tax on cigarettes beyond a certain point, it has a causal effect, reducing the amount of people smoking.

MARY VAGGALIS: Yes.

DUNGAN: Does the \$1.36 get us to that point where it actually incentivizes less people smoking?

MARY VAGGALIS: I'm not sure that there-- I-- I'm not familiar with research that, that says what the tipping point is. And I'm sure there are a lot of factors in terms of its relationship to, to alternative products like heated tobacco products or, or other available items. And I know part of the discussion is also, you know, relationship to other states in terms of cigarette smuggling and other-- you know, there are other policy considerations in terms of that. I think, as Senator Brandt mentions in his testimony, the bill as drafted would bring us on par with Iowa. So we'd be similar to, to some of our surrounding states.

DUNGAN: OK. I just know that there's always a discussion as to whether or not the stated goal, to your point, is a public health goal to decrease the usage, or if it's just to create a sustainable revenue stream off of the use of that product. And so, I guess I'd be curious if you or anybody else had that information-- not right now, but later on-- about where that, that nexus is between raising the tax and reducing the usage, so.

MARY VAGGALIS: Sure, I'd be happy to, to follow up and see if I can provide any additional information. And I agree, there's always

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attention on the so-called sin taxes between, you know, in-- inducing some sort of behavior on the part of the consumer and revenue generation.

DUNGAN: Wonderful. Thank you so much.

von GILLERN: Thank you. Any other questions? Seeing none. Thank you for being here.

MARY VAGGALIS: Thank you.

von GILLERN: Next proponent. Are there any other proponents that want to speak on regard to LB169 and LB170? Seeing none. We'll invite up our first opponent testimony. Good afternoon.

HEATHER SCHMIDT: Good afternoon. My name is Heather Schmidt, H-e-a-t-h-e-r S-c-h-m-i-d-t. I'm testifying in opposition to LB169 as it's originally written. I don't understand what the amendment did to the hair care services that were originally intended, so I'm going to-- my testimony will be to the original bill, and I hope we can get some clarification. I'm a licensed cosmetologist in the state of Nebraska, and have been for over two decades. And quite simply, this is a tax that unfairly targets women. My clientele is nearly a 50/50 split between men and women; the men in my chair only receive haircuts, while about 75% of the women receive a color service. By only exempting the cutting of hair, 100% of the service tax dollars I would collect under LB169 will be from women, and women in the workforce consider their hair coloring service to be necessary. When we were forbidden to work during COVID lockdowns, the largest panic from our clientele was from women who were looking for solutions to appear on zoom without a gray stripe down the top of their head. LB169 would also force many small businesses and sole proprietorships to restructure their existing pricing systems and adopt extra administrative taxes, tasks, and expenses. I appreciate the effort to find concrete solutions to the tax crisis we're facing, but the way the hair care industry is addressed in this bill isn't-- it's confusing, and I'm not sure-- I guess I can't ask questions, but if-- I'm not sure what the amendment did as far as including hair care services, or only including some of them. But if you're going to a-la-carte it and only exempt part of it versus all of it, you're then forcing those of us who don't run an a-la-carte menu to start doing that. And it is an extra administrative tax. Not all salons do sell retail like shampoo, so they're not already collecting sales tax. Those who don't choose to do that would now have to do that, and some don't because they don't want the extra work; they just want to go in and be artists and do hair and go home, and they don't want to have

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to deal with that extra time and administrative expense and cost, so. I mean, I would support a tax on all of my services if it actually leads to impactful and sustainable property tax reform for regular and working-- regular working and retired Nebraskans. There has been a lot of distress expressed in the chair from clients, especially those on a fixed income in their retirement years, because their monthly costs-- with the property evaluations shooting up and nothing to rein in the taxes that go up with that or the homeowners insurance-- is creating it some-- you know-- a \$400 a month increase, and that is kind of devastating for those who are living on a tight retirement income. So, I do really appreciate you looking at this this way, but some of the unintended consequences for a small business like mine, I feel like should be clarified. Is there-- can I-- or, any questions? Can I--

von GILLERN: Thank you for your testimony. Questions from the committee? I don't see any questions, but I would like to point you and, and others in the room to, to the website. It's real easy to find, nebraskalegislature.gov. Pump in LB169, and it'll take you, and it'll show you-- it's AM589. So, if anybody in the room has questions about what the amendment does--

HEATHER SCHMIDT: Yeah, I saw that, and it did say-- the amendment still-- it, it includes hair care, and that's underlined.

von GILLERN: OK.

HEATHER SCHMIDT: So, does that-- hair care is really, really broad.

von GILLERN: Yeah. So again, for those in the room who may not be familiar, if it's underlined, it's new language; if it's crossed through, it's removing language, so. With that, I will thank you for your testimony. Thank you for being here today.

HEATHER SCHMIDT: All right. Thank you.

von GILLERN: Thank you. Invite up our next opponent. Good afternoon.

SIOBHAN KOZISEK: Good afternoon. My name is Siobhan Kozisek, S-i-o-b-h-a-n; last name Kozisek, K-o-z-i-s-e-k. I'm a licensed esthetician in the state of Nebraska; I am also the Esthetics Board representative. I am here testifying on behalf of myself as an esthetician. My testimony just changed because, as I understand it, we have removed hair care services from this tax proposal. I am-- I just have a few things that I need-- I actually shortened my testimony today, so-- and now I'm not sure if I just handed off the wrong piece of paper. OK. So, a taxation on the industries' licenses if you will,

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or these services if you will, can create a tax discrimination as far as unlicensed, unregulated services. Natural nails, natural hair braiding, and makeup artistry are not licensed in the state of Nebraska, so that is one of our concerns, is how do you plan to identify the taxable services when you can't "ify"-- identify the service provider or the services themselves? And then, we come straight to a scope of practice, as far as tattoo and esthetics. The amendment reads: except for any services that are part of a course of medical treatment and are provided under the care of supervision of a licensed health care practitioner or a licensed health care facility. Tattoo and esthetics operate under the exact same scope of practice, regardless of the facility setting. An esthetician or tattoo artist does not need-- does not have a wider scope of practice when working under the care of supervise-- a supervised licensed health care practitioner, or in a licensed health care facility, by legislative law. I, as an esthetician, provide the same services in my spa room as estheticians providing services at a bed spa, or dermatologists. This amendment indicates to me that the taxes on skilled, certified licensed trade people that don't have the luxury of lobbyists and price tag of medical cosmetic procedures. The other thing I'd like to point out, now that I know that the hair care services are exempt, is that there are about 9,000 licensed cosmetologists in the state of Nebraska, and there are about 1,400 licensed barbers; there are 389 licensed body art-- licenses; there are 1,116 esthetics license, and 1225 nail technology licenses in the state of Nebraska. So, we're looking at about 2,730 licenses that are taxed as opp-- and the removal of 10,397 licenses. It doesn't balance.

von GILLERN: Thank you for your testimony. Are there questions from committee members? Seeing none. Thank you for being here today. Invite up our next opponent.

STACY SPALE: Good afternoon, Chair von Gillern.

von GILLERN: Good afternoon.

STACY SPALE: Vice Chair Jacobson, and members of the Revenue Committee. My name is Stacey Spale; that's S-t-a-c-y S-p-a-l-e. I live here in Lincoln, Nebraska, and I am proud to be one of Nebraska's first registered interior design professionals. I'm here today to speak on behalf of three interior design professional organizations-- the American Society of Interior Designers, the International Interior Design Association, and the National Kitchen and Bath Association. The profession of interior design can be thought of as existing on a spectrum. Some of us on one end decorate, and on the other end, some of

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us are concerned with protecting the health, safety, and welfare of the public in code-impacted spaces. In the middle exist many different professionals who work in both commercial and residential interior spaces. You have a letter from these organizations which I've handed to the page, but I also want to include some personal commentary. Just this last year, our great state recognized our profession's right to practice independently and stamp our own construction documents for a permit, paving the way for professionals qualified by education, experience, and examination to register with the state, receive a stamp, and bid on projects which require a registered design professional. Many designers will soon become entrepreneurs with this new ability. The language on this bill would put a tax on the service of interior design, but I have to ask the question: if a facility's designer draws up a new layout for cubicles in a corporate office, is that interior design? If an architect does interior design-- which they are more than qualified to do-- would that service be taxed, or is it only taxed when someone with my title does it? What about our friends who sell furniture? If someone gives advice on the layout of furniture, is that interior design? At my firm, I often work across state lines, so I have to also ask the question: if one of my colleagues in our Kansas City office works in a project in Lincoln, would his time be taxed if the project is here, but he's working from there? Or if all the income from our firm from five different states right now comes through our Lincoln office, would all the only-interior-design services across all offices be taxed? Our clients expect to pay taxes on products, not services. If someone purchases new cabinets, they expect those to be taxed. What about the help to put them together? I'm lucky enough to use my talents to work with a number of nonprofit clients. One of my current clients is the People's City Mission. What about 501(c)(3)s? Currently, I'm putting together a animation to help them with fundraising. Would that service be taxed? Is that interior design? Just like it's essential for structural engineering and architecture services, the specification of materials, finishes, and space planning are crucial elements in protecting the health, safety, and welfare for our clients and the spaces that we design that are open to the public. My concern with this tax is that it would be impossible to enforce, a procedural nightmare, and way more complicated than the bill introducer realized. Please consider striking interior design and decorating surfaces from LB169. Thank you for your time and consideration and service to the state of Nebraska, and I'm happy to answer any questions you might have.

von GILLERN: Thank you for your testimony. Any questions from committee? Senator Sorrentino.

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SORRENTINO: Thank you, Chairman von Gillern. I just want to be clear. Are you against the tax, or are you against the difficulty in tracking the tax?

STACY SPALE: Me personally, the difficulty in tracking tax. We do residential and commercial design. In commercial design, the service has never been taxed. It would be a procedural nightmare to tax only some of us. And how would I know if the person next to me, you know, who's an architect-- where, where do we draw the line? Sometimes, they do interior design things. Our clients are paying so much tax on the materials. They're paying tariffs on the materials.

SORRENTINO: When you order furniture for one of your clients, they pay sales tax on it, correct?

STACY SPALE: Mm-hmm.

SORRENTINO: Does your-- do your companies or those you represent, do they ever pay use tax?

STACY SPALE: We specify; we don't actually procure. So.

SORRENTINO: OK. So you do not-- so really, you don't have any sales or use tax in your current practice right now?

STACY SPALE: No.

SORRENTINO: Thank you.

von GILLERN: Any other questions? Seeing none. Thank you for being here.

STACY SPALE: Thank you.

WILLIAM BARSTOW: Good afternoon.

von GILLERN: Good afternoon.

WILLIAM BARSTOW: Good afternoon, Chairperson van [SIC] Gillern, members of the Revenue Committee. My name is William Barstow, W-i-l-l-i-a-m B-a-r-s-t-o-w. I'm a resident of Omaha and Douglas County, and I'm here today in strong opposition to LB169. My wife and I started our business in 1988 while I was still on active duty as a Staff Sergeant in the United States Air Force, stationed at Offutt Air Force Base. We purchased our first movie theater in Plattsmouth, Nebraska, on a land contract. We scraped together the down payment, having to borrow cash

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advances on three separate credit cards to come up with that amount. Over the years, we have built, bought, operated, and sold theaters across Nebraska, including communities such as Omaha, Elkhorn, Nebraska City, Blair, Fremont, many others. Today, we own and operate theaters in multiple states as well. Colleen, my wife, serves as chairperson of Independent Theater Owners Coalition, representing 7,000 screens across North America, and she sits on the executive board of NATO, the National Association of Theater Owners. The only female elected, by the way. I've also represented rural Nebraska theaters as a film buyer, negotiating terms with movie distributors between their theaters and the people that provide our film. As a longtime Nebraskan and business owner, I know how policy decisions directly impact local businesses. LB6-- LB169 could devastate Nebraska's movie theaters, an industry still recovering from the pandemic, labor strikes, and shifting consumer habits. Theaters today still remain well below pre-pandemic levels about 25%, 30%, with full recovery still a year or two away. This bill is fundamentally unfair, and amounts to-- and what I understand is double-taxation. Theaters already collect and remit sales tax on every ticket sold, but our largest single expense-- film rental fees paid to distributors-- would now also be taxed under LB169. We would be taxing the revenue and the expense with this bill. For a small company like ours with multiple Nebraska locations, a significant percentage of our total revenue goes directly to film rental costs; it is our largest single expense. We already collect and remit-- my small company-- over \$280,000 annually in sales tax on ticket sales. If LB169 passes, we will be required to pay an additional large tax burden on film rental fees-- a business expense-- essentially taxing the same dollar twice. Some argue that collecting sales tax is not a burden since it's passed on to consumers, but theaters do not have the flexibility to simply raise prices to offset this. The industry is highly price-sensitive, competing not just with other theaters, but with border states, streaming services, and other entertainment options. If a ticket price rises too much, consumers will choose to go home, or go elsewhere; theaters may now have-- have no choice but to absorb these additional costs, and-- reducing our investment. Beyond the financial burden, it also creates competitive imbalance. Movie theaters are essential to Nebraska communities, providing entertainment, jobs, and economic activity across the state. For small, independent "operators" like us. This business is already tough; LB169 adds another unnecessary barrier. I urge you to reject this unfair, harmful bill. Thank you for your times. I would welcome any questions.

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von GILLERN: Thank you. Questions from the committee? I, I-- I'm just curious. The-- so, do you rent video-- videos from your business?

WILLIAM BARSTOW: We actually pay film rental on every ticket sold. So, as we negotiate terms with the studio-- so you have a movie, and I'm going to play your movie-- we will negotiate what the rental percentage is.

von GILLERN: OK. OK, so you're interpreting the bill that, that you would need to pay tax on the film that you are renting from another--

WILLIAM BARSTOW: Correct.

von GILLERN: --party.

WILLIAM BARSTOW: Yeah.

von GILLERN: OK. We'll need to get clarity on that from Senator Brandt, whether that was his intention or not. I won't speculate on that. Thank you. Any other questions? Senator Jacobson?

JACOBSON: I just want to assume that we're still going to get sales tax on popcorn with this?

WILLIAM BARSTOW: We were not exempt from that, so we're-- you're--

von GILLERN: \$12 popcorn.

JACOBSON: All right. Thank you. That's key.

von GILLERN: Yeah. Thank you.

IBACH: I have one [INAUDIBLE].

von GILLERN: Oh, I'm sorry. Senator Ibach.

IBACH: So, in small communities where they're usually volunteers that run some of those theaters--

WILLIAM BARSTOW: I used to buy for Imperial and Juantia [SIC], the theaters in [INAUDIBLE]

IBACH: Would they be subject to that tax as well, as a nonprofit or a 501(c)(3)?

WILLIAM BARSTOW: I'm not, I'm not a tax expert, but if you're, if you're requiring a sales tax on film rental, yes they would.

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IBACH: OK. All right. Thank you. Thank you, Mr. Chair.

von GILLERN: Thank you. Good afternoon.

KIRK ANDERSON: Good afternoon, Chairman von Gillern, and members of the Revenue Committee. My name is Kirk Anderson, K-i-r-k A-n-d-e-r-s-o-n. I'm the CEO of LinPepCo; we're the local distributor of Pepsi products operating in Lincoln, Hastings, Siouxland, western Nebraska, and also Topeka, Kansas. I'm appearing before you today in opposition to LB170 as the president of the Nebraska Beverage Association. The beverage industry has had a positive impact on our neighborhoods, communities, and the Nebraska economy. Last year alone, our industry produced over 2,000 jobs, contributed over \$47 million in state taxes, and we donated over \$15.5 million to charitable causes across the state. Another example of our far-reaching economic impact is our three-year cover cropping project in partnership with ADM. Nebraska is one of the largest producers of corn products purchased by PepsiCo. In the first two years of the project, 107 farmers planted over 24,000 acres of cover crops, subsidized by PepsiCo and Keurig Dr Pepper. We oppose the imposition of sales tax on soft drinks and the exclusion of our products from the definition of food. In fact, by definition, the USDA includes drinks as part of packaged food, all of which requires a nutrition label. Very simply, our products are food. We do not believe they should be separated out and taxed differently than other groceries. Creating exemptions creates confusion between consumers and retailers, many who lack the technology and workforce to properly account for the exemptions. Our products vary widely in their ingredients, the categorization of which would be taxed and what wouldn't be tax become very complex. In addition, the facts tell us that consumption of soda and rising obesity rates are misguided rationale. According to the CDC, since 2013-2014, obesity rates have been on a slow and steady increase, peaking in 2020 and then slightly declining, while at the same time, after a peak in the late 1990s, per capita soda consumption declined at a cumulative 23% rate by 2013-2014, and another 7% by 2018. Yet, obesity rates continued to rise during this time. Our company has continued to thrive because we have listened to our customers, and our product offerings reflect their decisions. In fact, over 60% of our products sales are zero sugar or low sugar. Tastes have changed over the years, and our industry is meeting the increasing demand for healthier products. With the recent turmoil created through tariffs and trade wars, and now fears of recession, is it fair to add sales tax to hardworking Nebraskans? We know that sales tax on any food product, including soft drinks, are regressive. The lesser any of us makes, and especially for lower-income earners, the larger the tax burden. LB170 would be taking more money out of those

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families' pockets, leaving them with less money to purchase other grocery essentials. Tax reform should not be grounded in because of "I can, I will" rationale. Taxes are not everything, but they do matter, and they are within control for you as policymakers. Even with a given revenue target, there are better ways to raise revenue. Our overall tax structure in this state plays a substantial role in our successes or failures, and right now, we are losing to Iowa, South Dakota, and Wyoming, with Kansas right on our heels. We have had some success in the past couple of years; we don't need to go backwards again. I think we can all agree that we will benefit from a simple, neutral, transparent and pro-growth tax structure. I would be happy to answer any questions from the committee, and I do have one correction I need to make: Kansas has eliminated grocery taxes across the board--

VON GILLERN: Thank you.

KIRK ANDERSON: --effective in 2025.

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

JACOBSON: I think it's a little bit to that point-- I mean, according to the handout, Iowa, Colorado, Kansas, and Missouri and South Dakota all do tax soft drinks today.

KIRK ANDERSON: Kansas just eliminated it. I'm from the--

JACOBSON: I don't-- but what about the others?

KIRK ANDERSON: Iowa does; South Dakota does at a lower rate; Wyoming does not.

JACOBSON: But Missouri does?

KIRK ANDERSON: I, I don't know on Missouri.

JACOBSON: So, I guess, why is it that they can do it and we shouldn't? And, and we need to be educated about it?

KIRK ANDERSON: Well, I think, I think it all comes down-- I think it all comes down to the, to the definition of, of food. Again, every every product we sell has a nutrition label, which the USDA says--

JACOBSON: Well, I think most, most Nebraskans are probably going to call B.S. on food, that pop this food. OK? I'm just telling you.

KIRK ANDERSON: OK.

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JACOBSON: But let me ask you also. Today, I go into a convenience store, and if I reach-- slide the case open, take out a Pepsi, OK? And-- or, I go to the fountain, pull on the cup, put some ice on it, and take-- and, and get Pepsi at the-- from the, from the, the machine.

KIRK ANDERSON: Mm-hmm.

JACOBSON: I go up to pay, today I'm going to pay sales tax on the fountain drink, and I'm not going to pay sales tax on the bottle [INAUDIBLE].

KIRK ANDERSON: Correct. You're-- you, you-- tax on prepared food. Yes, you're going to pay--

JACOBSON: Right.

KIRK ANDERSON: --tax on prepared food, of which fountain is considered a prepared food.

JACOBSON: Prepare-- exactly. Does that not seem--

KIRK ANDERSON: Same as at the movie theater.

JACOBSON: But does that not seem confusing?

KIRK ANDERSON: It could seem confusing, but I didn't create that policy, so.

JACOBSON: I understand that. But I-- I'm just, I'm just say that-- I understand nobody wants their consumers of their product to pay taxes on the product, but it just seems somewhat-- we're very inconsistent right now, and this is going to fix an inconsistency and try to move sales tax more in line with the other taxes that are charged in Nebraska today. I think that's really what the goal is here.

KIRK ANDERSON: Well, I, I think if-- I think we have to look back at what's the rationale for the changes; is it just consistency? Is it a sin tax? Truly, I sat up here last year and said it-- it's very hypocritical to say that having a Diet Pepsi is sinful when we have several other products that a food czar or somebody else could analyze and say having that's a lot worse for you than having a Diet Pepsi every day. So I think, I think-- what is the rationale? Is it sin tax? Is it--

JACOBSON: Well, I, I, I, I understand. But, the--

KIRK ANDERSON: --not consistent?

JACOBSON: --the rationale seems very clearly that we're trying to increase tax revenue and we're trying to reduce property taxes.

KIRK ANDERSON: Right.

JACOBSON: That-- that's really the issue. And as we've gone to a more and more service-based economy, we're getting a smaller and smaller percentage of sales tax collections. The planning committee just released a report; if you look at that report, you can see that sales tax collections have continued to fall as a percentage of what the other taxes are collecting. So, the goal here is to be a little bit more like South Dakota, be a little more consumption-based, and, and charge sales taxes on items that aren't a necessity, that's going to impact low-income, not going to tax business inputs. Basically, that's the goal, I think, of what we're trying to get done, and that's why I think they've been included. So, for what it's worth, I appreciate your testimony, but I just think there's inconsistencies in what other states are doing.

von GILLERN: Senator Kauth, did you have a-- or, Senator Ibach, did you have a question? OK.

IBACH: Thank you, Mr. Chair. Do you-- by the way, I appreciate your test plots and doing your part with agriculture. That's a great partnership. I appreciate that. Do you think that-- and I know this is a-- it'll be a question that I have for Senator Brandt too, because I don't think we covered it in the opening. But do you feel like an increase in a tax will impact your overall revenue from those products that will include a tax that did not before? Will, will it cause people to not buy it because it's taxed?

KIRK ANDERSON: I think it will-- I think we will have a sales volume decline. I absolutely do. And I think that-- and I mentioned it too-- we're in a situation here where we don't know where the price of aluminum is going to go. So, Senator Brandt spoke of, you know, going into the C-store and buying, you know, a 20-ounce drink for \$3 or whatever. Well, that's, that's a single bottle. You know, we sell 24-packs, we sell 12-packs, and have 24 to, you know, 12 aluminum cans in them. I don't know where that's going to go, but that tax is going to be significantly higher on that higher ring. So I, I think it is going to have an impact on our sales, which obviously then will have an impact on our revenue, which will have an impact on our taxes, which

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have an impact on the number of people we employ. That-- that's just, that's just running a business; that's, that's common sense.

IBACH: OK. Thank you.

KIRK ANDERSON: Yeah.

IBACH: Thank you, Mr. Chair.

von GILLERN: Thank you. Other questions? I've got a-- just a couple of quick ones.

KIRK ANDERSON: You bet.

von GILLERN: So, if aluminum goes up, and your cost of production goes up, what are you going to do with your sale price?

KIRK ANDERSON: Are you looking for a deal?

von GILLERN: Maybe.

KIRK ANDERSON: You want to know where to go buy it?

von GILLERN: Maybe.

KIRK ANDERSON: So, we are part of--

von GILLERN: Well, and you're talking about logically running a business--

KIRK ANDERSON: Yeah. But--

von GILLERN: What would any business do if their inputs increased?

KIRK ANDERSON: Prices are going to go up.

von GILLERN: OK.

KIRK ANDERSON: Prices are going to go up.

von GILLERN: OK.

KIRK ANDERSON: So, we are, we are part of a cooperative production facility. So, independent bottlers, Pepsi bottlers across the country have ownership of a cooperative production facility; it's actually in Norfolk, Nebraska, called Wis-Pak. They will obviously procure aluminum at whatever price, understand what, you know, production capacity is

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and what they're going to need, and they will pass that price on to us. They were basically created to sell the product to us at no profit, allow us to make the profit, so we all take price out.

VON GILLERN: Yeah, I, I, I-- I'm-- yeah, it-- so it'll get passed on to the consumer. My other question, when did Kansas eliminate their tax on, on pop?

KIRK ANDERSON: Effective January 2025.

VON GILLERN: Oh, so it hasn't occurred yet. Or--

KIRK ANDERSON: It just happened.

VON GILLERN: In January 2025, so it just occurred.

KIRK ANDERSON: Just happened.

VON GILLERN: OK, so--

KIRK ANDERSON: I'm on the Kansas--

VON GILLERN: --you don't have any data based on that. Have your sales leaked in, in January, due to the lack of sales tax being charged [INAUDIBLE]

KIRK ANDERSON: I hate to be the weather forecaster, but the weather in Kansas was terrible in January. I don't know if you know, they got hammered with snow. So, January was not a great-- it was not a great month retail-wise; it was much better--

VON GILLERN: That's fair. We'll be interested to track that, so.

KIRK ANDERSON: Yes.

VON GILLERN: Thank you for your testimony.

KIRK ANDERSON: You bet. Thank you.

VON GILLERN: Appreciate you being here.

KIRK ANDERSON: Yup Appreciate it.

VON GILLERN: Next opponent.

JOSEPHINE LITWINOWICZ: Good afternoon--

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von GILLERN: Good afternoon.

JOSEPHINE LITWINOWICZ: --Senator von Gillern, members of the committee. I just want to point out-- because it directly affects me--

von GILLERN: Can I remind you to spell your name, please?

JOSEPHINE LITWINOWICZ: Oh. My name is J-o-s-e-p-h-i-n-e
L-i-t-w-i-n-o-w-i-c-z.

von GILLERN: Thank you.

JOSEPHINE LITWINOWICZ: And I want to respectfully tell Senator Kauth that don't have mental illness. Is it in the DSM-V? Because if it's not-- because I don't know then-- that, that I don't. That's legally-- these are professionals. We don't trust expertise anymore. I just wanted to say that. And Senator Sorrento [SIC], you said corp-- people vote, not corporations; corporations vote. If you want the information-- I'm only saying it because it's wrong. If you want to see the influence of money in corporations in statistically significant ways, I'll give you the information. OK. As far as this goes, you know, I don't-- it's like a cast net over, you know, industries. We're going to impose taxes because we're not going to-- we're-- we want to release-- relieve property taxes, which I agree, they're heinous. But we don't, we don't tax enough. And, yeah-- you know, if I was a rich person-- I see, you know, I'd use a lot of the resources in this country, I would just do it. You see, I, I guess I don't understand because I don't mind paying taxes when I did; I did mind on what they were spent on. And so, I'm looking at this in a broad way. I didn't know the hair thing was canceled, and so-- I had no idea. But-- what was I going to say? You know, stuff-- more stuff is coming, and I just-- I don't think-- as much as I hate smoking, I, I, I, I-- I don't know. It's-- we're going to have blue laws back in a few years. I, I lived under them in Louisiana when I was growing up. It's hard to fix your car sometimes on a Sunday. But, I mean, that's where we're going, and I just got to say that, you know-- here was something, the most important thing, but that's-- that seems to have left me, which it does; it's the M.S. pulling out the important one. But I, I, I want to stress again, President Trump-- my God, he's awful. He's a heinous human being. His moral compass is completely-- he doesn't have one. It exploded on him. I mean, grabbed women by the-- you know, kill cops and, and have them commit suicide, because four of them did within months, and don't tell me it wasn't because of the Capitol riot. You know, the mistake was instead of debating on whether he did it or not, there should be a, a video camera on YouTube showing him watching the

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TV for three hours and 18 minutes. That's dereliction of duty. And then, that's, that's-- that should-- every-- that's what it should have been coach-- explained, in terms of that. And just get your open letter of condemnation ready, because you ain't seen nothing yet still. And yet, the terrorists-- that's some goof-- I mean, getting rid of people with-- without knowing who they are. The National Weather Service? Your Park Service? People won't have as good of a time. I just got a-- it's so bad that I can't avoid-- and I won't say it in front of some bills because I respect the gravity, and I do here too. But come on, people, OK? That's all I got to say. Please stand up and write that letter.

von GILLERN: Thank you for your testimony.

JOSEPHINE LITWINOWICZ: Thank you.

von GILLERN: Questions from the committee? Seeing none. Thank you for being here. We'll invite up our next opponent.

STUART FOX: Good afternoon. Chairperson von Gillern, members of the Revenue Committee, my name is Stuart Fox, spelled S-t-u-a-r-t F-o-x. I'm a resident of Broken Bow in Custer County. I'm here today in strong opposition to LB169. My family started our theater business in 2003 to save Broken Bow's single-screen theater from closing likely for good. Since then, we've invested in upgrading and expanding it into a three-screen theater open every day of the year; our success led other communities to recruit to us to do the same, and today we operate Fox Theaters in Cozad and Central City, as well. Despite this growth, running a movie theater in a small community is not a lucrative business; my partners and I all have full time jobs outside of our theaters because the revenue alone wouldn't provide a sustainable income. We operate these theaters as a service to our communities, allowing them to have multi-screen, seven-day-a-week theaters when most towns our size have either lost their theaters or rely on volunteers to run them part-time, as Senator Ibach referred to. I also serve on the board of directors for the North Central National Association of Theater Owners, representing theaters across Nebraska, Iowa, Minnesota, South Dakota, and North Dakota. LB169 proposes removing the tax exemption on film rental, which-- I think, Senator von Gillern, you mentioned we need some clarification on that, and I agree 100%. If this provision remains in the bill, theaters will be taxed on film rental twice. We already charge sales tax on everything, including our popcorn, including our soft drinks; everything that comes out of the theater is, is already taxed, and so this would basically result in a, a double-taxation. So, we do pay-- I think-- just a clarification, a lot of times people don't understand how movie theaters work. And so,

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we just perc-- pay based on the percentage of, of each ticket sale, so. Film rental is a cost of doing business. You know, I think Senator Brandt mentioned in his opening statement about not taxing business inputs; well, this is a business input, and you would basically be taxing an input and an output. I'm not aware of any other industry that is taxed on both of those, and in, in this bill, film rental would be the only industry that's targeted for that double taxation. It's fundamentally unfair. Theaters are already fragile businesses. The past few years have been especially difficult. The COVID-19 pandemic devastated the film industry, forcing many theaters to close permanently. Just as we began to recovering, the writers and actors strike created another major downturn. Even today, our industry is operating at only 70 to 80% of pre-pandemic levels. LB169 would impose yet another financial burden at a time when we cannot afford it. Nebraska's movie theaters provide an essential community service, particularly in rural areas where entertainment options are limited. For independent operators like us, this business is already challenging; if this bis-- bill passes, it will accelerate closures and reduce access to affordable entertainment for Nebraskans. I urge you to reject this unfair and un-- harmful tax. Thank you for your time. I welcome any questions.

von GILLERN: Thank you. Questions? Senator Jacobson.

JACOBSON: So, if I understand your testimony, your, your only concern is the tax on farm-- film rentals, and if we determine that it's not included or we removed it, would that remove your opposition?

STUART FOX: That is correct.

JACOBSON: OK. I, I, I would just note one thing, and it's with the popcorn thing.

STUART FOX: Yeah.

JACOBSON: The-- and, and I would also include with the soft drink piece of that. OK? You guys seem to have proven how inelastic-- I mean, how elastic pricing is, right?

STUART FOX: I, I believe that's correct. I know we operate a little differently in our small towns. We have a, a lower price point--

JACOBSON: I gotcha.

STUART FOX: --than what you're going to see in Omaha or Lincoln, right?

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JACOBSON: But nonetheless--

STUART FOX: But yes, you are correct.

JACOBSON: Yeah. And, and, and this is one of the things that I've seen over the years. I mean, introduce an occupation tax on hotel/motels, and oh my gosh, we're, we're all going to die. OK? And amazingly, what happens? Nobody cares. OK?

STUART FOX: And they keep building them.

JACOBSON: They keep coming. People pick up the phone, they call to get the price. You tell them, here's the base price. I always joke that only Senator Clements is the only guy I know that I would ask what all of the other pieces are for the tax. But this is an after-the-sale tax. Go into a C-store, buy anything in the C-store; no one knows where they're paying sales tax or not, they're not paying attention. They pay, they leave, and they're happy.

STUART FOX: Correct.

JACOBSON: And so, I just hope that-- I mean, I get where you guys are at, and, and, and that's something we definitely have to consider. I think it's a legitimate concern. But I, I, I just find that all too often when it comes to a sales tax, everybody-- like, we have no room, absolutely none. And yet, you guys continually prove there's a lot of-- there's a lot of [INAUDIBLE]

STUART FOX: And we don't mind paying our share. We just don't want to be double-taxed.

JACOBSON: And I thank you for that, so.

von GILLERN: Thank you. [INAUDIBLE] seeing no other questions. Thanks for being here. Thanks for making the drive today. Next opponent.

SHANNON McCORD: Thank you, Chairman von Gillern, and the members of the Revenue Committee. My name is Shannon McCord, S-h-a-n-n-o-n M-c-C-o-r-d, and my family owns and operates the Ideal Market in Superior, Nebraska, and I'm here to testify in opposition of LB170. Taxing some foods, foods as opposed to others is very cumbersome for a single independent store. If the government made a weekly list of what's taxable and what's not, that would be helpful. But for the government to do that, it would be very expensive. And, in my opinion, I believe the tax revenues generated for a partial food tax would be used up by these expenses, possibly adding more to the government's

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deficit than relieving it. I assume the government would give me a list of guidelines that retailers would have to follow to figure out what's taxable and what is not. That is easier said than done. If you've ever played the Nebraska Grocery Association's [SIC] game of what is a junk food, you would know that it's not easy to determine what a-- food is a junk food and what is a health food. Many have been fooled into thinking that Kit-Kats are junk food and a granola bar would be a health food; well, in fact, according to the guidelines, you would be wrong. Looking at the ingredients of all the possible taxed items in my store would be time-consuming and expensive. After all, I stated earlier, due to the expenses, the government wouldn't want to do it, so they're putting it off on to our stores. Chain stores would have a better advantage, as they can employ one employee to figure these things out, and then send it off all-- to all the other stores in their chain. Single mom-and-pop stores like mine cannot afford this cost. We'd have to allocate more labor hours to this-- the-- to this work, and pass it on this expense to our customers, further giving customers a reason to shop out-of-town and-- in my case, where Kansas has no food tax-- out-of-state. If the people we hire to do this work do not do it right, we will open ourselves up to fines for taxing things that should not be taxed, or vice versa, again putting mom-- small mom-and-pop stores at risk. I feel, feel LB170 is anti-rural, anti-independent. This bill puts rural grocery stores at high risk, and if these stores close, causing further problems to the food deserts in Nebraska, those rules [SIC] towns will die. Our store has served our community of Superior for more than 76 years. My wife Jenny [PHONETIC] and our children, as well as our extended family, live in and around the area. We give back to our communities, and we're going to try to convince our kids to stick around and do that. If we're going to do that, we have to remain competitive. I'm asking you to please reconsider increasing the wholesale and retail taxes for the sake of our store and those across the state like us. Thank you for your time, and I'll be happy to answer any questions.

von GILLERN: Thank you. Questions? Senator Jacobson.

JACOBSON: I want to make sure I understand this. So, you do not use electronic scanners at your store?

SHANNON McCORD: I do use electronic scanners.

JACOBSON: Well, don't, don't you input the-- what's taxable and what's not taxed? Doesn't that get loaded into the scanner?

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SHANNON McCORD: Yeah, but I have to decide what is. When I put the items in, I have to decide whether that's taxable or not, so it's still a decision made on my level. No one tells me what is or isn't; and I have to read the labels, find out what's taxable, and then put it in. So, somebody has to make that decision, and that's going to land on our shoulders.

JACOBSON: Does your association help you with that, in terms of what's in and what's not?

SHANNON McCORD: No.

JACOBSON: I'm talking about the grocers' association?

SHANNON McCORD: No. That's all done at the store level.

JACOBSON: Yeah, I-- maybe that's something they should consider doing.

SHANNON McCORD: I-- well--

JACOBSON: Just a shout-out for you to help [INAUDIBLE] them.

SHANNON McCORD: Well, if they would-- if I could find somebody to help me with that, that would be great, but at this point in time, I don't have that ability, and neither does the stores around it.

JACOBSON: Great. Great. Thank you, I appreciate it. Thank you.

von GILLERN: Any other questions? My only question is, what is a guy by the name of Shannon McCord doing on Monday?

SHANNON McCORD: On Monday?

von GILLERN: On Monday. Saint Patrick's Day.

SHANNON McCORD: Oh, on Saint Patrick's Day. Probably drink-- I mean, the corned beef and cabbage.

von GILLERN: Yes. Typical small business owner, you didn't even know that it was coming.

SHANNON McCORD: Exactly.

von GILLERN: They're working. I've been to your store on the way down Lovewell Reservoir a number of times, so.

SHANNON McCORD: Oh. Well, thank you very much.

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von GILLERN: You bet. Thanks for-- be proud of what you do. Thank you.

SHANNON McCORD: Thank you.

von GILLERN: Next opponent. Good afternoon.

JEFF KARLS: Chairman, committee, thank you for having me today. My name is Jeff Karls, J-e-f-f K-a-r-l-s. I'm the owner of the Quasar Drive-In theater in Valley, Nebraska. I'm here today to speak on the sales tax issue for film rental, which I think may be somewhat of a semantic issue at this point, but-- just a little bit of background. My wife Jenny [PHONETIC] and I dreamt up the idea of bringing a drive-in theater back on our honeymoon road trip in 2013. We had our groundbreaking in March of 2020, which was not great timing to start a business, or to start construction. We opened in May of '21 and dealt with the COVID impacts. We heard this used to be a good business before COVID; we still haven't quite seen it yet; just starting to see a glimpse of that. The releases were limited, there were increasing costs and supply chain issues that still haven't gone away, and then compound inflation on top of that. As a seasonal business owner, I understand budget shortfalls. It's sort of like that scene in Pirates of the Caribbean where Jack is riding on the crow's nest as the sink-- the sinking ship comes into dock, and he steps right off onto the dock and walks ashore; that's the springtime at the drive-in, as we go through our off season and, and use all the acorns we stored away over the winter. We did see a little bit of a resurgence last year in release schedule. Bigger audiences, better. There's still changes in movie, movie terms, which is one of the biggest kind of fixed costs in our business. We pay a percentage of every ticket back to the studio, and it's actually the lion's share of what we collect for movie tickets. My elevator talk for the drive in, I tell people that we run a fast food restaurant with a big screen in the parking lot, because that's our profit center. We don't expect to make much off of ticket sales; that's the, that's the driver to get people in the door at the theater. Same with all the indoor theaters. If you are to tax that business input, that takes margin out of something that, that has scarce margin to begin with. And when we started this, it was to be an affordable family entertainment option for people in the Omaha area. The Council Bluffs drive-in closed in-- on 2006, and we spent about 15 years without a drive-in venue. So, you know, the, the impacts to our cost of doing business would be dramatic, and in an environment where we don't, don't necessarily have a peer that's within 150, 180 miles, we could raise ticket prices, but again, that's going to hurt a lot of our lower-income consumers that come out every weekend that can't afford to, to spend ten bucks on a double-feature at the drive-in. That is

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going to drive that cost up dramatically, if we're going to pay tax on the input, and I'm going to collect sales tax at the box office, as we currently do. So, I'll yield back my time, and if anyone has any questions, I appreciate it.

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

JEFF KARLS: Thank you.

von GILLERN: Next opponent. Good afternoon.

LUIS PADILLA: Good afternoon. Chairperson, members of the Revenue Committee, my name is Luis Padilla. I-- L-u-i-s P-a-d-i-l-l-a. I am the president and CEO of Omaha's Henry Doorly Zoo and Aquarium and the Lee G. Simmons Wildlife Safari Park in Ashland, Nebraska. I am testifying in opposition to LB169, which, as amended, would revoke the tax exemption on admission to accredited zoos in Nebraska, which applies to the two facilities that I have the honor of leading. As we have previously testified, we truly appreciate the partnership with the state of Nebraska and the spirit in which these exemptions exist. The removal of tax exemptions is contrary to efforts to elevate the quality of life of Nebraska residents, and taxing admission undermines strategies to retain families and promote community in our state. Omaha's Henry Doorly Zoo and Aquarium has been the number one zoo in the nation two years in a row, and we're pretty optimistic about what will happen regarding 2025, when the results come out next week. Likewise, the Lee G. Simmons Safari Park, which features exclusively native Nebraska species, is also the number one safari park in the nation for three years in a row. Together, the two parks welcomed just over 1.7 million guests in 2024 alone, and both are a sort of-- source of pride of Nebraska, and a major tourist attraction, and a community asset that really emphasizes education, science, and connections with wildlife. We are supported by a large membership base that has averaged over 80,000 households over the last three years, and very generous private cultural philanthropy. Our nonprofit organization is seen as a model worldwide, and anyone that brings guests from other cities can say that our friends from Chicago, New York, San Diego-- our zoo is really not second to any of those. More importantly, our economic impact to the state has exceeded \$200 million a year, a figure that we're very proud of and very honored that we do such a economic investment in the state. The exemptions are the only way that the state supports us financially, and I would say that's a very good return on investment. It is important that these exemptions remain so that the experience can be accessible to all Nebraskans. I will also mention

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that when people come to our zoo, they do buy things-- food, popcorn, beverages-- that we do pay sales tax on. In 2-- 2024 alone, that was over \$988,000 that we're in support of state tax revenue. Our strategy is to actually continue to increase on-site per cap revenue while remaining, remaining accessible to all members of our community. So, this exemption makes a visit to the zoo less accessible to our community. We will continue to be a part of an even better future for Nebraskans, the communities, the economy, while advancing education, conservation, and the quality of life of all of our residents. I am very thankful for your time and consideration.

von GILLERN: Thank you. Questions? Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you, Dr. Padilla, for your-- you and your board's facility does great things for Nebraska and Omaha. I am from Omaha, I've been there a lot of times, and it's really built on a very strong public-private partnership. And this-- I don't believe that you have it in front of you, but AM589 removes the exemption on zoo and aquarium admissions, not memberships. So, a couple of questions. Can you share, without any specific names, how much private investment over the last few years has gone into the zoo, roughly?

LUIS PADILLA: Yeah. Thank you for the question. And you know, the, the private investment is really people that do care about our mission, our animals, but it's all people who care about Nebraska and the quality of life. So, they want to make sure that these experiences are accessible to all Nebraskans. The last two projects, 20-- the, the two construction projects alone totaled just over \$65 million since 2022.

SORRENTINO: Was that all private investment, or is that a combination of--

LUIS PADILLA: This is entirely private philanthropy. No, no public support.

SORRENTINO: So, is it safe to say that this exemption that you've been granted perhaps forever, I'm not sure-- the state-- it's provided a pretty good yield to the state of Nebraska?

LUIS PADILLA: Absolutely. And, you know, the investment is so that it can be a service to the state and promote the jobs that come to the states. We employ over 1,000 people during our busy season. I, I would say that having the zoo operate and having access to these tax exempts is absolutely a great stimulus for these great private partnerships.

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SORRENTINO: I've known a number of the major donors to the zoo, and all of them have strongly encouraged-- that's probably not doing it justice-- that the city of Omaha and the state of Nebraska had some skin in the game. And to the extent that the state has skin in the game was granting this exemption. If we take away that exemption, is it going to hurt the private investment in your zoo or, or not?

LUIS PADILLA: I can't speak to that. But, you know, certainly having the ways to maintain the investment that they make on us; if they, if they invest in the capital construction and the projects, we have to make sure that we are able to maintain it, and the exemptions are a huge part of that. Nobody wants to see their legacy be a "one and done." So, I would say that it probably would affect that-- I, I can't speak to their generosity; they have been so generous, but--

SORRENTINO: Right.

LUIS PADILLA: --it would make sense.

SORRENTINO: Thank you.

LUIS PADILLA: Thank you for those questions.

von GILLERN: Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So, can you explain to me the-- how that tax works? You guys actually do collect the tax, right? You tax every ticket sale?

LUIS PADILLA: No, we, we do not collect tax on admissions.

KAUTH: OK.

LUIS PADILLA: We collect tax on food, beverage, and retail.

KAUTH: OK.

LUIS PADILLA: So, the, the-- if, if there's a perception that we tax some tickets-- if you purchase a ticket that is a combination for a special event, and that ticket includes food or a drink, we tax a portion-- that portion of your ticket.

KAUTH: OK.

LUIS PADILLA: So, if somebody buys a \$20, a \$20 admission, \$7 drink included with that, your \$27, will actually pay \$0.50 to pay back the

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7% on the drink part of that ticket. Otherwise, we do not collect the, the sales tax.

KAUTH: OK, I-- then I must have been misinformed. I was told that you do collect the taxes, but you're allowed to keep the tax to help with the zoo operations. That's not correct?

LUIS PADILLA: No.

KAUTH: OK.

LUIS PADILLA: We just, we just get the exemption.

KAUTH: OK. Thank you.

von GILLERN: Senator Jacobson.

JACOBSON: Well, first of all, I, I too want to compliment you. It's an, it's an amazing zoo, and, and you should be proud of what you're, you're, you're maintaining there, and so. It's an amazing asset to Nebraska.

LUIS PADILLA: Thank you.

JACOBSON: I guess my question is, as it relates to other zoos around the country, that, that of course are not as good as Henry Doorly, but, you know, the second and third, I guess. What are they doing? Do you know how they're handling entry fees? And, and, and as I understand it, this tax-- this would only deal with membership, so. Are they charging sales tax on their memberships?

LUIS PADILLA: It really does vary across the United States. My last career was at the St. Louis Zoo, 15 years. Entirely free zoo, thanks to a zoo/museum district tax that just supports it altogether. Some of the private entities do pay tax on admissions, and, and some, as Nebraska, it-- they're, they're nonprofit entities that do not collect the sales tax.

JACOBSON: So, the ones that don't-- largely because they're inferior zoos, and--

LUIS PADILLA: They're all great zoos, they all are great to their community. Nobody is ours.

JACOBSON: All right. Well, thank you.

LUIS PADILLA: Thank you.

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von GILLERN: Thank you. Just a couple questions for you, Dr. Padilla. The-- I, I think just as a matter of clarity, the way I read the amendment, the tax would be-- the exemption would stay on memberships, but not on daily admissions. So, daily admissions would be taxed, not membership. Just, just for clarity. The projects that you were-- that you were speaking of that were built with, with private contributions-- which is just amazing. The philanthropic community gets behind the zoo like nothing I've ever seen. Those-- the-- those were sales tax-exempt projects, also; there was a exemption on the materials on those because of your 501(c)(3) status, similar to any other nonprofit, is-- I believe is correct.

LUIS PADILLA: Yeah. That's correct. There's no, no tax on the construction.

von GILLERN: OK. And then lastly, are there-- whether it's St. Louis, whether it's other, other zoos in other major metropolitan areas, are those typically partially owned by the cities that they-- that they're in? Are they-- do they sit on city property? What, what's the skin-- we talked about-- Senator Sorrentino asked about the skin in the game that Nebraska has as a state. What, what typical skin in the game is there for, for a zoo that-- in, in, in other metro areas?

LUIS PADILLA: Yeah, it, it really does vary all the way from a private, for-profit zoo that they own the building, the land; ours, the city owns the park land that we sit on. But it, it really does vary. There are a number of smaller city-owned zoos that are usually supported by a for-profit sister entity that may run their admissions or their concession stands, but there really is a, a huge variety of what-- who owns what. Ours, we do sit on, on city land, but we build it and run it and operate it. The safari park in Ashland is a little different in, in how that land is partially leased, partially owned. And, and-- I wish I had a single answer for, for the zoos, but--

von GILLERN: Yeah.

LUIS PADILLA: It's, it's a combination. We're very fortunate. It gives us a little bit of flexibility on how we utilize the philanthropy dollars that we have access to.

von GILLERN: If, if you took the philanthropy out of the equation, what would admissions look like? Would you have to double your prices? What would-- I mean, what-- how-- what percentage of your revenue or your support is, is philanthropic?

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LUIS PADILLA: So-- yeah, our, our philanthropy is primarily supporting the construction and the new exhibits, maintenance projects. If we had to-- and, and there is an endowment that we harvest a certain percentage for regular operations, usually tied to those facilities that we built with the philanthropy dollars. If we didn't have access to that philanthropy, there is no way we would be the zoo we are, because we would rely probably just on ticket admission. And in order to do it, it would be an unsustainable price, so it would probably need to be a much smaller zoo, and, and, and definitely not at the level that we are proud to maintain it. If we look at other metropolitan areas and the type of zoos that they have, we'd probably be more similar to the, the zoos in other cities.

von GILLERN: OK. Very good. Seeing no other questions. Thank you for being here today.

LUIS PADILLA: Thank you. I appreciate it.

von GILLERN: Thank you. Next opponent. Good afternoon.

AMBER BOGLE: Good afternoon, Chairperson von Gillern, and members of the Revenue Committee. My name is Amber Bogle, spelled A-m-b-e-r B-o-g-l-e, and I'm here to testify in opposition to LB169 on behalf of the Nebraska Golf Alliance. The NGA is a coalition consisting of the Nebraska section of the Professional Golfers Association of America, the Nebraska Club Managers Association, and the Nebraska Golf Course Superintendents Association to advocate for Nebraska policies that advance the cause of golf throughout the state. We're opposed to the provisions that would require sales tax to be imposed on professional instruction, specifically golf lessons. In my position as the PGA Works Fellow for the Nebraska PGA, I'm responsible for executing our foundation's programs for military veterans, high school girls golf teams, and other youth. With this opportunity, I consistently see the game of golf dramatically impact the lives of your constituents. We, the Nebraska PGA, work hard to ensure people of every demographic know that this game is for them. Our mission is to promote the enjoyment of and the involvement in the game that means so much to us, whether it's a military veteran in our PGA Hope program that uses golf to ease their PTSD, a female high school golfer at our club's for youth program that feels a newfound sense of confidence on and off the course, or an elementary school-- elementary student in our golf in schools program that now wants to pursue a career in our industry after learning that golf is a sport that fits them. After golfers participate in our programs, many wonder what the next step is. Lessons from our PGA professionals are sometimes at the top of the list. As you're aware,

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unfortunately, golf is not an inexpensive sport. If you're a high school athlete, for the most part, you are responsible for your own equipment: clubs, push carts, balls, tees, uniforms, and lessons. These costs are a proven barrier to growing the game in our state, and imposing a sales tax on lessons would just increase it more. Additionally, as a military veteran whose life was changed by the PGA Hope program, I too wondered what was next after I finished. I just found that golf provided me, like so many others across Nebraska, therapeutic relief. It had helped me address some personal battles that I was unfortunately fighting at the time. Staying involved in the program, golf itself and the PGA professionals that I took lessons from have all brought me to the place where I am today, a person that aspires to be a PGA professional and serve those that may not traditionally have the opportunity to be exposed to or grow in this sport. We strongly feel that imposing up to a 7.5% sales tax on golf instruction would add to the barrier we are trying to eliminate. We have worked hard to ensure people understand the lifelong lessons, benefits, and opportunities of playing this game. Please do not set us back. I strongly encourage each of you to vote no on advancing LB169 to General File, and I'm happy to answer any questions that you may have. Thank you.

von GILLERN: Thank you. Senator Jacobson.

JACOBSON: So, I want to make sure I understand this. So, if I'm going to play golf, I'm going to have to buy clubs.

AMBER BOGLE: If you're a high school athlete.

JACOBSON: And I'm going to pay tax on that, aren't I? Sales tax?

AMBER BOGLE: Yes.

JACOBSON: And balls?

AMBER BOGLE: Yes.

JACOBSON: Taxed? OK. Any other gear, you know, clothing, the right kind of clothing, so on. All sales taxed, right?

AMBER BOGLE: Correct.

JACOBSON: So, the lessons are going to be the deal breaker. Is that what you're telling us?

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AMBER BOGLE: It's an added cost that would be imposed. And some people, honestly, Senator, they can't even afford the clubs. We-- our clubs for youth program, we're donating brand new clubs to high school girls golf teams because they're-- it-- that's a barrier for people to participate.

JACOBSON: But, but the percentage of all of the things go on there, that, that's going to be a very, very low number. I mean, everybody could make-- it seems to me can make that case. I'm, I'm just, I'm just trying to fathom golf, that there are so many people that don't even think that they can even begin to get into that game because it's generally a rich person's sport. And, and yet, we're saying that golf-- that charging a sales tax on lessons are going to, going to just kill the sport and, and, and block everybody out after all the other things they get. I mean, perhaps you give free lessons to those people that, that you're giving the free clubs to. I mean, wouldn't that be a better approach to this?

AMBER BOGLE: We actually do provide free lessons. But like I said, golf is a very expensive sport in and of itself, and adding to the barriers, if they want to advance in their career-- for example, if we have a high school girl ath-- girls athlete, I mean, golf is the most underutilized collegiate athletic scholarship, girls golf. And you-- say you have to provide your clubs, you have to provide a push cart, you have to provide your balls, everything that adds up. And if they want to advance their career, their abilities, then we're going to-- you know, then they have to-- also have to pay for the lessons. But then, adding on top of that, is the sales tax on those lessons. So, it is very expensive sport, unfortunately. And like I said in my testimony, that-- one of the missions that we work towards in the Nebraska PGA is breaking down the access barriers. And we do feel that imposing sales tax on those golf lessons is just an added barrier.

JACOBSON: I would just tell you that I'm, I'm-- I've been a banker for most of my life and-- my adult life. And I don't play golf. And I don't because I can't afford the balls. So. Just telling you.

SORRENTINO: Can't afford it?

von GILLERN: Thank you, Senator Jacobson. Any other questions? What was your military service?

AMBER BOGLE: I was in the Army National Guard for four years, and then the Air National Guard for eight years.

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von GILLERN: OK. Well, thank you for your service. Thank you for being here today.

AMBER BOGLE: Thank you very much for the acknowledgment, Chairman.

von GILLERN: Appreciate that, yeah. Our next opponent?

And.

We're going to be here all day.

I think that's what this is.

I think I'm the guy.

I wear a guy like that.

von GILLERN: Good afternoon.

CONNOR FARRELL: Good afternoon, Chairperson von Gillern, and members of the Revenue Committee. My name is Connor Farrell, spelled C-o-n-n-o-r F-a-r-r-e-l-l, and I am here to testify in opposition to LB169 on behalf of the Nebraska Golf Alliance, because the bill repeals a sales tax exemption on professional instruction services, specifically golf lessons. I am the general manager and director of golf at Stone Creek Golf Course in Omaha, overseeing all of our golf operations. I have two employees who make their living teaching lessons, and I am testifying today because I know this bill will harm the business they have worked hard to develop and grow. If we taxed golf lessons, the tab would need to be picked up by them or the consumer. If the golf professionals pay to keep their rates the same, it will greatly affect the way they make a living. The income of golf professionals is already subject to seasonability; an additional tax of 7.5% would put an even greater strain on their variable income. If the tax is passed on to the consumer, a 7.5% price increase on lessons would threaten our ability to bring new players to the game. This undermines our efforts to reach out to previously underrepresented demographics, including veterans and military personnel, people of color, ladies, and juniors. The golf industry is becoming more viable than it was ten years ago because we have made these ongoing efforts. LB169's tax on golf instruction will undermine this progress. Thus, we respectfully urge the committee to reject the advancement of LB169 to the General File. Thank you for your time, and I'm happy to answer any questions.

von GILLERN: Thank you for your comments. Any questions? Senator Sorrentino.

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SORRENTINO: Thank you, Chairman von Gillern. Just very quickly, the average hourly rate for a golf course at Stone Creek is?

CONNOR FARRELL: Oh, for, for instruction?

SORRENTINO: Yes.

CONNOR FARRELL: They will vary anywhere from \$60 to about \$120 an hour.

SORRENTINO: So, it could be another couple bucks in taxes?

CONNOR FARRELL: We're looking-- yes. [INAUDIBLE] the math right there, absolutely.

SORRENTINO: Thank you.

CONNOR FARRELL: Yes, sir.

von GILLERN: Seeing no other questions. Thanks for being here.

CONNOR FARRELL: Thank you.

von GILLERN: Appreciate it. Next opponent. How many others are planning on testifying on LB169 and LB170? OK. Thank you. Don't hesitate to move up front when you're ready.

TYSON SCHAFFERT: Thank you. My name is Tyson Schaffert, T-y-s-o-n S-c-h-a-f-f-e-r-t. I've been a tattooer for 28 years, owner of Iron Brush Tattoo for 23 years, and a member of the Alliance of Professional Tattooists since 1999, on the board of directors on the Alliance of Professional Tattooists since 2-- 2021. I'm a co-chair of the Body Art Committee for the National Environmental Health Association, and I work with the American Food and Drug officials on the Body Art Committee. I also worked with Lancaster County on their body art code in 2002, and I worked with the state of Nebraska on their body art code in 2005. I oppose LB169. While intended as a revenue-generating measure, this bill would have dennis-- devastating consequences for Nebraska small businesses, independent professionals, and working-class consumers. It is regressive, economically damaging, and counterproductive policy that "lawmucker"-- lawmakers must reject to protect Nebraska's economy and the livelihoods of thousands of service providers. It doesn't make any sense to me to raise taxes in order to lower taxes. I believe it's a search for any reason to try and put an extra tax on people. Raising one tax to offset another tax increases economic instability. Nebraska has rejected similar proposals before, recognizing the harm they cause to businesses and consumers. Salish tax-- sales tax should stay local.

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A tax increase to fuel property tax relief takes money, mostly in this case from urban areas, and shift them to rural areas in Nebraska. This is a regressive tax that hurts working class, forcing them to cut back on these services. Some say that these services are discretionary, but this is just one-- this is just finding a reason to tax new services and tax ordinary people. When did we get to the point where we tax people on every way that they spend their money? These small service businesses already pay taxes on their earnings and supplies, meaning the same economic activity would be taxed multiple times. The most affected are individual and independent professionals, forcing them to raise prices on their clients, which they don't want to do, and the clients don't want either. Higher costs will drive consumers to unlicensed underground providers, which is a true health hazard for the state. In fact, I just heard Senator Brandt and his talk, talk about shaving cats at home, and we do not want people tattooing and body piercing at home. So, by that definition, tattooing and body piercing would not be a luxury. Increasing tax services makes Nebraska less attractive for businesses and out-of-state clients due to the increased cost. At the time when states compete for business-friendly policies, LB169 would make Nebraska less competitive. Tattooing changes people's lives, and I care about my clients. After almost 30 years of being a tattooer, I can tell you that tattoos are life-changing, and getting a safe, licensed tattoo is one of the best things for public health.

von GILLERN: I need to call-- you're-- could you wrap up your comments? You're out of time.

TYSON SCHAFFERT: I think I said almost everything I wanted to say.

von GILLERN: OK. All right.

TYSON SCHAFFERT: I apologize.

von GILLERN: Thank you. No, no worries.

TYSON SCHAFFERT: I practiced at home. Not, not good enough.

von GILLERN: We all do. Senator Dungan has a question.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here today, Mr. Schaffert. Iron Brush has a near and dear place to a lot of Lincolniters' hearts. My friend was visiting one time and was fortunate enough to get in to see you, and you did an amazing piece on her of Ada Lovelace, the famous mathematician, so.

TYSON SCHAFFERT: Thank you. I remember that.

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DUNGAN: Beautiful work.

TYSON SCHAFFERT: Yes, thank you.

DUNGAN: You, you mentioned this briefly in your, your comments, but could you explain a little bit more as to what the underground or at-home tattoo market looks like? Because I know people who have gone through that, or seen that.

TYSON SCHAFFERT: Yes.

DUNGAN: What are the differences between that versus some of the, I guess, measures that you go to as a professional tattooer to make sure that things are safe and clean, and things like that?

TYSON SCHAFFERT: Well, we get inspected here-- now, I can't speak to, to all of Nebraska because they have different rules, but in Lincoln, we get inspected yearly, we have someone come through. So, it's going to be clean equipment, it's going to be clean needles, it's going to be sanitation, disposal of your sharps, disposal of your hazards, and everything necessary to keep the people that work there safe and the people getting tattooing safe. Right? Unlike tattooing that's happening in people's homes. Amazon inks getting sold, getting recalled; FDA recalls on these pigments; there's tattoo kits getting sold online and people getting tattooing at home. That's where the real danger is. There's a doctor, a, a European doctor, Dr. Serup, and he might be one of the world's foremost dermatologists on tattooing and dermatology specialists. He urges the Europe and America to keep licensed tattooing; do not change that, because the greatest danger is unlicensed tattooing, unregulated. That's where you see infections and you see, you know, spread of bloodborne pathogens and things that are detrimental to tattooing and the people receiving it. And that's, that's, that's happening, so. We're hoping to keep it above-ground, and putting a sales tax on that-- most people in tattooing are sole proprietors. And right now, they're not taxed, and so they are running their business, they're paying taxes on their earnings. And putting a sales tax on that is going to be a large burden for them, and it's going to create more, more time and-- you know, less time from their clients, and it's going to drive the price up. Not only that, but a lot of clients come back for multiple visits, so you're going to get it taxed every time to complete one project that might be four visits; they got taxed four times on that one, that one project.

DUNGAN: And, and you actually alluded there to that second point, which I was kind of going to get into, so I really appreciate that. I know

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tattoos, obviously, can fluctuate in pricing based on size and based on the complexity of the work. You know, generally speaking, I-- I'm going to ask you to paint with broad strokes here-- would you say that the clients that you work with oftentimes are incredibly affluent and coming around and just throwing money around, or are these people who are saving up for a long period of time to get the work done, that you're seeing them come in and get?

TYSON SCHAFFERT: After 30 years, I can tell you without a doubt, it is everybody. The oldest person I tattooed, I believe was 85.

DUNGAN: That's-- I, I appreciate that. Yeah, it's, it's a world that I think not a lot of us see on a regular basis, so I appreciate you being here today and kind of sharing some of your expertise. Thank you.

TYSON SCHAFFERT: It's a little bit of everyone. I can't answer that question. And it'll be different every day, and that's what's great about it.

DUNGAN: It's not a monolith. I appreciate it. Thank you.

von GILLERN: Thank you. Any other questions? Seeing none. Thank you for being here today.

TYSON SCHAFFERT: Thanks for hearing me out. I appreciate it.

von GILLERN: Our next opponent.

JIM TIMM: Good afternoon, Chairman von Gillern, members of the Revenue Committee. My name is Jim Timm-- that does rhyme-- J-i-m T-i-m-m. I'm president and executive director of the Nebraska Broadcasters Association. We represent the state's FCC-licensed free, over-the-air radio and television stations. We understand the state's desire to broaden the tax base. And yet, there's one section of LB169 in the amended version, it's undefined and open to interpretation, and therefore a significant concern to our members. Operating a TV or a radio station carries significant regulation and obligation. Public "safetizing" alerting is our most critical responsibility; local broadcasters must support the nation's emergency alert system. We're first and formers [SIC] in times of severe weather and other emergencies. This includes Nebraska's Amber alerts and endangered/missing advisories. If you think back to last week's blizzard-- painful memory-- recent wildfires, our annual tornado outbreaks, Nebraskans count on local broadcasters for real-time life-saving information. No one else does what we do; not TikTok, not X, not Facebook, not Google, no one. LB169 seeks a tax on marketing and

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telemarketing services. Merriam-Webster defines marketing as the act or process of selling or purchasing in a market; the process or technique of promoting, selling, and distributing a product or service. That sounds a lot like advertising, and I think you all know that we're just one of many groups who are opposed to taxing any form of advertising. A tax on marketing could immediately decrease local broadcasters' ad revenue, hindering our ability to do what an FCC license dictates, which is to operate in the public interest, convenience, and necessity. So, at a time when our industry is already facing financial challenges, such a tax would likely lead to job cuts, which could lead to reduced local news and weather coverage. So, I think we share a common goal of attracting new businesses, new residents to expand their tax base, but taxing marketing appears to conflict with that goal. We'd welcome an amendment to relieve our concerns, but as currently written and amended, we would ask you to oppose LB69 [SIC]. Thank you for your consideration, and I'd be happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? Seeing none, Mr. Timm. Have you been able to have a conversation with Senator Brandt to realize whether that was his intent or not?

JIM TIMM: No, sir.

von GILLERN: OK. All right. But you certainly will.

JIM TIMM: OK.

von GILLERN: I'm sure. Thank you. All right. Thanks for being here.

JIM TIMM: Thank you.

von GILLERN: Our next opponent. Good afternoon.

MACKENZIE MERCER: Good afternoon. My name is MacKenzie Mercer, M-a-c-K-e-n-z-i-e M-e-r-c-e-r, and I live and work in Omaha, Nebraska as a tattoo artist, and I'm in strong opposition of LB169. I am representing both myself as an independent artist and Rawhide Tattoo Studio where I hold a booth. I'm here to speak on how this bill will negatively impact both public health and safety, and the already fragile economy of the, the Nebraska body art industry. We already operate against multiple black market underground tattoo artists who are already charging a lower premium, one which quality artists who purchase quality materials simply cannot afford to charge. To add an additional tax to the taxes in which we already pay for said expensive supplies would be not only-- sorry, I haven't talked in front of a microphone in a long time.

von GILLERN: You're doing great.

MACKENZIE MERCER: To add an additional tax to the taxes in which we already pay on both our income and the expense of supplies would be outrageous and harmful to the industry. When artists are forced to inflate their prices, more clients go to unlicensed and unregulated individuals operating completely outside of a taxed market entirely. If you think these people who aren't even going and getting bloodborne pathogen certification are reporting their income, I'm sorry, but you're wrong. While this tax seems to be beneficial, it would be economically counterproductive as well as dangerous, as these pirate artists, as I stated, are not trained in bloodborne pathogen or safety, or in first aid, which, more often than not, if a client were to pass out, you need to know in order to help them. It could also potentially drive more artists to operate in this underground field, then taking even more income out of the economy. And to respond to Senator Jacobson, you did make a comment that you don't think people would blink at a process-- or, at this tax. I personally have seen, based on our 3.5% processing fee on Square for card usage that it does severely deter clients from using card, and they instead opt to use cash because they do not want to pay a 3.5% processing fee, and what we're proposing is almost double that. These services are not cheap, they're not easily accessible for a lot of people, and I 110% respect Jesse's perspective in that he has a lot of different wide variety of clients. I'm a newer artist; I've only been tattooing in Omaha for about three years. This would drastically impact not only me as an independent artist, but it would affect my ability to, to support my unborn child. It is already hard enough as-is to exist in this industry, competing with people who are charging lower premiums for services that people don't understand they're getting less of a service; people don't know that these underground tattoo artists, for the most part, are even operating underground. They don't disclose that on their website, they don't disclose that on their Instagram. It's-- we're already competing against this, and having to raise prices even more than we already have had to due to just general inflation of supplies, it's impossible.

von GILLERN: Thank you for your testimony. Senator Ibach.

IBACH: Thank you, Mr. Chair. So, I teach junior achievement to kindergartners in a public school, and I have a series of flashcards that we talk about. The first one is choice, the second one is wants, and the third one is needs. And what we do is identify what are wants and what are needs. Would you consider tattoo art to be a need?

MACKENZIE MERCER: For some people, absolutely. I have provided tattoos to people, particularly ones that have to do with suicide and rape, that I do believe were life-saving and preventing measures for them. To have somebody be seen and represented in a personal art, which is something that tattooing gives to a client that they couldn't-- I mean, you can commission somebody to paint a painting for you, but giving somebody a piece of art that is designed specifically for them, their body, and their life, I absolutely do think can be a necessity. I don't think that every tattoo is necessarily a necessity, but I do think that people themselves view this as a necessity, and if they can't afford my price, they will go to somebody else who charges less. I've seen it happen before. I've had clients come back to me after that with work that they didn't, they didn't know what they were getting, and it's bad.

IBACH: I think what-- I think what Senator Brandt was trying to accomplish with this list is a series of wants and needs. So, what, what can people absolutely live with or without? And so, when you look at this, this list of what he's come up with, I'm just curious as to whether things on this list to, to certain folks like you--

MACKENZIE MERCER: Would you consider having a car a want or need?

IBACH: We go over that in kindergarten.

MACKENZIE MERCER: Do you consider it a want or a need?

IBACH: It depends on where you live, and if you can walk to work or school.

MACKENZIE MERCER: OK. So with that being said--

IBACH: You-- by the way--

MACKENZIE MERCER: --if a car is a want, are we going--

IBACH: By the way-- by the way, you can't ask me questions.

MACKENZIE MERCER: I can't?

IBACH: No.

MACKENZIE MERCER: OK. Sorry.

von GILLERN: Thank you. I--

IBACH: Thank you.

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von GILLERN: Are we done?

IBACH: Thank you.

von GILLERN: OK. Thank you, Senator Ibach. I appreciate that. Thank you for being here today. Appreciate your testimony. Next opponent. Good afternoon.

JESSE NEESE: Good afternoon. I'm Jesse Neese, J-e-s-s-e N-e-e-s-e. I'm a tattoo artist for 25 years in Omaha, Nebraska. My shop is Nuclear Ink Custom Tattoo. I also speak on behalf as a board of directors member for 15 years of the Alliance of Professional Tattooists. I've served on the Body Art Committee of the Association of Food and Drug Officials, and also the National Health Association. I'll, I'll speak to several of you directly. I won't make some of the same points that I made printed. You guys can read this later, and some of the other tattoo artists have made that same thing. But the points that I will make will be the difference between a service and goods, which some of you seem to not understand. As a tattoo artist, when I'm paid for a tattoo and you pay me for that tattoo, I-- I'm an employee of my business. My shop is a, is a corporation. All of my income is taxed. I'm paying income tax on that money that you've paid for the tattoo. If you, the person purchasing that tattoo, also have to pay tax on that same money, that money is being double-taxed immediately, right there. Not to mention the fact that I've already paid sales and use tax on the products that I'm using that are disposable-- all of them disposable for that process. The pigments that have gone into it, the-- a portion of my tattoo machine is disposable, the needles are disposable, all the cleaning things are used. We already pay sales and use tax, but on tattoos, this would come as an additional expense to clients. I haven't raised my rates in two years, but it's been more and more difficult to stay busy to succeed as a tattoo artist with, first, trade war issues and costs going up in 2019 before the pandemic, pandemic costs raising things, and now many of our disposable goods are looking at being raised 2 to 3 times in, in price. If I have to have clients who are paying an additional tax on their tattoos, and then tell them that I need to raise my rates for my good-- for my service this year, it's going to be a double whammy, there. I would speak to-- thank you so much for teaching junior achievement. That's the only-- I did it in high school, and that's the only thing I knew about running a business before doing this. And as an artist, we're not good business owners. I, I would love to do this for free if I possibly could. As a necessity, I will speak to that. My children are-- eat because of the necessity of me doing this as a job. I don't have other income. There are people that I tattoo that is a necessity. I have tattooed mastect-- I, I-- I'm

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also a certified, certified medical recoloration specialist-- and my time is going to be at an end, but I hope some of you ask me about that because I have a lot more to say about that, and the difference between the exemption from medical tattooing versus standard tattooing. I could be doing both things on the same client. I could be providing a service for one client that is taxed, and the other client who didn't have the benefit of insurance and a doctor's prescription for their tattoo is then going to have to be-- pay, pay a tax on the same service the other person is, is receiving. If you don't think that you'll be looking at legal action later on after-- if this bill does happen, multiple people will be seen as being treated "unfairly;" taxed when other people are not taxed for the same service.

von GILLERN: Your-- sir, your time is, is expired.

JESSE NEESE: I see that.

von GILLERN: I will ask you to--

JESSE NEESE: The one thing I would like to say: I would be absolutely for this if you were talking about--

von GILLERN: I, I, I-- sir, your time is done.

JESSE NEESE: Thank you.

von GILLERN: But you will get a question. [INAUDIBLE]

JESSE NEESE: I hope somebody asks about South Dakota, please.

von GILLERN: OK. I'm not gonna ask you about South Dakota, but I would ask you just very briefly to talk about the medical tattooing--

JESSE NEESE: I will.

von GILLERN: --because that is an important element.

JESSE NEESE: Absolutely. I have been trained to--

von GILLERN: Briefly, please.

JESSE NEESE: Absolutely. I'll be as brief as possible. I've been trained to do medical recoloration, which can be anywhere from tattooing a scar to match your skin tone to putting a decorative tattoo over that scar. It's a federal requirement that insurance cover that if somebody has had insurance covered the surgery. How many people do you know that have proper insurance these days? So, when we're looking at a

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disparity on economic access to this service, many of the scars that I tattoo were not done-- I'm sorry, I keep talking over in your direction. Many of the people who are getting a knee surgery scar tattooed or a mastectomy scar have not had insurance cover those procedures; it's been out-of-pocket, and the tattooing is, you know, a, a medical tattoo. I would be all for taxes on services if you were talking about eliminating taxes on income tax. The states that you're talking about that tax services do not tax income tax.

von GILLERN: All right. We're way off topic now, but thank you for answering my question. Are there any other questions? So. All right. Thank you for being here. Appreciate that.

JESSE NEESE: Yeah. Thank you.

von GILLERN: Next opponent. Good afternoon.

JUSTIN BRADY: Good afternoon. Chairman von Gillern and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist for the Nebraska Liquor Wholesalers Association in opposition really to AM603 to LB170, specifically on the sections that increase and create a bifurcated system on the alcohol tax. As you heard Senator Brandt mention in his opening, there are some constitutional issues raised with at least splitting the bifurcation and treating in-state individuals differently than out-of-state, but-- so I'll leave that. I believe Hobie from the Liquor Commission is going to speak some on that, so I will talk moreso on the increase. When you look at the increase of going to \$4.50, you-- put it in perspective. So, our-- look at our surrounding states. Missouri is at \$2, and it's the lowest in the country; Kansas is at \$2.50, it's the fourth-lowest in the country; and Colorado is at \$2.28 as the second lowest in the country. So, that's a lot of who we would-- our business would have to compete against, especially on the border bleed when it comes to these products. A lot of times, Iowa's mentioned, that we're way lower than Iowa. I will tell you, Iowa's at \$14.08. Iowa also doesn't believe that the private sector can do alcohol distributing. The state of Iowa does alcohol distributing, and that's how they "make their profit," by charging \$14.08 a gallon. So, if you start comparing yourself to Iowa, I think you also have to ask yourself, are you willing to say, let's close private business in Nebraska to be Iowa? Otherwise, you aren't comparing apples to apples. So, with that, Mr. Chairman, I'll try to answer any questions.

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

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DUNGAN: Thank you, Chair von Gillern. Thank you for being here. I'm sure we'll speak with the commissioner here more a little bit in a minute. But just to clarify, when we're talking about the tax on alcohol, we're talking about a tax that is on the manufacturer and/or the wholesaler. This is not an additional tax on the person purchasing the alcohol?

JUSTIN BRADY: Correct. So, how-- a lot of the-- how the alcohol taxes work currently in Nebraska, the excise taxes, they are paid when the distributor-- that, in essence, is the tier that pays the taxes. Obviously, that price is then included, and which is sent on to the retailers. But yes, that tax is paid at that wholesale level, unless-- there are some exceptions. If you're, like, a micro-distiller who's making your own and self-distributing, obviously, you have to not only self distribute, but then pay your own taxes.

DUNGAN: Right. No, and, and you kind of answered my second question there, which is whether or not it gets passed on to the individual. You're saying generally, that is going to be sort of baked into the price that the consumer pays, then, when they purchase the alcohol?

JUSTIN BRADY: Yes, yes.

DUNGAN: OK. I'll save the rest of my questions for maybe another testifier. Thank you.

von GILLERN: Thank you. Any other questions? Seeing none. Thanks for being here.

JUSTIN BRADY: Thank you.

von GILLERN: Next opponent.

HOBERT RUPE: I guess I'll go just so we can keep the session.

von GILLERN: There you go. Stay on topic.

HOBERT RUPE: Stay on topic. Good afternoon, Chairman von Gillern, members of the committee. My name is Hobert Rupe, H-o-b-e-r-t R-u-p-e. I have the privilege of serving as the executive director of the Nebraska Liquor Control Commission, and to be honest, I was, was not even paying much attention to this bill-- because there's a lot of other things I've been working on-- until yesterday when I was informed about the amendment. The problem with the amendment, or the concern that we have, is-- what it does is it creates a bifurcated tax rate. Now, we collect the excise taxes you guys set. I mean, if you guys all

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want to set it at \$100, I'm sure a lot of people have ups-- be upset about that, but our position would be we collect what you guys set. In this case here, the problem that you're doing by doing the bifurcated tax system, you're setting me up to get sued. There's a whole host of Commerce Clause cases going back, not even predating the, the seminal case of-- the Washington case going back to the 1980s in a, I think, case called Bacchus, which-- where the Supreme Court looked at a differential tax rate, which was seen as pres-- as preferential to in-state producers in the state of Hawaii; that was struck down as unconstitutional. The issue, of course, is under the Commerce Clause, and through the, the courts-- the court opinions which have come out of it. I mean, trust me, the Commerce Clause cases have almost all been liquor cases for the last 20 years because they have a-- different things. Things which would be normally an automatic Commerce Clause violation, you can sort of make the argument it's OK because the state's exercised its Twenty-First Amendment rights. Well, the court has sort of gave us a guideline that if it's not for public health, safety, and welfare, you better have a heck of a good reason why you're doing-- treating in-state people better than out-of-state people. In the prop-- the bill as drafted, or the amendment as drafted, all the 100,000 people, it basically takes a-- if you're below 100,000 gallons, or if you're over 100,000 gallons, all the over-100,000 are out-of-state; all the under, including a lot of smaller out-of-state ones, would also include all of the in-state producers. So therefore, there will be very-- a large amount of question being raised if the law as it were to come. If you guys want to set a different rate and make everybody pay \$4.50 or \$4, we just say, OK, we collect the, the tax and use as you set it. But this case here, because of the possibility of exposing the risks to the state to a lawsuit-- and the reason why it's a risk is these lawsuits usually cost about \$1 million because they're filed under 43 [SIC] (U.S.C.) 1983 as a violation of civil rights, which means that automatically, they get all their attorney fees paid. There's a retired law professor from Indiana who was making an incredibly wealthy retirement by following these lawsuits in different states, so. The one other question I would ask, just to make sure people understand how the three-tiered system generally works-- we license a supplier, which could be the employer-- the importer or the manufacturer; they then ship to a licensed wholesaler in the state. In this case here, distilled spirits land at a tax attachment, not due status, when they land at the wholesaler.

JACOBSON: We're gonna need you to, to wrap up, because it's--

HOBERT RUPE: I'm sorry. When that wholesaler then sells to a retailer, then they remit the tax to the state, and roughly about \$14 million.

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JACOBSON: All right. Thank you. Questions? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. And thank you for being here, Director. I appreciate it. We're not usually the committee of jurisdiction for a lot of alcohol-related things, so I appreciate the, the reminder on the three tiers. You, you addressed the constitutionality with regards to interstate commerce. Is it fair to say, just to summarize, that-- is the concern that having this bifurcated system based on gallonage, that it serves as a proxy for in-state versus out-of-state? Because the bill doesn't say in state or out-of-state.

HOBERT RUPE: No. That would be the, the, the-- most of the courts-- most of the cases which have come down post-Bacchus and post-Granville [SIC], which was the big case out of Washington, which was sort of the, the, the first time that the Supreme Court dealt with the, the, the issue back in the early 2000s. And it looked at the [INAUDIBLE] had been, well, is it-- one of the things they would look at is if-- even if the stated purpose isn't protectionism, is the effect protectionism?

DUNGAN: It's kind of an impact versus intent language?

HOBERT RUPE: Absolutely.

DUNGAN: OK. Do we currently, as a state, have any tax structure that delineates taxes based on gallonage?

HOBERT RUPE: The differences? No.

DUNGAN: But for, like, micro-distilleries versus larger--

HOBERT RUPE: Micro-distiller-- micro-distilleries and craft breweries pay the exact same rate as Budweiser and Diageo do.

DUNGAN: OK.

HOBERT RUPE: At the same rate. The only difference we have is the farm winery tax. The farm winery tax is \$0.06 a gallon, where normal wine is \$0.95 a gallon. No one's sued us on that yet, which is-- makes me happy because the one argument we have is that there's a requirement to be a Nebraska farm winery, you have to use 60% of your agricultural inputs have to be from Nebraska.

DUNGAN: Mm-hmm.

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HOBERT RUPE: So, that's a requirement that other states haven't. So, the argument would be, if another-- if an out-of-state winery said, hey, I should get taxed lower rate too, because I use 75% Nebraskan grapes in this product, I'm not sure how the court would look at that.

DUNGAN: But thus far, the way I guess we currently delineate that, the feds haven't had any issue with that so far?

HOBERT RUPE: No, they haven't had an issue with it. You got to remember, this wouldn't be the feds, this would be-- this wouldn't be TTB. This would be probably some of the largest liquor houses in the nation flying a civil rights lawsuit against us.

DUNGAN: Got it. OK. Well, I appreciate you being here and sharing your expertise. Thank you.

JACOBSON: Other questions? All right. Seeing none. Thank you.

HOBERT RUPE: Thank you.

JACOBSON: Next opponent.

STACY LOSTROH: Good afternoon, Vice Chairman, and members of the Revenue Committee. My name is Stacy Lostroh, S-t-a-c-y L-o-s-t-r-o-h, and I appear before you in opposition to LB170. I'm testifying today on behalf of Whitehead Oil Company and U-Stop Convenience Stores. We are opposed to the cigarette excise tax increase proposed in LB170. The tax shift on cigarettes is not a sustainable plan. With the proposed cigarette tax increase, we as retailers will be forced to pass on the excise tax increase to our customers. This tax shift leading to higher retail prices is regressive, and will increasingly burden the lower-income customers. We also must be mindful of border bleed. When Nebraska increased the cigarette excise tax in 2002, there was a small cigarette distributor in Omaha who noticed after that, when Iowa was still lower, that the cigarette sales in Nebraska-- on the Nebraska side dropped 25%, Iowa increased 26%; when Iowa increased, it flip-flopped. Also, I know this from personal experience having children playing softball down in Kansas City, there were a lot of parents who would stock up when we were on the Missouri side of the border before coming home. So, border bleed is a real thing. And then, our local businesses will suffer, Nebraska will lose revenue as well. We are also opposed to the proposed pop and candy tax. As written, this tax is not simply a pass-through tax. With the way that it is outlined, identifying which products would be considered taxable or nontaxable would cause either an increase in our workforce, or an ex-- additional

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expense to outsource to some provider who would be able to monitor the ever-changing ingredient labels to, to decide if the product should or should not be taxed, and then to maintain those items in a database. Currently, at Whitehead Oil Company, we have a full-time price book manager on staff, and we have another who assists her working part-time to maintain the 41,961 products that we carry in our stores. This change would not only create an overall increase of the items with the tax, but we would also need to evaluate how we would cover the cost of the increased personnel for these maintenance items. This, once again, in the end, impacts our business, and more importantly, our valued customers. I do appreciate your time and consideration, and I ask you to please oppose LB170 as proposed.

JACOBSON: Questions? Seeing none. Thank you for your testimony. Next opponent.

ANSLEY FELLERS: Thank you. Thank you, Vice Chair Jacobson--

JACOBSON: That's the, that's the low chair.

ANSLEY FELLERS: --and members of the Revenue Committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here testifying in opposition to LB170 and the proposed amendment on behalf of the Nebraska Grocery Industry Association, Nebraska Hospitality Association, and the Nebraska Retail Federation. I've also handed you several pictures, my testimony, as well as testimony from the national confectioners. I will also send the committee a cleaned-up version of my testimony, because I never hand out my testimony because I always take notes and then say other things. So, I promise to send something else, and I apologize if that's a little scattered. I think Shannon and Stacy both very clearly outlined the costs associated with the sugar tax. It's not a simple, straightforward tax; it's something making our code easier to comply with. It's also a windfall in cities with local option sales taxes, so, as somebody mentioned previously, it's not just a 5.5% tax; in some places, it's a 7.5% tax. The organizations I represent of-- I represent oppose a variety of aspects being heard in this hearing. I did want to get to-- because these questions came up-- the end of my testimony, where there's a story from the Iowa Department of Revenue entitled "Revenue Department Issues New Guidelines on Taxing Candy," and I thought some of the, the testimony in here from Victoria Daniels at the Iowa Department of Revenue-- she briefed a state legislative committee, and it says "While some food items in Iowa's grocery and convenience stores are not subject to state taxes, some delectable edibles are taxed. The state's chief tax collection agency is sending out new guidelines on what should and shouldn't be taxed.

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[...] Under the revised guidelines, candy-coated fruit, candy-coated popcorn and marshmallows will now be called candy and taxed accordingly. One lawmaker asked about a snack he was munching on. 'That's candy,' she said, laughing. 'Chocolate-covered peanuts, that's candy.' Daniels says her heart goes out to retailers who are trying to keep up with the changes. [...] Other food items that will now be taxed candy include caramel-coated [...] apples or other fruit, and licorice that doesn't contain flour or require refrigeration. State revenue officials say the effect of the changes on the state treasury will be minimal." She also wanted to testify, to share with the committee that while some of these things are treated lightly as though they shouldn't be a big deal, as I testified to the Appropriations Committee several weeks ago, these issues are not standalone. We're not testifying on these bills in a vacuum. In just the last two years in committee and as part of the proposed budget, retailers have faced everything from a sweep of unemployment cash fund grabs, with accompanying 200% to 300% increases in fees for things like food and fuel pump inspection, a new tax on deliveries, a sugar tax, increased taxes on skill games, tobacco and spirits, a rolling back of the collection allowance which reimburses retailers for dollars lost collecting and remitting sales tax, an advertising tax, and removal of the occupation tax lid. This is before accounting for the cost of new state-level higher wage and leave mandates, and the ever-evolving array of federal mandates. I don't have a lot of time, so I'd just mention that everything in here, when you hear from small businesses-- anything you're adding the, the sales tax to, these small businesses will pay a slight fee on that sales tax, as I've mentioned previously, which is a loss to those businesses that they're not currently losing. While new sales taxes aren't great, new wholesale taxes, input taxes and mandates are even worse. They're passed along in the form of higher prices without the same transparency, and I will state that for the record. Thanks. Sorry. That was a lot.

JACOBSON: Thank you. So, I'm, I'm curious.

ANSLEY FELLERS: Yeah.

JACOBSON: According to the handout, Iowa, South Dakota, Colorado, Kansas, and Missouri all charge on, on candy today.

ANSLEY FELLERS: So, Iowa is the only state listed there that only has the sugar tax. So, South Dakota taxes all groceries at that lower rate, and Kansas actually just pays out their grocery tax, so they no longer charge it on anything.

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JACOBSON: But, but Colorado does.

ANSLEY FELLERS: Not just on sugar.

JACOBSON: No, I'm just talking about candy.

ANSLEY FELLERS: Yeah, not groceries. It's-- anybody-- the Iowa-- of the surrounding states, I'm pretty-- I'll double check and send it to the committee, but [INAUDIBLE] they're not-- it's--

JACOBSON: OK. I'm, I'm just trying to figure out how, how they do it.

ANSLEY FELLERS: It's all groceries. Yeah. Iowa has the candy-- the-- what we're talking about here, the sugar/sweetened tax.

JACOBSON: Right. OK.

ANSLEY FELLERS: The other states referenced tax groceries.

JACOBSON: But, but they figured out a way to do it.

ANSLEY FELLERS: Well, that's-- I think-- so, I've been asked this question, Senator. I will tell you that from the food industry, from the NGIA perspective-- I had something in here, a directive from my board of directors a couple of years ago. And the idea was-- again, as I lit-- I listed these things. You know, some of these things, like, taken, taken individually don't seem like a big deal; collectively, it's a big deal. I think if it accompanies some tax relief, people can live with it. But, but grocery tax, a tax on food, I can tell you we wouldn't support that. But from a compliance perspective, from an ease of, you know-- the compliance portion of that, I've stated in here previously to the Chair that it is easier to comply with.

JACOBSON: Got it. I, I-- but, but we do have some that are doing it, though. Correct?

ANSLEY FELLERS: States that are taxing groceries and states that are taxing sugar/sweetened food and beverages, yes.

JACOBSON: OK.

ANSLEY FELLERS: I know I've talked to those in Iowa who are doing it, so I kind of-- I have an idea of how it's being done. Sorry. I don't want to-- I don't want to talk. I have--

JACOBSON: I, I hear you.

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ANSLEY FELLERS: I have answers to your questions previously, because you mentioned Senator-- sorry, if I could just really briefly say that South-- or, Iowa, their Department of Revenue doesn't list the items to be taxed, the association doesn't help members with items to be taxed; they just say, "here are examples of things that need to be taxed," and that's why it's so complicated. Because there are, you know, thousands, tens of thousands of SKUs, and everything evolves and changes.

JACOBSON: All right. Thank you. Other questions? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. I don't know if it's been talked about by other testifiers. I apologize, I was introducing a bill; I missed some of the others. Can you speak at all to the impact that this tax for pop and candy might have on areas that are so-called food "dedsert"-- food deserts, where we're not seeing a lot of grocery stores and you're seeing more convenience stores as the main grocery option?

ANSLEY FELLERS: Yeah. I think sometimes there's this misconception that, you know, retail or consumption taxes don't impact businesses. And the reality is-- and we've talked about this previously, and you just heard from other testifiers-- it does. This candy and-- what we're calling the candy and soda tax, kind of air quotes, definitely does because there's so much compliance associated with it. But we always talk about how a low tax and regulatory burden helps our small businesses compete, and those little businesses, those corner shops, the bodeg-- the bodegas, the C-stores that are located in those food deserts, they already have a much higher cost of doing business; their wholesale costs are higher, their overhead is higher, especially as a percentage of their revenue. Adding sales tax to anything I mentioned, it seems like nothing, but last year, retailers paid \$63 million in swipe fees on the sales tax portion of their sales, which means they lost-- you know, that was \$63 million that left the store, that didn't go to the state, didn't stay with the store. So, I-- all of these things that we talk about hit those small businesses, hit their bottom lines, and make them a little less competitive than their larger counterparts. And again, I think, taken in a vacuum, one of these things, each of these things might not seem like a big deal to this committee or to others. But taken collectively, like I mentioned, it's really burdensome and, and it's going to push them out of those areas quicker.

DUNGAN: Thank you.

JACOBSON: Other questions? If not, thank you.

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ANSLEY FELLERS: Thanks.

JACOBSON: Other opponents. How are you?

TIP O'NEILL: Good, Senator. Senator Jacobson, members of the Revenue Committee, my name is Tip O'Neill. That spelled T-i-p O-'-N-e-i-l-l. I am president of the Nebraska Telecommunications Association. The NTA represents 20 companies providing broadband and landline telecommunications services in Nebraska. The NTA took a position to oppose the green copy version of LB169, primarily because we believe the provisions relating to the elimination of-- to eliminate exemptions for interstate telecommunications service in Section 77-2701.16 are pre-empted by federal law. After expressing our concerns to Senator Brandt and his fine staff, they determined to eliminate those provisions in AM589. Therefore, our position if the amendment is approved by the committee is to be neutral on LB169. I'd be happy to answer any questions you may have.

JACOBSON: All right. Thank you for that. Questions from the committee? Seeing none. Thank you. Next opponent.

BRYAN SLONE: Chair Jacobson and members of the committee, my name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm president of the Nebraska Chamber of Commerce, and I'm here on behalf of the Nebraska Chamber, the Greater Omaha Chamber and the Lincoln Chamber. And before we get started, I just realized as I was sitting there that I have to disclose a, a personal conflict and bias. I get a great deal of harassment within the lobbying community for wearing suits every day. I incur substantial dry cleaning costs. Obviously, I've been looking through magazines for some hair care services. I have a Diet Coke problem, I have a peanut M&M problem. There seems to be a lot of designing and decorating going on in my house. I'm a registered lobbyist. All sorts of boxes appear on my doorstep every morning from companies who spend millions and millions of dollars in marketing services online. My knee is, is about ready to kill me, and I'm going to need a massage this weekend. As soon as we're done here with this session, I plan to get on my motorcycle and recoup, and there's a long-awaited tattoo in my future. I obviously need body modification. I'm frequently in the doghouse with my wife, and so I can assure you that I'm a frequent flier at a certain telefloral delivery service. And for God's sake, I need weight loss services as much as anybody else. And I'm sitting there trying to calculate this in my head, and I know this is going to save me \$200 or \$300 of property tax, but I suddenly dawned on me that-- you know, I consider Senator Brandt a very good friend, but he designed this to get me; I come out a loser on this. The \$200 or \$300

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I'll save in property taxes I'll end up paying more for all of this stuff. So, with that disclosure, let me make it short, in terms of some specific issues from the Chamber's standpoint. One, with respect to what luxury items-- for a certain segment of our society, these are not luxury items and there is no elasticity. Two, taxing business inputs is always a bad idea, particularly at intermediary levels where you get pyramiding, and we heard some of that from the film industries and others today. And three, this is, again, an effort to create a tax shift for property tax purposes. It's not that we're against property tax reduction, but simply to create new taxes to tax one group of people who tend to be poorer, who tend to be middle-income, to transfer money through the credit mechanisms to another is just a-- it's a tax shift. That does not mean that sales taxes should never be put on the table, it does not mean that tax increases should never be put on the table, but this is not tax reduction; this is just changing who pays in Nebraska. I will credit Senator Brandt for the work he did-- and, and, and I appreciate that, Senator Brandt, in terms of the comparison to other states. We've tried to do that a million times, it's extremely hard. And thank you for that, and I appreciate that very much. I would be happy to answer any questions.

JACOBSON: I would just suggest that if we charge sales taxes on more items, would you agree that there are people that drive through the state every day down the interstate that stop and buy items that would be sales taxed? So, is that not bringing new tax dollars to the state?

BRYAN SLONE: Yeah, but, but increasing taxes without com-- combine-- let me put it this way: increasing taxes is always increasing taxes.

JACOBSON: Well, I, I just-- just answer my question. Would it increase sales taxes if we had-- if we charge-- add more items on the tax rolls--

BRYAN SLONE: So, like this--

JACOBSON: --pop and candy, for example--

BRYAN SLONE: --let's, let's take my pop and candy--

JACOBSON: Let me finish my question.

BRYAN SLONE: OK.

JACOBSON: They come through the state driving down the interstate, and they buy those items. Does that not net-- increase tax revenues to the state?

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BRYAN SLONE: So, if we in-- if we put a 6.5%-- I'm going to include local taxes-- if we put a 6.5% sin tax on my peanut M&Ms and Coke, and let's say 10% of the peanut M&Ms and Coke that are bought in the state are bought from these people going down I-80, I totally agree, then 10% of the tax increase will be borne by people out of state, 90% will be borne by people in the state. They were not transferring-- when we ever we create a new tax, the bulk of it's going to be paid by people in this state. We're not the kind of tourist state that South Dakota or Florida are.

von GILLERN: Where are we?

JACOBSON: Opponents.

von GILLERN: Opponents. Still. Any other questions from the committee members?

SORRENTINO: Same place we were [INAUDIBLE].

von GILLERN: I need to go for another walk. Thank you, Mr. Slone, for being here.

BRYAN SLONE: Thank you.

von GILLERN: Invite up our next opponent. Good afternoon.

RYAN McINTOSH: Good afternoon, Chair von Gillern, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I'm testifying in opposition to LB169 and LB170 on behalf of the National Federation of Independent Business. There's two specific items I do want to point out, although we are testifying on both bills. First, marketing/telemarketing services. This is, in my mind, purely a business input; individuals did not seek non-business marketing services. Next, I think I'm the first to mention lobbying services. Likewise, individuals by-and-large do not hire lobbyists. This also disproportionately affects smaller businesses and smaller entities like NFIB. NFIB and others in our situation cannot hire employees to be lobbyists; they rely on contract lobbyists. You've heard about the detrimental effects of pyramiding, and I would just ask this committee to be consistent on exempting business inputs. Thank you.

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

RYAN McINTOSH: Thank you.

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von GILLERN: Next opponent. Good afternoon.

TIM HRUZA: Good afternoon, Chair von Gillern, members of the Revenue Committee. My name is Tim Hruza, last name spelled H-r-u-z-a, appearing today on behalf of the Lincoln Children's Zoo. The Lincoln Children's Zoo was established-- let me first start by saying that Evan Killeen, our executive director, was not able to make it today, so you get me. I would also just note, maybe for the record, that I do have the privilege of serving on the board of the Lincoln Children's Zoo here in town, as well as lobbying on their behalf, so. Established in 1965-- I'm just going to hit a few top points in terms of numbers, because I-- I'm passing out a map that tells you-- it's a geo-tracking app we use when we take tickets and when we sell admissions to tell you where folks come from. There may be some high-level numbers. Nearly 390,000 guests visited the zoo last year; 268,240 of them, or around 70%, are children. The economic impact, as estimated by the University of Nebraska-Lincoln last year, was north of \$17.5 million for Lancaster County and the Lincoln community; \$6.6 million of that is labor income paid to workers both at the zoo and in full-time jobs around kind of the, the tourist function of what that-- what the zoo provides for the Lincoln community. 35% of Lincoln Zoo visitors have an annual household income of less than \$50,000 per year, and 68% have a household income under \$100,000 per year. 76% of our visitors in a year come from less than 60 miles from the city of Lincoln. You'll see that reflected in the map; most of those blue dots honestly end at the border of the state, so you get closer to the higher 80% and 90% numbers as you talk about Nebraskans coming to Lincoln. I say this all to say that you heard testimony from the Omaha Zoo, right? Earlier. They are obviously a gem of the state. Lincoln's Children's Zoo really is a gem of this community that serves a mission to, to provide opportunities for children to come get an experience, and for families at what ends up being a, a very low-cost admission. We try to keep it down as much as we can. I think we raised our single-ticket admission by less than a dollar this year for the first time in a long time, due to the constraints and the, the costs-- honestly, it's, it's wages and those sorts of things, to keep employees and keep the op-- the place operating. I know Dr. Padilla mentioned some of the public-private partnerships that, that they rely on; the same is true for the Lincoln Children's Zoo. We, with the exception of some tourist dollars that we get from Lancaster County and this sales tax exemption, we don't have, in Lincoln, any public partnership. We are located on city land through a lease agreement with them, but outside of that, we don't, we don't have any money that comes from the city or other sources, and then the occasional county tourism grant fund. Everything we do, then, is

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admissions, operation costs from those things, and private fundraising, so. With that, I'm happy to answer any questions that you might have, and thank you for your time and attention today.

von GILLERN: Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. You kind of alluded this-- to this point in your map with regards to where people come from, but do you have an idea as to the breakdown of membership? I guess people who have memberships, versus one-time admissions.

TIM HRUZA: I should have had that number for you because the amendment does take care of that, and we've addressed that in the past. Most of the numbers-- the bulk of our-- the bulk, I think, I think the majority is memberships because we do have such a local contingency that attend. So, I would tell you that as we've looked at this bill as it's evolved over the years, the narrowing it down to the visitors does decrease the impact that it has on us. That's typically, like-- you know, the, the typical example is, you know, the family that's coming in for the one-time trip, right? Staycations. They might come from rural Nebraska, come in for a day. That's where you get most of that, the economic impact numbers too. But I would tell you too, from a revenue standpoint, by narrowing that down, at least what Lincoln's impact is on that number decreases by quite a bit when you take the memberships out, too.

DUNGAN: OK. And do you also sell things, like at gift shops and things like that--

TIM HRUZA: We do.

DUNGAN: --that there's going to be taxes on?

TIM HRUZA: We do. And Dr. Padilla kind of mentioned some of that. It works the same way with Lincoln Children's Zoo. He also mentioned a, a keyword that I hear in our board meetings all the time, right? "Per cap," which is trying to find ways to get people when they come in-- right? They pay that admission and they get through the gates-- to spend more money, which then drives up, obviously, your state sales tax numbers that way. Whether it's food, which we've done-- I think we're on maybe our second food vendor or manager that we're kind of working through to try to get those numbers up, but also to sell more retail stuff, as you mentioned.

DUNGAN: Thank you.

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von GILLERN: Thank you. Any other questions? Seeing none. Thank you for being here.

TIM HRUZA: Thank you.

von GILLERN: Next opponent.

RYAN NICKELL: Thank you.

von GILLERN: Good afternoon.

RYAN NICKELL: Hello. Good afternoon, Revenue Committee. My name is Ryan Nickell, R-y-a-n N-i-c-k-e-l-l, and I'm speaking in opposition to LB170. So, earlier this year I was having a conversation with a Senator, and he told me that the rich don't want to pay their taxes, and, well, that's how I view this bill. So-- yeah, so I'm here to dispute the, the candy and soda tax with a really obtuse definition of candy that excludes things like rolled candies like Twizzlers and Red Vines, and also Snickers because they contain flour. But also soda, which for this definition of, of soda includes things like Gatorade and, like, zero-calorie sparkling water, but also excludes what, what I call these high-caloric rich people drinks. Like, if you go to a grocery store, they have these \$4 bottles of, like, Starbucks Frappuccino that you can buy. And under this definition, it will not be taxed because it contains milk. Or, like, 350 cans of lattes, or bottles of smoothies that you can get from like the produce section. So, that is where my dispute is right now. Because if you can regularly afford to buy these things, good for you, but also you're not paying tax on it. And even though they have just as much caloric content as a bottle of like a, like a bottle of Dr Pepper or whatever. So, thank you.

von GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you for being here. Next opponent. Are there any other opponents who'd like to speak regarding LB169 and LB170? Seeing none. Is there anyone who'd like to testify in a neutral position? Ladies first.

NICOLE FOX: Thank you, Chair von Gillern. Chairman von Gillern, members of the Revenue Committee, I'm Nicole Fox, N-i-c-o-l-e F-o-x, and thank you for the opportunity to testify today. And on behalf of the Platte Institute, I'm here testifying in the neutral, neutral capacity. 45 states and the District of Columbia collect sate-- statewide sales tax. Sales tax rates differ by state, as do sales tax bases. Both the rate and the broadness of the base will impact how much revenue is collected from a tax, and how the tax affects the economy. Many of you are aware

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that Nebraska's current sales tax system is saddled with exclusions and exemptions, and that most of our sales tax base comes from goods over services. Over the years, the Platte Institute has supported the principle of sales tax base expansion so that more final consumption is subject to the sales tax, provided that the revenue is used to deliver corresponding dollar-for-dollar tax relief, and business inputs are avoided. We can't support a bill that eliminates sales tax exemptions unless the proposal makes clear what the plan is with the revenue going forward, and follows sound principles of taxation. Therefore, we recommend that any sales tax base expansion be done in a strategic, fast-- fashion. First, it must be done in a way that does not damage our overall competitiveness with neighboring states; it must provide direct tax relief by eliminating local levying authority; it must avoid transferring state funds to subsidize, to subsidize local government spending; and it must avoid taxes that are discriminatory in nature by singling out specific industries such as taxing pop, candy, alcohol, and tobacco. So, with that, I conclude my testimony, and I'm happy to take any questions.

von GILLERN: Questions from the-- Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. Again, I apologize if somebody's already talked about this before, but I just want to ask this question to make sure it's clear on the record.

NICOLE FOX: OK.

DUNGAN: You're a tax policy institute, so I, I think you're a good person to ask about this. Whether or not a tax classifies as regressive in that broad sense of the term has to do with how something is taxed, not what it is we're taxing. Is that fair to say?

NICOLE FOX: I mean, I-- when I think of a regressive tax, I think of a tax when it comes to, like, proportionality of somebody's income.

DUNGAN: And that's kind of what I'm getting at, right?

NICOLE FOX: Yeah.

DUNGAN: It has to do with, like, if you're levying a flat tax across the board against all individuals in the same capacity, that's going to have a bigger impact on a low-income individual versus a high-income individual.

NICOLE FOX: Correct.

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DUNGAN: And not to attribute any positive or negative connotations to regressive versus progressive, but that is a regressive tax if it has that same effect across the spectrum, correct? So, when we're talking about broadening the sales and use tax base and we're talking about putting into effect essentially a flat sales tax on these new services or items, that is, by definition, inherently regressive insofar as individuals with a lower income are going to be impacted by that tax more than individuals of the high income. Is that fair to say?

NICOLE FOX: Correct.

DUNGAN: OK. Because I know we've looked at this list, and there's been conversations about whether these affect low-income people versus high-income people. But the nature of the tax is what makes it regressive or progressive. Is that fair?

NICOLE FOX: Yeah.

DUNGAN: OK. You also have, in the past, I think, talked a little bit about good-- sound tax policy, and I would agree with a number of these tenets of sound tax policy. One that I think we've talked about as well is not double taxing money. And so, do you think that any of the implementation of any of these service taxes are going to result in the double-taxation of money that's exchanging hands?

NICOLE FOX: So, when you say double taxation, are you talking about, like, like, tax pyramiding?

DUNGAN: Correct, yeah.

NICOLE FOX: Yes.

DUNGAN: And it got brought up in some of the testimony with regards to tattoos, for example, where they're paying an income tax on the money received by the individual, but then also being taxed on the service they are providing. Do you believe that classifies as sort of a double-taxation on that, that money that's changing hands?

NICOLE FOX: I mean, I guess when we think of more of, like, a tax pyramiding, it's more in relation to business inputs because the tax that-- well, yeah, because the tax is [INAUDIBLE] so I guess we had some gentlemen talking about, say, their movie theaters, and how, yes, when you're taxing something that they're charging for, then yes. I mean, you've got compound or tax pyramiding, double-taxation. We call it tax pyramiding, but yeah.

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DUNGAN: Yeah, that's what I've always heard it--

NICOLE FOX: Yeah.

DUNGAN: --referred to, but I just-- OK. And I, I missed again that testimony, but I just was curious-- trying to come up with sound tax policy, it seems to me that some of what we're looking at doing with this expansion is proposed is-- are, are business inputs, or at least arguably could be business inputs in some circumstances. Does that give you pause in the implementation of some of those? Like film rentals, the tattoos I just mentioned. Interior design, perhaps, if somebody's putting an office together and they're renting an office space, and-- I mean, I'm just curious, do you think that the business inputs are being implicated with some of this broadening of the base?

NICOLE FOX: I mean, I would say if it was something that is directly affecting the consumer price, we would-- I-- you know, it would be considered a, a business input. If it's, if it's something that is absolutely necessary for providing a service or producing a good, yes, it's going to be considered a business input. But I know that that's a whole 'nother conversation because that also is, is, is controversial because it is-- there is no, you know-- I would say we could get everybody around the table and not everybody would agree on what the definition of a business input is, because I know we've had hearings on, on that as well. But I guess just, you know, in general, it's-- our, our thought is, is try to avoid as best you can to avoid the taxation of business inputs.

DUNGAN: Got it. Thank you so much for being here. Appreciate it.

NICOLE FOX: Yes. Focused-- yeah, taxation on final consumption.

von GILLERN: I have a few.

NICOLE FOX: OK.

von GILLERN: The-- as I'm reading your comment, about halfway down, as long as-- provided that the revenue is used to deliver corresponding dollar-for-dollar tax relief and business inputs are, are avoided-- if, if the tax-- if, if the, if the sales tax generated by these bills was to go towards property tax relief--

NICOLE FOX: Mm-hmm.

von GILLERN: --would that change Platte's position?

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NICOLE FOX: Well, basically what we're trying to say, if you-- kind of moving down, then, is what we would prefer to see would be more direct relief. So, for example, I mentioned how we'd like to see something more along the lines of maybe eliminating local taxing authority. So, just like you guys did a couple of years ago with, say, the community college bill, where you're completely taking away levying authority. It's not a matter of, you know, we're going to increase sales taxes and then give money to local entities in hopes that, you know, they stay below a cap and, you know, don't vote to override a cap, or-- does that make sense?

von GILLERN: Yeah. So, so the, the--

NICOLE FOX: I mean, so that's-- we'd, we'd just like to see more guaranteed dollar-for-dollar relief.

von GILLERN: So, the state providing property tax relief is not, in Platte's view, a-- is not tax re-- not true tax relief overall.

NICOLE FOX: Yeah. Yeah.

von GILLERN: OK. All right. And then, the last one, and I'm not trying to nitpick the-- your last comment, we must avoid taxes that are "discriminatory"-- discriminatory in nature by singling out specific industries such as taxing pop, candy, alcohol and so on. I, I would, I would ask, or I would maybe argue that pop is not an industry. Pop is an item within an ind-- within a soft drink industry, or within a larger industry. And many would say-- apparently would say-- not me-- would say that candy is not an industry; it's food or it's groceries.

NICOLE FOX: Yeah.

von GILLERN: So, are we singling out industries by, by singling those items out?

NICOLE FOX: Yeah, I think-- I still think you are. I mean, I-- it's, it's--

von GILLERN: Or am I nitpicking over the word "industry?"

NICOLE FOX: May, may-- maybe. I guess what I, what I would say to that is it's, it's discriminatory, right? We're, we're discriminating against different types of products. You know, and kind of like business inputs, we could all maybe sit around a table and talk about what constitutes food. Correct? I mean, some people would say that pop and candy are not essential to someone's diet. So, I think that's where

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we're kind of coming from, is that if you're going to tax consumption of food, you should probably either tax it across the board, kind of like South Dakota does, and not pick out certain types of food, or not tax at all-- tax it at all. And we know that-- I mean, I'm not advocating by any means to--

von GILLERN: No.

NICOLE FOX: --tax food--

von GILLERN: So--

NICOLE FOX: --but there are states that do that.

von GILLERN: So, should we not charge sales tax on cars because that hurts the auto industry? And where do we-- where do we go with this? I, I-- isn't that unfairly targeting an industry?

NICOLE FOX: Well, I guess I'm kind of more say-- I, I guess maybe I-- the semantics of my sentence were wrong, but we feel like it's, it's more just it's being discriminatory in nature, in terms of, like, the umbrella of food.

von GILLERN: OK. All right.

NICOLE FOX: Yeah.

von GILLERN: Senator Jacobson.

JACOBSON: One of the things we've heard all day today, and, and I just want to reiterate again-- there is one tax that continues to go up, and that's property taxes.

NICOLE FOX: Mm-hmm.

JACOBSON: OK? And that seems to be the default choice. And it's not just limited to people who live in the 3rd Congressional District; it's across the state. People in Lincoln and Omaha are screaming about their property taxes. And when you talk about discriminatory, OK? What about the old-- the more-- the elder-- older population, retirees that are getting taxed out of their homes and having to sell their homes? What are we supposed to do for those people? I mean, everybody's concerned about doing something with sales tax where we can get people coming through the state, helping us pay it, like South Dakota does. But we can't do that, we can find all these excuses not to do it. I know you're here in a neutral testi-- test-- as a neutral testifier, and I

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appreciate that. But we're charged with this idea that we need to be creative to figure out how to fix the tax problem, and, and everything we suggest gets shot down. And so, who loses? The property taxpayer. So, we do discriminate against those people who own property. I, I think we do that very, very well in this state. And until we can either spend a lot less money and then it comes back again, tell me what we do. We've already put caps on cities and counties who are pushing back, saying we need to already relieve the caps you put on us this last summer. School districts are continuing to-- they've moderated their growth, but we're still seeing about \$280 million a year in collective property tax increases. That is absolutely unsustainable. So, do you have any suggestions for us to fix that?

NICOLE FOX: Start with spending.

JACOBSON: Huh?

NICOLE FOX: Start with spending. I think we've had that conversation.

JACOBSON: What spending? Be specific.

NICOLE FOX: Well, loc-- I mean, at the end of the day, property taxes are a local government issue.

JACOBSON: So, what are they spending it on that they got to quit spending it on?

von GILLERN: I think this is a topic for a follow-up meeting.

NICOLE FOX: Yeah, this is--

JACOBSON: I'm just saying. I just want people to think about that.

NICOLE FOX: Yeah.

JACOBSON: Please tell us what we, what we need to tell the, the public.

von GILLERN: Let's, let's, let's arrange a follow-up. Senator Murman?

MURMAN: I think this is just a quick answer, but-- and Senator von Gillern probably already asked it, but you'd be OK with it if it was direct property tax relief. So, the property tax credit fund would be OK for direct property tax relief?

NICOLE FOX: We-- at, at the end-- we would prefer to see the elimination of levying authority. That would, that would be our, our top pick.

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MURMAN: But--

NICOLE FOX: Because--

MURMAN: --property tax credit would also be direct property tax relief, correct?

NICOLE FOX: It, it doesn't force local governments to reduce their spending, though.

MURMAN: OK. Thank you.

von GILLERN: Seeing no other questions. Thank you. Next neutral testifier.

KEN SCHILZ: Good afternoon, Chair von Gillern, and members of the Revenue Committee. My name is Ken Schilz, spelled it K-e-n S-c-h-i-l-z, and I'm here today as a registered lobbyist for the Nebraska Licensed Beverage Association, or NLBA, in neutral position for AM603 to LB170. NLBA is a local nonprofit trade association representing almost 700 liquor retailers, including bars, restaurants, and C-stores across Nebraska. Our members are small businesses that provide jobs in hundreds of communities, big and small, throughout Nebraska, contribute to the tax rolls, and are good stewards and community leaders. I'm here in a neutral position today because our members see the work the governor, this committee, and the Legislature has done and continues to do to address our state's property tax crisis. Our members certainly feel the strain of high property taxes, whether they rent or own their businesses. We are willing to be a part of the solution, and acknowledge that it has been many years since the liquor excise tax was increased. The proposed increase to the liquor excise tax from \$3.75 to \$4.50 strikes, in our mind, a fair balance between raising revenue and allowing our small businesses to ex-- succeed. We do share the concerns expressed by others about the bifurcation of the liquor excise tax, and are not aware of any other state with a similar tax structure. We worry about the bifurcation will allow some to game the system to take advantage of the lower rate, or that the additional administrative burden on our wholesalers and distributors will actually reduce the access to craft products. We'd be glad to participate in discussions about the appropriate approach to alcohol taxation, if wanted. Thank you, and I'm happy to try to answer any questions you might have.

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

KEN SCHILZ: Thank you.

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von GILLERN: Next neutral testifier? Good afternoon.

JOHN FOX: Thank you, Mr. Chairman. My name is John, J-o-h-n; Fox, F-o-x. I represent American Amusements and a device called Bankshot. I don't want to take anybody's time today, but I did want to formally thank Senator Brandt for his work from the green copy into this amendment, and the work the committee has put on, on this, and the work that put on it in the future. And that's all I have.

von GILLERN: Well, thank you. Any questions from the committee? Seeing none. Thank you for your testimony. Next neutral testifier.

ANDY DOBEL: Yes. My name is Andy--

von GILLERN: Good afternoon.

ANDY DOBEL: Andy Dobel, A-n-d-y D-o-b-e-l. Similar to what John said, appreciate the changes made with the amendment. We, we think what's now proposed is rather, rather reasonable. And the only other thing I have is I wish somebody told me it was Green Day. I have other clothes; I didn't have to be red. Thank you.

von GILLERN: You-- you're never wrong, never wrong wearing Chiefs gear. It's a privilege of the Chair. Any questions? Seeing none. Thank you.

ANDY DOBEL: Thanks.

von GILLERN: Any other neutral testimony? Seeing none. Senator Brandt, as you come up to close, I'll note that we had-- on LB169, we had 4 proponent testi-- testimonies online, 111 opponent, and 5 neutral. LB170, we had 8 proponents, 10 opponents, and 2 neutral, and no ADA testimonies on either bill.

BRANDT: OK, where to start? So--

von GILLERN: Been taking notes?

BRANDT: Yep, we've been taking notes. We're going to meet with telemarketers to define those definitions. Film rentals, when you look at that sheet, do not bring a lot to the program. If there was one category that probably is, is looking to being removed, it possibly could be that. A lot of-- almost all the theaters in my district, all four movie theaters, are 501(c)(3)s, so they're already exempt from paying that. A 501(c)(3) is a charity organization; a church, a VFW, a movie theater-- community movie theater, and so they don't pay. Zoo admissions only are taxed, not the memberships. Possibly-- I was

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unaware there was medical tattooing, if that's a real category, because we had a medical massage and I think medical on skin care. It's possible that could be put into there. Telecommunications, as Tip indicated, are already removed from the bill. Bryan Slone, kudos, very creative on your testimony. But, but also to the point, everybody comes up here to defend poor and middle-income people-- it isn't the sales tax that drives the prices up, it's the cost of your product. If you want to help poor and middle-income people, drop your price. So, I mean, you're talking a percentage here that we, as elected officials, are trying to help, you know, work the state of Nebraska, and I don't see pool cleaners or chartering airplanes or chartering limousines as something that most poor and middle-income people use. So, you know, it's easy to-- you know, after sitting here for three hours-- and, and the testimony always follows this pattern. This is my seventh year here, and we've seen this, those that have been here a while. And for the new people, congratulations; you've got eight more years to go. So-- and so, the, the fundamental question on this is Nebraska has a tremendous amount of sales tax exemptions. A sales tax exemption is not a sales tax increase. A sales tax increase would be if we went from 5.5% to 6%. That's a sales tax increase. A sales tax exemption is a business that has had a carve-out. Yes, you're increasing sales taxes on that business because they have never paid sales taxes, so-- and that is done by this body. We created that, our Department of Revenue. The bill is very clunky when you read it because it kind of flips back and forth, it, it-- I, I sympathize with people that have tried to read through this. I get confused. In some cases, we list things that are exempt, and in other cases, we, we list things that are not exempt. The bill works both ways. Our Department of Revenue is where we get most of our definitions from, from this. So-- yeah. If, if, like, the Platte Institute wants to dedicate this all to property tax relief, that would just make my day. I've got no problem with that. But really, in Nebraska, rough numbers, about 2 point-- on a, on-- out of a ten-point scale, 2.3 is sales tax and, and 3.5 is, is income tax, and 5 is property tax. Of all the taxes paid in the state, the least that is paid is sales tax. And it is very unfair in a different sense-- property taxes go up every year, and I-- if you look at a rural district like mine, it almost looks like we subsidize-- our property taxes subsidize how the state runs. And, and I know that's kind of a weird way to look at it, but it's, it's, it's getting worse and worse for everybody, whether it's sales, income, or property tax. And with that, I would answer any questions that you've got.

von GILLERN: Questions from the committee? Senator Ibach.

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IBACH: Thank you very much, Chair. Did you happen-- and I asked this of one of the testifiers, I think. But did you happen to factor in any variation, reduction in any of the products or services that are on your list, if there would be border bleed? Would-- if, if those went to other states?

BRANDT: No, the-- yeah. That's a very good question. Talked to an individual last night. So, Iowa's cigarette tax is \$1.36; ours is \$0.64. What they say they're doing now is, is they're all pooling their money, and once a week, once a month, they go over and they buy cartons of cigarettes in Nebraska. And they insinuated, well, if we make it the same as Iowa, Nebraska won't sell as many cigarettes. And I says, well, yeah, that's probably right; what's that number? And they couldn't give me that number, and for some reason-- and we're still-- Iowa and Nebraska would be the lowest, except for Missouri is \$0.17. I do not understand how they can do that where there-- and, and I know gambling subsidizes a lot of their property taxes and schools and stuff that go on in the state of Missouri, and there may be a recreation tax there. And he goes, well, they're going to, going to drive to Missouri. Well, yeah. What limit will people drive to save on cigarettes, on, you know-- 10 miles? 100 miles? 200 miles? I don't, I don't know the answer. Our Fiscal Office, you know, won't give us an answer on that, but I would-- I'd love to know that if you could-- if we could figure out how to do that.

IBACH: Well, I don't know how we would do it either, but I just wondered if it was figured into the fiscal note or not--

BRANDT: Yeah.

IBACH: --so that we could determine, yes, that's our actual number.

BRANDT: Yeah. I mean, I've-- I'm 20 miles from the Kansas border. I can tell you, as a farmer, we've had border bleed as, as long as I can remember. Input's probably the most common thing. People in Kansas work in Nebraska at the Endicott brickyard; they buy all their groceries in Nebraska until this year, and they change that. People in Nebraska go to Kansas to buy gas, because their state gas tax is less. It's always going to be that way.

IBACH: Thank you. Thank you, Chair.

BRANDT: Yep.

von GILLERN: Other questions? Really? I got a few. The bill obviously says film rentals; there were several people talked about that. Was it

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your intention that that would apply to a, a-- clearly, what is an input cost to the movie theater in that they rent a film from a producer? Or was it your intention to not tax Blockbuster, which isn't here anymore? Or, anybody who rents a DVD, or--

BRANDT: No, no. It was, it was known it was film rentals for theaters. I guess I kind of forgot about the 501(c)(3)s, so now you've got kind of a two-tiered system. So, the theater in Hebron, Geneva, Crete, Fairbury are all 501(c)(3)s, and wouldn't, wouldn't pay a tax. I don't believe they would pay a tax on that. If you look at your list, that's probably the least amount of money the state would [INAUDIBLE].

von GILLERN: Yeah, I, I just-- I wanted you to be-- give you an opportunity to give clarity to--

BRANDT: Yeah.

von GILLERN: --on record with-- if that was your intention.

BRANDT: Yeah. It, it-- when you have 21 or 22 of these things-- my L.A. Travis did a very nice job, you know, let's try and contact-- we tried to contact as many lobbyists ahead of time and find out what the landmines are, and obviously, there's always stuff that comes up.

von GILLERN: OK. So, that was your intention?

BRANDT: It, it was the original intention--

von GILLERN: OK.

BRANDT: --but until we actually got numbers to see where-- what that brought to the state--

von GILLERN: OK, OK.

BRANDT: --is it worth the aggravation for a very small amount? I don't know.

von GILLERN: You-- got it. And you'll figure that out.

BRANDT: Yeah.

von GILLERN: My ace legal aid here is telling me that medical tattooing is already clearly-- is already clarified within the bill, so I think you're--

BRANDT: Oh, it is? OK. Good. Yeah.

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von GILLERN: --so I think you're OK there.

BRANDT: Because we've identified medical in a lot of categories.

von GILLERN: Yeah, good. I, I want to clarify, or, with respect, correct something you said. You were talking about certain industries or certain products that have-- you said they've never paid tax? The truth is, most of them did pay tax at some point, and then, then an exemption was granted at some later point.

BRANDT: That could be.

von GILLERN: Well, I'm--

BRANDT: Yeah. I, you know, to, to go through the history of these 22 specific out of the 120 or more that are in state statute would take a-- and I'd really like to know that.

von GILLERN: I mean, unless they were-- existed what, in 1968, or whenever the--

BRANDT: Yeah, '67, when they--

von GILLERN: '67, when--

BRANDT: --when we lost state property tax.

von GILLERN: Yeah. When the sales tax was--

BRANDT: Instituted.

von GILLERN: --implemented, unless there was an exemption then, it--

BRANDT: Sure.

von GILLERN: It has been-- anyway, just a semantics point. One other point, you said, you said property taxes continue to go up and sales taxes don't, but of course sales tax revenue does fluctuate with inflation, just like your house value goes up, or your farm value. So, you'd pay more property taxes if the cost of whatever you're buying that's-- that sales tax goes up. Obviously, you're paying a higher propor-- or, a higher-- more dollars in sales tax revenue, so. You're not nodding your head up and down. Do you agree with that or not?

BRANDT: I'm kind of processing that.

von GILLERN: For the, for the transcribers, it's--

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BRANDT: Yeah, for the transcribers. I'd have to have an example on that. I mean--

von GILLERN: Well, if a car cost \$10,000 in 1968 and it costs \$40,000 in, in 2025, you're paying more sales tax in 2025 than you were--

BRANDT: Oh, sure, in raw numbers.

von GILLERN: Yeah. OK.

BRANDT: But, but where that sales tax goes, the state of Nebraska is paying more for--

von GILLERN: OK.

BRANDT: --for a gallon of gasoline, and everything, health insurance and salaries and everything else--

von GILLERN: Right, right.

BRANDT: --so it's all proportional.

von GILLERN: OK. As is property tax.

BRANDT: Property tax exists because the local entities need that tax to do the same thing, to pay salaries and health insurance, and--

von GILLERN: But the reason property taxes has increased so dramatically is primarily due to valuations.

BRANDT: Every-- you know-- all-- you know, your-- yeah, your General Fund's the same way.

von GILLERN: OK. The last one-- this one's probably easier. There would seem to be a lot of confusion around hair care. Do you want to qual-- would you like to clarify what your intention was?

BRANDT: Hair care is not taxed. I don't know, haircuts are not taxed.

von GILLERN: OK.

BRANDT: So, I-- it's-- that's about as clear as I can be.

von GILLERN: Well, let me parse that out later, then.

BRANDT: Yeah.

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von GILLERN: Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. And thank you, Senator Brandt. I want to reiterate genuinely what I said earlier. You've done a lot of work on this. I know you and your staff have been diligent about this over the interim, so I appreciate that, and the other bills you brought. Just two things I wanted to ask about, or I guess mention real quick. One, to the body modification, I know we've talked about this quite a bit. There is an exception in there for medical treatment, but it requires the, the tattoo or body modification be conducted by somebody that's a medical professional. So, it sounds like our current tattoo artists that were here testifying, doing that kind of work but are not licensed medical professionals, might not fall into that definition. So, would you be open to, I guess, reworking any kind of exemption with that conversation?

BRANDT: Yeah, we would.

DUNGAN: OK. Not saying it would get me on board, though.

BRANDT: And I guess-- and I guess the concern, the concern is there-- the, the massage, the massage people came to us on that. Originally, we just had massages, like, well last year, you guys defined medical massage. It's like, oh yeah, we did.

DUNGAN: Right.

BRANDT: And so then, I think it's written that if it's not medical massage, it's taxed. But we're leaving Department of Revenue to define if you have to have a certificate to be a medical massage. I don't think that's our job to write that into statute; that's HHS Committee, or somebody like that.

DUNGAN: And, and it's just a very niche area. So, I-- I'd appreciate you just continuing to look at that.

BRANDT: Sure.

DUNGAN: The last thing I'll say-- and I don't want to pick a fight with this--

BRANDT: I don't fight.

DUNGAN: --is, you know, you mentioned that it sounds like you're part of the-- the, the rural parts of Nebraska, or, like, the 3rd District

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are maybe subsidizing the rest of the state, is what it sounded like you were implying with the property taxes.

BRANDT: My constituents seem to think that, a lot of times.

DUNGAN: Sure, but the property taxes are local, right? Property taxes go to the county.

BRANDT: Property taxes are influenced by the state of Nebraska. The state of Nebraska runs short of money, they change the local effort rate for the schools--

DUNGAN: Right.

BRANDT: --and then all of a sudden, the local school districts pay a tremendous amount in property taxes, then the state says problem solved, we've balanced our budget.

DUNGAN: And that's--

BRANDT: And so, whose-- is that a local problem, or is that a state problem?

DUNGAN: I think it's a joint problem, for sure.

BRANDT: OK.

DUNGAN: I would also indicate, in the conversations we've had before about sales and use tax exemptions, one of those that's always on the list is ag inputs, and that's one of the largest ones we talk about.

BRANDT: Yes. You mean a business input.

DUNGAN: And that's why we take it off, certainly.

BRANDT: Yeah.

DUNGAN: But that would be one that's been debated in the past that's been removed because it is a business input. Correct?

BRANDT: Certainly.

DUNGAN: OK.

BRANDT: And, and I don't know, because we're an ag state, Department of Revenue graciously lists those inputs-- feed, seed, fertilizer-- separately.

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DUNGAN: Mm-hmm.

BRANDT: It's no different than accounting or steel, or, or things that we'd use in a business. Agriculture is business in the state of Nebraska, so.

DUNGAN: And I'd agree 100%, nor am I implying those should be taxed. I'm just asking, based on the testimony we've heard here today from a number of the folks--

BRANDT: Right.

DUNGAN: --do you think that some of the areas we're talking about taxing in here do, in fact, qualify as business inputs? As Senator von Gillern indicated, film rentals, maybe that's part of a business input. But some of these other areas, it seems like, are part of a business. So, is that a concern that you think is valid?

BRANDT: The, the-- OK. So, a problem-- and I'll use this as an example. You go to the store, we paid sales tax on all our clothes; you don't pay sales tax on dry cleaning. OK. You own a-- you own a, a company that has uniforms, and your company takes the uniforms in to get dry cleaned, that's a business expense; I take just my general suits in to get dry cleaned, that's a personal expense. Virtually all of these things will have both ways in there, and I think our Department of Revenue deals with that now on a lot of things that are taxed and untaxed. And it will be an adjustment period for a lot of businesses and people, but I think whoever made the point-- and maybe it was somebody up here, maybe it was Senator Jacobson-- when you go into the C-store and you buy something in the store and you buy something, virtually all of us, it's like, they ring it up, here's the card, you slide it in, and a lot of times, we don't look at the ticket till we get home, if we look at it at all, so.

DUNGAN: No, I-- that, that makes sense. And I, again, appreciate your work on this, so we'll keep having these conversations.

BRANDT: OK.

DUNGAN: And thank you.

von GILLERN: Senator Sorrentino.

SORRENTINO: Senator von Gillern, thank you. I've waited three hours to ask if [INAUDIBLE] if, if the true intent-- and I believe that it is-- to reduce property taxes. And I wasn't in the Legislature last year,

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when we went back and forth. You know, why not go for the [INAUDIBLE] Why not legal services, accounting service? Not that I'm saying I want that, but why not go for the whole thing? Why are we picking on this?

BRANDT: Sure. And, and, and the governor had that in his bill last summer.

SORRENTINO: Oh, yeah. I know.

BRANDT: The governor had everything in his bill last summer.

SORRENTINO: Right. But, but why not everything now?

BRANDT: Because it won't pass.

SORRENTINO: That's your only reason?

BRANDT: Are you, are you going to vote for it?

SORRENTINO: Pardon me?

BRANDT: Would you vote for it? Would you be one of the 33 votes it's going to take?

SORRENTINO: I might, believe it or not.

BRANDT: OK.

SORRENTINO: But I'm not saying I would.

BRANDT: From a-- OK. From, from a practical standpoint, we identified-- those of us that were here, those 17 days of that special session, we went through a lot of ideas. And toward the end of the session, Senator Wayne and Senator Linehan specifically identified-- and we had also-- that this seemed to be the low-hanging fruit, sort of a bipartisan approach. And "bipartisan" may be a stretch, but, but it, it seemed to be that these caused the least amount of heartburn. I mean, swimming pool cleaning, charters, limousines, those kind of things. I don't know, I guess maybe you could say it, it, it affects, it affects everybody, but it really doesn't. So.

SORRENTINO: While you guys were doing that-- which I appreciate-- and I was going door to door, people told me, I never use a lawyer; I hardly use a CPA; I never use engineering fees. Bring-- fees. Bring it up.

BRANDT: OK.

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SORRENTINO: I mean, I'm just saying there's, there's that other side of it, too.

BRANDT: No, I think that's great. Yeah.

SORRENTINO: There's a 150 million of those--

BRANDT: And when you go door-to-door in my district, all they say is "my property taxes are too damn high."

SORRENTINO: Yeah.

BRANDT: Yeah. And then "cut spending." Well, what do you want me to cut? "Well, that's up to you guys to decide."

SORRENTINO: Well, anything.

BRANDT: Well, that's the exchange that you guys have, so. OK.

SORRENTINO: All right. Thank you.

BRANDT: Yep.

von GILLERN: Senator Jacobson.

JACOBSON: The only thing I-- I, I hope at some point we can get past this idea that the 1st and 2nd District are subsidizing the 3rd District when it comes to sales taxes. Because I guess I would ask you this question: when you go to Memorial Stadium on a Saturday, and you look at the people dressed in red, how many of them travel from, from the 3rd District to come here? When they come here, how many of them end up spending money, paying sales taxes, staying overnight, being gouged by the three-night minimums on some of the hotels, paying all the occupation taxes? How many people come from the 3rd District to Lincoln and Omaha to buy a car, or to come here for a staycation, if you will? Go to the zoos? I, I would argue that there is a tremendous amount of people from the 3rd District that find their way to Lincoln and Omaha and leave a lot of sales tax dollars behind, and that there, there is a piece of that that seems to go unrecognized. I'd also argue that, when it comes to incentives, when you look at turn-back taxes, when you look at what we're doing on the good life districts, how many of those are out in the 3rd District? You know? They're the-- I think the 3rd District is paying their share. It's everybody's responsibility for public education. Would you not agree with that?

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BRANDT: Oh, absolutely. Yeah, I would agree with that whole statement. We need tax reform in this state in the worst way, and it's going to take a lot of political courage to do it, and it's going to take 33 votes to do it. And the Nebraska Legislature is unique in that you have 49 independent operators there, and, and you've got to have something that you can get two-thirds of them to agree on. And so, we're-- our hope is we can start with this, and work our way up the food chain.

JACOBSON: Thanks for bringing the bill.

BRANDT: Yup.

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

BRANDT: Ready to go to the next one?

von GILLERN: Well, let's officially close the hearing on LB169 and LB170.

BRANDT: OK.

von GILLERN: Do you want to dive right in? All right.

JACOBSON: Saddle up.

BRANDT: Or do you need a break?

von GILLERN: I think we're doing OK. We're--

BRANDT: OK.

von GILLERN: People need to get up and go, then get up and go.

BRANDT: Well, if you liked the--

von GILLERN: Is it LB171, or is it-- all right. Senator Brandt, you're welcome to open on LB171.

BRANDT: So, if you liked the last one, you're going to love this one. So. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Tom Brandt, T-o-m B-r-a-n-d-t, and I represent Legislative District 32, which consists of Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. I am here today to introduce LB171, which is the simplest option to help reduce the budget shortfall. Let me begin with a statement to make it very clear: LB171 is not a tax increase. Under current law, the state's personal and

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corporate income tax rates are set to continue decreasing, with the next scheduled drop bringing rates down to 3.99%. LB171 would pause these reductions at 4.99%, still a tax cut from where we are today. The pause is the simplest and most straightforward way to reduce the state's budget shortfall, which now sits in excess of \$200 million. If we do nothing, we risk putting the state in a financially unsustainable position, jeopardizing essential services, and making it harder to provide meaningful property tax relief. By keeping the income tax rate one percentage point higher than currently scheduled, we allow the state to collect much-needed revenue to shore up the budget and ease the pressure on property taxpayers. These tax reductions were already in motion under LB873, which would have taken us to 5.84% by 2027, but LB754 sped up that timeline and lowered the target even further, setting the rate at 3.99% by the same year. While tax relief is important, we must also ensure that our budget remains balanced and sustainable. That's why I would support a trigger or another mechanism that would allow future income tax reductions to resume once we are in a stronger financial position. If revenue growth exceeds expectations and the budget stabilizes, there should be a pathway to get the rates down further. LB171 is a practical and responsible approach; it balances our need for competitive tax policy with the reality of our budget obligations. It provides an opportunity to stabilize state finances while ensuring we're-- we remain committed to tax relief in the long run. I thank the committee for your consideration, and would be happy to answer any questions.

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

DUNGAN: Thank you, Chair von Gillern. Thank you again, Senator Brandt. I won't go over all of the same things we talked about last time with regards to more philosophi-- philosophic debates. If we were to-- philosophize [INAUDIBLE]. If we were to decouple the individual rates from the corporate rates and continue to allow the individual rates to go down to the 3.99% for tiers three and four, but freeze the corporate rate at 4.99%, the fiscal note seems to indicate that that would still raise us \$56 million in '26-'27, rising up to \$136 million by '27-'28. Is that an approach that you would be open to doing, to ensure that everyday people pay less taxes, but corporations freeze where they're at right now?

BRANDT: I, I would. I'd be open to that, if we could find the votes to do that. This would be a big lift. This will require 33 votes.

DUNGAN: Do you think-- and I agree with that 100%. Do you think that it would be helpful also to get an analysis of how much money we would

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make-- I'm trying to [INAUDIBLE] phrase this. Again, let's pretend you decouple, right? So, corporate stops at 4.99%.

BRANDT: Right.

DUNGAN: If we then keep the top rate at 4.99%, but allow the third tax rate to then separate from that and continue to go down, do you think that that would save people more money individually, but still make us more money as a state?

BRANDT: When you look at our, at our tax schedule-- and I think that's actually listed in the, in the bill itself, which is about 2 or 3 pages-- it's a very limited amount that hit that second and third rate. One thing you-- I've suggested is just eliminate that first rate of two point-- our first rate is 2.46%, and you pay that from, I believe, \$2,300 to \$4,700. Just eliminate that rate.

DUNGAN: So essentially, you're giving--

BRANDT: Every, every taxpayer in the state pays that, whether you're-- you have the most money in the state or you, you just cleared that lower hurdle at \$2,399. But 100% of all the taxpayers in the state pay that very low rate. Kind of clean it up; get rid of that rate, maybe just make one intermediate rate, and then the top rate-- yeah. If somebody-- if-- I'm not opposed to thinking out of the box here, folks. When you look at that fiscal note and you look at the, the right side there, on-- the first fiscal year doesn't count. It's \$100 million in savings because this is a partial year, OK? But the '26 and '27 is \$395 million. OK? What that's telling you is you're not going to collect \$395 million in taxes. That's foregone. So, starting next year, you're starting \$395 million less than where we started this year. And the year after that, \$654 million, and the year after that, \$737 million. So-- that's the total amount. That-- I didn't separate corporate from individual. But yeah, I, I think, I think if we could take any step on this at all, it would be a step in the right direction.

DUNGAN: And I, I completely agree, and I think this is an interesting topic to go into. The last thing I was going to ask you: you mentioned a trigger mechanism, and I know there's a lot of different ways to do a trigger mechanism. Would you be open to the possibility of linking some sort of trigger mechanism for further income tax cuts to ensuring that our cash reserve is in a healthy situation? So that way, you couldn't just empty out the cash reserve, put us in a better financial position, and then all of a sudden, trigger the income tax reductions.

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BRANDT: I, I certainly think that's one thing that could be looked at.

DUNGAN: OK. I just think it's--

BRANDT: I think that, that would take people-- fiscal people in a room to figure out what other states have done in this situations, and, and see what that trigger would look like. We do not have a trigger at this point-- or a trigger, trigger in the legislation.

DUNGAN: And I know triggers sometimes-- and sometimes triggers get confusing with unlawful delegations of tax authority.

BRANDT: Yeah.

DUNGAN: But we can talk about that later. But I appreciate all your work on this, and I'd be interested to see the fiscal impact of a, a bifurcated system where individuals continue to see a tax cut, but maybe that corporate stops where it's at now instead of increasing taxes.

BRANDT: Sure.

DUNGAN: Thank you.

von GILLERN: Senator Jacobson.

JACOBSON: Well, I don't want to steal the Chamber's comments here, but we are definitely in agreement, the Chamber and myself, that we worked awfully hard to get our income tax cut to where it is today. We still have a spending problem throughout the state, at all levels of government. And if we're going to do any changing, to me, it's your first bill that makes sense. But if we don't grow our state with more corporations coming here, bringing new people, bringing new jobs, continuing to grow, we're done. That's our only ability that we've got left, is to grow. And why would someone want to locate in Nebraska when we're the highest income tax state in-- at-- in the, in the region? I mean, you got, you got two states around us that are zero sales tax; Kansas is below us, and Iowa is, is moving past the 3.99%. In my mind, we're, we're going to-- just going to take a-- make ourselves less competitive. And it's easier to go run the math and say, well, if I just look at where we are today, don't change any of the numbers, we're going to be behind. But if you grow the number of people that are paying taxes, and you grow the amount of money that's available to be taxed at the new rate, we can take that back to where there is no fiscal impact at all. I think that's the mindset that we have to be looking at. But that's where I come back to property taxes. We can, we

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can create jobs, but if people can't afford homes, that's a problem too. And if-- and so, I-- in my mind, it's always been a two-pronged piece of we've got to keep corporate and individual sales taxes as low as possible, and we've got to stop these property taxes from continuing to spiral out of control.

BRANDT: Yeah, and I apologize. We didn't, we didn't run a chart of what the taxes were on the six states around us. We're going to do that and get that to the committee. I don't think if we stop at 4.99% that we'll be the highest income tax in the region, but I, I don't know that.

JACOBSON: I, I think if you look at the states around us, that would put us at the highest. We are today.

BRANDT: Yeah.

JACOBSON: And, and I would just ask you, don't-- do you-- would you agree that that would be an impediment to growth of the state?

BRANDT: Well, I think when we were still at 6.85%, absolutely. But we are dropping. I think-- I-- I believe we're at 5.25% this year, or 5.01%. We've dropped 2.85% in two years. We've, we've dropped 27% on income tax without going the rest of the way. That's a lot of forgone income for the state of Nebraska, and I don't know-- have we replaced that with business growth? I don't know. Maybe the Chamber can come up here and tell us how much business has grown to replace the loss of these funds. But my concern is as these collected taxes decrease, the state is going to pressure local governments to pick up more of the cost, i.e., school districts.

JACOBSON: And I would also argue that if you pause it and have additional dollars flowing in, what keeps those dollars from just being spent on other programs and not on real property tax relief or growth? So, to me, the issue I have with the bill is saying we're going to raise it from where we are today and then freeze it. Those are both nonstarters for me, but I-- I'm just saying that's my concern.

BRANDT: But we aren't raising it from where we're at today. We're taking it down to 4.99%, pausing it, and then allowing it to go down to 3.99% if, if we check all the boxes and the growth is there, and we're doing tremendous as a state, let it go down to 3.99%. That's, that's what we're saying. We aren't raising any taxes. We've decreased income tax from 6.85% down to, I believe, 5.25%; it's been a re-- absolute reduction and a loss of income to the state, and it's-- we've kept it in our constituents' pockets. That's what we want to do, keep that

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money there. But you need a certain amount of cash to operate the state. So, all I'm saying is that this is an option. I realize it's probably not going to make it out of committee, but I just want to, want to put that out there for your consideration.

JACOBSON: Thank you.

BRANDT: Yep.

von GILLERN: Other questions? I got a couple.

BRANDT: Oh, please. Yeah.

von GILLERN: As you might imagine. We've had great discussions about this, and you and I have a very respectful punch each other in the face and then go have a, have a cup of coffee together relationship, which is great. The, the-- Senator Dungan asked about decoupling the corporate and the personal, and I'm not sure that-- I, I think you understand this, but I'm not sure all of those who may be listening or paying attention to this understand that S-corps-- which are the vast, vast majority of not only small businesses but large businesses in the state of Nebraska-- file through their personal income tax. It's a flow-through entity, and they file--

BRANDT: It's like an L.L.-- L.L.C. Correct?

von GILLERN: An L.L.C. is an example of a flow-through entity.

BRANDT: Right.

von GILLERN: So, I mean, there are, there are major, major corporations in Nebraska that pay, pay through the income tax rate. So, that's just a point of-- but I'm not challenging you with anything--

BRANDT: No, yeah.

von GILLERN: --but it's just something to remember when we're looking at corporate rates versus individual rates. I remember when I first started hanging around this whole environment and I started looking at those numbers, I'm like, why are the corporate rates so low? And then, and then it hit me that-- and, and I verified that that was indeed the case. The comment was made about the standard deduction being so low-- or, the, the base income tax rate being so low, and, and the reality is that almost no one pays that because of the standard deduction. I mean, there are maybe, maybe--

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BRANDT: That's-- that-- and that's-- and that's probably, probably true--

von GILLERN: Yeah. Maybe an 18-year-old, 17-year-old--

BRANDT: Yeah.

von GILLERN: --working, living at home that can't take their own deduction.

BRANDT: A teenager.

von GILLERN: So, it would impact very few people, so maybe, maybe I'm making the point that maybe that goes away. I, I don't-- I'm happy to talk about those kinds of things. I've got, I've got more than one-- I've got more-- less than eight friends and associates in the past ten years that have moved out of the state of Nebraska, 100% because of our income tax rate. Well, I shouldn't say that; because of our income tax rate and because of the inheritance tax. They've left, they've been-- went to Florida, they went to Texas, one went to Washington--

BRANDT: Right. Where there's no taxes.

von GILLERN: Took substantial amounts of money with them when they went. Substantial-- whether it was a business sale, a pay-out, a cash-out, whatever it happens to be. I've had more than one of them tell me to my face, if it had been 3.99%, I'd have stayed. I would never have left, because it wasn't worth-- it wouldn't have been worth the hassle. I would have gladly paid my 3.99% to the state and stayed. So, so, I think we got to-- we've-- we-- it is a very real thing that, that it does influence where people go, whether they stay. I mean, people study these tax rates, and I, I can't remember if you were part of the conversation the other day with the economist who talked about different states being attractive for different tax reasons. So, I just want to throw that up for your consideration. Then, I do have a question here, actually.

BRANDT: OK.

von GILLERN: What happens with money that stays in people's pockets in the state of Nebraska? What do they do with that money? If they're not paying it into the state, what are they going to do with it?

BRANDT: Well, you would, you would hope they're spending it in the state, unless they're going over to Missouri to buy cigarettes.

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von GILLERN: Well-- OK. All right. That's possible.

BRANDT: It's possible, yeah.

von GILLERN: They're either going to spend it or they're going to invest it, right?

BRANDT: We would--

von GILLERN: I mean, if they--

BRANDT: --at a certain level, yes. And I mean, it depends where you're at on the economic scale. I mean, if--

von GILLERN: Well, even if you put it in a passbook savings account at a-- at your local bank, you're investing it.

BRANDT: Sure. I mean, if you have money to invest. I mean, if you're struggling to make rent and groceries and car payments, it's--

von GILLERN: Right, right.

BRANDT: --you're in a different world than somebody that can invest.

von GILLERN: No, I, I totally understand that.

BRANDT: Yeah.

von GILLERN: But if someone has the option-- or, if someone is not paying that in tax and they do have other options, that money is going to stay, stay in the state through, through-- it's either going to get spent, or it's going to get invested. And the, the philosophical detachment that I have is that I would rath-- I believe that money provides a dramatically higher return being in the hands of the taxpayer than it does in the hands of the state.

BRANDT: I don't disagree.

von GILLERN: OK.

BRANDT: But how do we-- how do we cut ourselves out of the hole we're in now, and the hole you're going to have next year that's \$400 million deeper than this? Because we've--

von GILLERN: Well, I'll give a nod to Miss Fox, who spoke earlier and is probably going to speak again, and it probably comes down--

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BRANDT: Well, I'm, I'm, I'm sure she'll generate some interest.

von GILLERN: --comes down to spending, I'm pretty sure, so.

BRANDT: I guess the final point is we've cut 2.85% to date. What we're talking about is just not cutting the last 1% at this time. The total cut is going to be 3.85%. We, next year, will for sure have cut 2.85%; that's a given. All this is saying, hold off on that last 1%, folks, so. OK.

von GILLERN: Thank you.

BRANDT: Yep.

von GILLERN: Seeing no other questions, we will open for our first proponent testimony. Good afternoon-- good evening.

REBECCA FIRESTONE: Good afternoon. I, I guess-- yeah, I guess it's good evening now, so. I'm sorry I missed the memo on green today, so. All right. Good evening, Chairman von Gillern, members of the Revenue Committee. I'm Dr. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, executive director of OpenSky Policy Institute. We would like to thank Senator Brandt for this bill, and we're here to testify in support of LB171, because the state needs these revenues to balance the budget, to continue commitments made toward spending down local property taxes, and to make other necessary investments in growing our economy. This bill is a pragmatic and proactive solution to the state's current revenue challenges. I will start by noting that this bill does not currently increase anyone's tax rate; rather, LB171 allows top rates for personal and corporate income taxes to drop further than where they are today at 5.2%. Dropping the top rates to 4.99% and keeping them there will help the state with its current financial challenges. In fact, the fiscal note indicates that this bill alone could alleviate the state's projected \$289 million budget shortfall without the Legislature having to make further difficult decisions. LB171 will also help rebalance our structural deficits, which are projected negative through the next four fiscal years. These deficits aren't likely to be resolved by revenue growth alone, given other states' experiences and our current financial status, which shows nominal revenues growing in the current biennium by 4.5%. Our analysis, however, shows that those revenues would need to grow by over 5.5% just to close the current shortfall. That means we need to be looking to protect revenues in order to avoid cuts to services that Nebraska's families and businesses rely on, like education and health care. These investments are integral to our state being a place where people want

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to live and work. The Legislature also needs the financial flexibility to continue investing in critical areas like affordable housing and child care. Further, the Legislature is set to spend \$3 billion of current budget, or about 20% of revenues on local property taxes. The budget is significantly encumbered as a result, and we don't see a path forward to keep these commitments responsive to market conditions without clarity on the state's ability to maintain its revenues. I expect we'll hear opposition regarding the competitiveness of Nebraska's tax code relative to our neighbors. A top rate of 4.99% puts us well within range of our neighboring states. Kansas is currently at 5.58%; Missouri is at 4.7%; South Dakota and Wyoming are significantly different because they have natural resources. While we generally view rankings with caution based on methodological concerns, we'd note the Tax Foundation state tax competitive rankings currently have Nebraska at 24, up from a ranking of 28 in 2024. That puts us right in the middle of the pack. A very good place to be, given our small population and the structure of economy. Further, we'll note that there's a real lack of evidence connecting tax rates and relocation decisions, both on a personal level and on businesses. And for example, the Site Selection Magazine's 2024 survey noted businesses cite utilities, workforce skills, and transportation infrastructure as main considerations in business location decisions; state and local taxes ranked eighth. For these reasons, we urge the committee to work with Senator Brandt to advance this bill. Thank you. I'm happy to answer any questions.

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

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. Without rehashing everything that I spoke about with Senator Brandt, if we allow the current reductions that are in place to continue, it effectively collapses us down to three different tax brackets.

REBECCA FIRESTONE: That's correct.

DUNGAN: Can you speak at all, if there are any, to what virtues there might be in exploring the option of creating more tax brackets than what we currently have, in terms of capturing ability to pay with regards to more than four brackets, if we were to explore that option?

REBECCA FIRESTONE: Well, to have more brackets certainly allows a more graduated income structure to your tax code, which I think allows the tax code to be more responsive to ability to pay. So, I think there is generally a concern that was expressed around the debate on LB754 about collapsing from four brackets down to three, so I think the

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inference is that by looking at how to restructure the brackets, certainly considering the itemized deductions and the-- and standardized deductions, there could be some merit to, to looking into that, yes.

DUNGAN: Do you know what our-- and obviously, some neighboring states don't have income tax, and I get that that's an outlier.

REBECCA FIRESTONE: Yeah.

DUNGAN: It's different based on the structure entirely.

REBECCA FIRESTONE: Very different economies.

DUNGAN: Our nearby states, or in the Midwest, do you know how they structure their bracket systems with regards to how many and kind of what the different levels are? It's a broad question. If you don't, that's fine. I'm just curious.

REBECCA FIRESTONE: I don't have all of that detail out of the top of my head. I'm certainly happy to speak to it. I would say that Iowa is in the process of collapsing down to a flat tax of 3.8%; that is putting some fairly significant pressures on the, on the Iowa state budget.

DUNGAN: OK. Thank you.

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

REBECCA FIRESTONE: Thank you.

von GILLERN: Next proponent. Good evening.

MERLYN NIELSEN: Hello. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n, and my residence is in rural Seward. I am speaking today as a proponent for LB141 [SIC] on behalf of my family, and I thank you for this opportunity. We appreciate Senator Brandt for bringing this bill, and for the Revenue Committee to hold this hearing. As a family with our main fiscal pursuits in agriculture, achieving relief in property taxes has been something I have focused my lobbying efforts on for several years. Relief in property taxes has been touted by our governor and other leaders, and it was even supposed to be the main focus of our 2024 special session. When LB754 was passed into statute in 2023, I wondered if too much emphasis had been placed on reduction relief for income taxes over getting reduction relief in property taxes. We in agriculture took the bait, and assumed that if we helped

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the, the-- others in our citizenry that-- with income tax relief, then property tax would follow closely behind. However, now with receipts from income and sales taxes realizations being lower than we had hoped and expected, we are again wondering how to get property tax relief, as the state has less money. Now is not the time to reduce income taxes if we are to realize further highly-needed property tax relief. I was here to support LB81 just two weeks ago yesterday. In spite of clear evidence of that need, it just seemed like hard to get a lot of interest out of this committee because of our state's current financial position. If income taxes were limited in 2026 and beyond with the current statute, we will continue to be in an undesirable position to provide property tax relief. It is clear to me property tax relief has been pushed to the back of the line to achieve income tax relief. So, is property tax relief not the great importance that the governor and other leaders say it is? Have all the press releases and town halls, et cetera on property tax relief been simply idle rhetoric? As I have in past legislative sessions and interactions with our Revenue Committee, I wish to be a positive helper in finding an acceptable solution. I stand ready to try and work toward a balanced solution. I appreciate Senator Brandt for bringing the bill, and I thank you, all the members of the committee, for letting me come and give my strong support for LB141 [SIC], and I invite any of your questions.

von GILLERN: Thank you. Questions from the committee? Seeing none. Thank you for being here. Next proponent. Good evening.

BRUCE RIEKER: Hello again. Chairman von Gillern, members of the Revenue Committee, my name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r. I'm the senior director of state legislative affairs for Farm Bureau, here on behalf of Farm Bureau and the Nebraska Ag Leaders Working Group. I won't go through listing all of those, because I shared it with you before. A couple of things leading into this; I want to make sure that everybody knows that our members pay sales tax, income tax, and property tax. So, when we're talking about shifting property taxes or lowering or freezing income taxes, that affects our members as well. Our first priority would be that we would control spending, and we need your help with that. Our second preference would be to modernize and expand the sales tax base to be more reflective of our economy today. Our third preference is what we're talking about today, and that would be pausing the income tax cuts. But that will affect our members the same as anyone else that's paying our income tax. Then the, the last thing that I did, if you, if you look at the testimony that we gave you-- last week, we heard a little bit about, well, we've done enough for property taxes, and where's the target, and things like that, so I'd like to thank everybody who made Iowa our target. Since that's our

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target for being competitive with income tax, we have taken upon ourselves to calculate what it takes to be competitive with Iowa on property tax. We've got it done for agriculture, we're going to do it for residential and commercial as well. I'm not going to take the time to go through this with you, but if you look at that chart, the, the sec-- the first one-- I guess I am going to tell you-- the first one talks about how property taxes-- what percentage each sector pays; agriculture is about one-fourth of it. So, the analysis that you have there, the bottom line there, it's funny how \$395 million keeps to be popping up. But if we're going to be competitive with Iowa, right now, Ag has \$395 million of property tax credits on the books for property tax relief. It takes another \$395 million to be on par with Iowa. So, if Iowa's the target, that's where we're at. And we'll calculate it for residential and commercial, as I said. But comparatively speaking-- and we talk about workforce housing, and somehow we forget to say that property taxes affects the affordability of houses-- but the effective tax rate on residential property in this state is 1.4% compared to the national average, which is 0.9%. So, it's almost one-and-a-half times-- and I'm done, and I appreciate your time allowing us to comment.

von GILLERN: Thank you for being courteous to, to the timing. Questions from the committee members? Senator Murman.

MURMAN: I think you were done, but did you have anything more to say?

BRUCE RIEKER: The only thing I would say in addition, we also put it-- tried to, to make it as succinct as possible-- is that with property taxes going up \$285 million per year, even-- OK. If you do nothing, our effective property tax burden goes up 0.05% per year. So, that's how much ground we-- you know, we're twice in the gross. Our effective tax rate compared to Iowa is 0.83 compared to 0.40. With the property tax relief that we have, we're at 0.59. If you do nothing, next year, we will be at 0.64, and then next year is 0.69, so. We're talking about relief, but we have to get our arms around the spending issue, and we need your help.

MURMAN: OK. Thank you.

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

BRUCE RIEKER: You're welcome. Thank you.

von GILLERN: Next proponent. Seeing no others, we'll invite our first opponent testimony for LB171. Good evening.

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JIM SMITH: Good evening. Chairman von Gillern and members of the Revenue Committee, my name is Jim Smith, J-i-m S-m-i-t-h. I am here today on behalf of the Platte Institute to offer opposition testimony on LB171, as introduced by Senator Brandt. In 2023, Nebraska's Legislature took bold but appropriate measures to improve the state's economic competitiveness and performance by reducing corporate and individual tax rates. That year, LB754 was introduced as an important part of the governor's plan to address Nebraska's increasing tax burden on its businesses and families. Actions taken by the 108th Legislature positioned our state to keep pace with the tax reform measures already underway in neighboring states, and resulted in improved competitive comparisons like those reported in the Tax Foundation's Business Climate Index and the American Legislative Exchange Council's publication "Rich States, Poor States." By the end of 2024, both publications reported or anticipated significant improvements in Nebraska's peer rankings because of passage of the historic tax cut package. Income tax reform will remain mission-critical for states that want to remain competitive in an expanding economy, so we cannot afford to slow down or go backwards. In the future, workers and businesses will have vastly more opportunities for remote work, and will increasingly build their homes and businesses in tax-friendly jurisdictions that provide high-quality government services. We ask this committee to reject measures to interrupt or interfere with the scheduled delivery in-- of income tax relief, and to protect the promised tax relief measures of the 108th Legislature. Thank you.

von GILLERN: Thank you for your testimony. Questions from the committee? Seeing nothing. Seeing none, thank you, Senator Smith.

JIM SMITH: Thank you.

von GILLERN: Next opponent.

BRYAN SLONE: Good afternoon. I'm Bryan Slone with the Nebraska-- president of the Nebraska Chamber of Commerce, B-r-y-a-n S-l-o-n-e, and I'm here on behalf of both the Nebraska Chamber, the Greater Omaha Chamber, and the Lincoln Chamber in opposition to LB171, a bill that would repeal a significant portion of the scheduled income tax rate reduction contained in Governor Pillen's historic and transformational tax reform legislation in, in 2023. It would have been almost exactly 40 years, almost 40 years ago, I was a young staffer in the Ways and Means Committee for President Reagan's 1986 Tax Act, as the committee was winding up what was then the most historic tax reduction act ever in America. It took the rate-- the federal rate from 52% down to 28%, and made America competitive again. I remember walking out of that

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hearing room-- and in those days, I didn't need hair work and I didn't need weight loss-- I remember walking out of that hearing room, and there were two lobbyists, federal lobbyists in the hallway. And they yelled at us as we were walking down the hallway, and they said, "You just ruined this country." And when you're, you know, in your 20s and, and trying to do this stuff, you-- like, I have to admit the first thing that crossed my mind was I hope we didn't ruin the country. It didn't really ruin the country. In fact, it, it triggered the greatest economic growth period of any country's history in the history of the world. We're still-- our generation is still reaping the benefits of what happened in 1986; it happened again with the Trump tax act a few years ago, which was even a bigger rate reduction. And guess what? The economy didn't collapse; the economy grew, and that growth is fueling our competitiveness today. I'm not worried about these tax cuts, because as-- Senator Jacobson already stole my thunder. They're absolutely essential to, to being competitive. I'm, I'm worried about our ability to continue to grow and create the economic and revenue base that everybody wants around the table, whatever arguments we may have, to keep Nebraska competitive in property taxes, sales taxes, and income taxes, and that is just flat-out going to take economic growth to get there. This would be a-- this would be absolutely the worst thing that we could do along that process. There's a chart I have on, on the second page that you can take a look at, which was performed last year by the Legislative Fiscal Office in terms of the percentage of property tax, income tax, and, and sales tax. And basically, what it'll show is, is the income tax numbers got skewed by the old income tax credit we had for property taxes, so that showed up as a reduction of income taxes rather than-- and the property taxes were a gross. And so, when you look at it, basically property taxes, income taxes, and sales taxes will all have grown over the period of time that it's grown for the last 20 years. The budget crisis we have now is not because of state spending. Governor Heineman was very strict with state spending, Governor Ricketts was even stricter, and Governor Pillen has been even stricter since then; nobody can point to any of those governors and say it's because of state spending. We've got structural issues that, that we're going to have to face. We'll work together to provide property tax relief through growth--

von GILLERN: You're, you're at your time-- you're at your time limit.

BRYAN SLONE: Yes, thank you.

von GILLERN: Let's see if there's a question. Senator-- I imagine there will be. Senator Dungan.

DUNGAN: Shocking, yeah.

BRYAN SLONE: Shocking.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here, Mr. Slone. Just-- I guess, to, to play out the analogy between the Reagan tax cuts and where we are today, isn't it true that a vast majority of those tax cuts got walked back relatively quickly? I know that there were some tax cuts that happened on income at the federal level, but then, once we saw spending cuts not materialize, and in fact, the deficit projections to increase, they walked back some of those cuts.

BRYAN SLONE: There were minor decreases. The two, the two biggest increases were-- it went up to 30-- from 28 to 33 at one point. But, but capital gains continued to remain low, and then the Trump cuts were even bigger in the sense that we finally dealt with the issue that the chairman talked about before, the-- with flow-through and corporate, and, and tried to, to make sure that we, we dealt with the flow-through. But from 52 to 28 was, was the game-changer, because in those days, all the capital was going to Japan.

DUNGAN: Mm-hmm. Well, and I think the competitive nature of-- obviously, national economy is different than a state economy; we have to have a balanced budget; there's a lot of those-- sometimes, apples and oranges, but I understand your point. But I guess my point is when those drastic cuts were taken, and then ultimately, there was a projection that things were not going to be as rosy as perhaps they saw, there was a willingness to at least look at the data and make a shift. And it sounds like what Senator Brandt is proposing is not to increase taxes, but to say we've already cut them a considerable amount; what if we take a pause, and see if this equalizes, and then move on from there?

BRYAN SLONE: I'm pretty sure the business community in Nebraska and countrywide is going to view this as a tax increase. It'd be a 10% tax increase in the first year, and a 25% tax increase in the second year. And for companies deciding where they're going to grow and build businesses, they're going to view it that way.

DUNGAN: So, are we saying that foregone revenue is the same thing as money spent?

BRYAN SLONE: I'm saying that foregone revenue is, is rarely forgone revenue. That, in fact, even if I look at the governor's revenue projections in his budget, there's-- they're projected to increase.

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The, the issue is we've got a-- we've gone from 6% to 20% of our General Fund revenues now being used for tax credit funds, and I'm not saying that those aren't appropriate, and I'm not saying we shouldn't still fund those. I'm saying that's putting more stress on our budget that we're going to have to figure out a mechanism for. And I, I testified earlier before this committee, and I think it's consistent with testimony from the ag groups today and testimony from the Platte Institute. Ultimately, the issue for us-- and even if you compare us to Iowa, Iowa puts more money from the state into K-12 education than we do in a, in a specific commitment, as do most states. And one, one thing we've never really tackled here is what is the state's commitment to K-12 education, and can we make it consistently and dependable?

DUNGAN: Well, and that's a conversation I absolutely think we as a legislature can have, and probably will have moving forward. I just--

BRYAN SLONE: Can you-- go ahead.

DUNGAN: To put a finer point on it, I just-- I think that the, the green sheet that we're looking at, you know, if you follow it all the way to '28-'29, we see our carryover money we have every year decreasing to the point that if you play that out past 2030, we end up in the red. And so, I think we all agree something has to happen, and we on the Revenue Committee are looking at Appropriations, and they're looking at us, and we're all having that conversation. But to say that we want all of our taxes to consistently decrease over time, and to say that we want to continue to fund things at a level that's appropriate at a certain point, there's a disconnect when you say, I want to stop taking as much money in, and in fact taking less money, but continue to fund these things like schools that are essential-- at, at a certain point, there's a tipping point. So, we can continue to have that conversation, but I guess my overall question to you-- which you answered-- was whether or not it's fair to look at the numbers, and, looking forward, say this is a problem and address that with a solution that just says, let's, you know, pump the brakes for a second and see what happens, so.

BRYAN SLONE: I, I-- and I will-- I think it's always fair every year for the Legislature to take a look at everything. I, I would say, just in terms of budget expectations-- I'm just looking at the governor's projections in, in his budget; it goes from \$6.3 billion of General Fund receipts last year. The projection for 2029 and-- even in his budget-- is \$7.6 billion, so. Lowering rates does not mean you're you're lowering revenues and receipts. The, the key for, for all of this is we can only grow spending as fast as we grow the economy. And

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ultimately, you need to control, and so at the local level, you need valuation levy adjustments that say valuations-- increases in valuations audit-- you start at the point that levies drop by the same amount. And then, there has to be an understanding: the government can never grow faster than the economy's growth.

DUNGAN: And, and I appreciate that work. We'll-- and I'm sure we'll continue to have this conversation for months. But thank you, sir. I appreciate you being here today.

BRYAN SLONE: Yeah, thank you. Yeah. Appreciate it.

von GILLERN: For months? I'm going home today. Senator Sorrentino.

SORRENTINO: Yes, thank you, Chairman von Gillern. Just a yes or no, do you agree? It was stated earlier that this isn't a-- this is not a tax increase. In my mind, a delay of a tax decrease is a tax increase. Do you believe that?

BRYAN SLONE: It's a-- yes. It's a tax increase under any federal or state concept I've ever seen.

SORRENTINO: Thank you.

von GILLERN: Any other questions? Yeah, I'll let mine go.

BRYAN SLONE: Thank you very much.

von GILLERN: We'll catch you later. Thank you. Next opponent testimony. Good evening.

RYAN McINTOSH: Good evening, Chair von Gillern, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I'm here in opposition to LB171 on behalf of the National Federation of Independent Business. Mr. Smith and Mr. Slone put everything very so eloquently that I have nothing further to add, other than-- regarding Senator Sorrentino's point, I do believe reasonable minds can disagree on whether elimination of existing sales tax exemptions is a tax increase, but there is no other way to classify this. Eliminating a tax rate that's in statute, other than calling it a tax increase. That is absolutely what it is. With that, I'd be happy to answer any questions.

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

RYAN McINTOSH: Thank you.

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von GILLERN: Thank you for your brevity. Next opponent. Are there any other opponents? Does anyone like to-- seeing none. Any would like to speak in a neutral capacity? We have a neutral?

RYAN NICKELL: Neutral.

von GILLERN: All right.

RYAN NICKELL: Hello, Revenue Committee. My name is Ryan Nickell, R-y-a-n N-i-c-k-e-l-l, offering a neutral testimony for LB171. So, I'm neutral because I don't think the rich pay their due. I don't understand why someone making \$250,000 is in the same income tax bracket as the one making \$29,000. Thank you.

von GILLERN: Thank you for your testimony. Any questions? Seeing none. Thank you for being here. Any other neutral testimony? Seeing none. Senator Brandt, would you like to close? As you come forward, we had online comments: we had 4 proponents, 8 opponents, and zero neutral, and no ADA testimony-- comments.

BRANDT: See, you might have thought I wore green today because of Saint Patrick's Day. No, I wore it because it's the color of money. So, let me reiterate: this is not a tax increase. Property taxes are going to go up 5% this year, next year, and the year after; that is a real tax increase. Listen to-- look at the numbers that the Farm Bureau gave you. I live this. Everybody across the state lives this in their houses, home-- or, their homes or farms and their businesses. I mean, it was great what we did two years ago. I fully supported that proposed income tax decrease. And, and right now, we're sitting on two-thirds of the way there. And I don't want to be crass about this, but the Chamber basically got their tax decrease, and then they left the table before we solved the property tax part of the equation. So, all this bill-- and I, I have no doubts that, that you guys will ponder this for a year before you take any action on it-- but it's sitting there in case you guys need to use this. So, we talk about the business climate in the state. Roughly, ag and manufacturing are about the same size in the state of Nebraska. In agriculture, two-and-a-half years ago, we had \$8 corn; today in Plymouth, it's \$4.12. And as bankers or people that are in agriculture, you know what that does to a balance sheet, and particularly to our young and beginning farmers out there, or even some of our older farmers out there. Agriculture is struggling in the state of Nebraska. There's just not a lot of extra cash floating around out there. So, yes, I'd like to see more of this put into property tax credits. I think we all would. But that's not what the bill is asking for; the bill is simply saying, let's, let's pause, take a breath until

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an economic trigger says corn's back up to \$8 or \$10, and, and we got all sorts of cash rolling in. With that, I'll take any questions.

VON GILLERN: Any questions from the committee? Seeing none. Thank you, Senator Brandt.

BRANDT: All right. Thank you.

VON GILLERN: That'll close our hearing on LB171, it will close our Revenue hearing for the day. No, no. I'm sorry. No.

SORRENTINO: Thank you.

VON GILLERN: Sorry.

JACOBSON: I'm out of here.

VON GILLERN: I'm sorry. I got all excited.

KAUTH: And we're out.

VON GILLERN: I-- it was, it was Brandt day all day long, I forgot.

SORRENTINO: Wow.

BOSTAR: All right.

DUNGAN: It's like the band that plays at midnight.

VON GILLERN: Yeah.

JACOBSON: It's not too late to pull the bill.

VON GILLERN: Yeah. My apologies, Senator John Cavanaugh.

J. CAVANAUGH: Thank you, Chair.

VON GILLERN: You're welcome to open on your bill--

J. CAVANAUGH: Thank you, Chairman--

VON GILLERN: --LB151.

J. CAVANAUGH: Thank you, Chairman von Gillern, and members of the Revenue Committee. My name is Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h, and I represent the 9th Legislative District in midtown Omaha. I'm here today to introduce LB151, which would create a tax-deductible savings account for first-time homebuyers to use on

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eligible expenses, such as down payment and closing costs. And before I get too far, I want to point out, Senator Brandt said that he wore green not because of Saint Patrick's Day, but because this color of money. I would point out that is not Saint Patrick's Day; for the record, today is March 13. I know that Senator Brandt comes from-- I don't know if it's a slur or not, but they call it "bohunk heaven," I think, down in, down, down in, in the, the Wilber area. But anyway--

von GILLERN: On the record.

J. CAVANAUGH: --I digress. One of the main barriers to homeownership is the high upfront cost, particularly for people who are buying their first home. Certain loan programs are available for first-time homebuyers, but those are often limited, and can sometimes put buyers at a disadvantage against other buyers who can deliver more cash upfront. Even with a traditional mortgage, borrowers who put down a smaller down payment will be subject to an obligation to pay mortgage insurance. Beyond the down payment, there are additional fees and upfront payments for, for homeowners insurance and property taxes that must be paid at closing, and earnest money that holds the buyer to the contract before closing. All of these costs are inherent in purchasing a home, and anyone thinking about purchasing a home has to prepare to save for these expenses in addition to the ongoing mortgage and escrow payments. LB151 seeks to aid in saving for these costs. It creates a state income tax deduction for contributions and interest to a designated first-time homebuyer savings account up to the maximum of \$2,000 per year, or \$4,000 per year for married, filing jointly, and \$20,000 lifetime or \$40,000 for married, filing jointly. It would operate similarly to a 529 educational savings account, and this legislation is modeled after similar laws which are passed-- were passed in Iowa. LB151 would provide a small but important boost to saving for first-time homebuyers. I ask for your support for this legislation, and thank you for your time, and I'd be happy to take any questions.

von GILLERN: Questions from the committee? Yeah, I do, and forgive me for not recognizing that your hearing was up, for one. You made the-- and I'm sorry, I'm trying to get caught up as, as you're going through. Are the contributions tax-deductible and the growth tax-deductible?

J. CAVANAUGH: So, you-- you're talking about the interest that you would yield on the eq-- in the account?

von GILLERN: You say for married taxpayers to \$4,000; for any other, \$2,000. I'm reading from the fiscal note.

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J. CAVANAUGH: Yeah.

von GILLERN: So, are those contributions, then, tax-deductible?

J. CAVANAUGH: They would-- you would subtract from the adjusted gross income, or the taxable income. So--

von GILLERN: So, they are tax deductible?

J. CAVANAUGH: Yeah. And, and--

von GILLERN: OK. All right. So, that's different than a NEST plan, because the NEST plan--

SORRENTINO: Correct.

von GILLERN: --it is after-tax dollars being contributed, and you only get the deduction on the interest.

J. CAVANAUGH: So-- I guess I'm trying to follow what you're saying. So, you're-- OK. So, you're saying that a NEST plan-- the tax deduction-- you don't deduct the, the contribution.

von GILLERN: What you [INAUDIBLE]. No.

J. CAVANAUGH: Right. OK. So, this-- yes. So, this is similar to a NEST plan, but not the same.

von GILLERN: OK. All right. I just want to make sure-- I'm not nitpicking. I just want to make sure I understood--

J. CAVANAUGH: It's-- yeah.

von GILLERN: --that that is the, the, the mechanism. So, the contributions are deductible, and the interest is, is then deductible also. OK. All right. That's helpful to me. All right. Any other questions? All right. And you'll stay to close?

J. CAVANAUGH: Yes.

von GILLERN: All right. Thank you. You're missing a party right now.

J. CAVANAUGH: The party doesn't start till we walk in.

von GILLERN: There you go. Our first proponent testifier, please.

CAROL BODEEN: I don't often get to go first.

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von GILLERN: We're happy to have you.

CAROL BODEEN: Good evening. Chairperson von Gillern, members of the Revenue Committee, my name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association. We are a statewide organization with over 70 members from across all areas of Nebraska, united in support of our mission to champion affordable housing in Nebraska. I'm also testifying today on behalf of the Nebraska Economic Developers Association, a membership organization which consists of over 300 economic development professionals from across Nebraska. I'm testifying today in support of LB151, and thank Senator Cavanaugh for bringing this leg-- legislation forward. You have heard us say countless times that housing is unaffordable for low- and middle-income households in our state. As stated in the 2022 Nebraska Strategic Housing Framework, Framework Report, 44% of Nebraska households who earn \$75,000 or less per year spend more than 30% of their gross income on housing, reducing funds available for other necessities, and limiting their ability to contribute to the economy, let alone have the ability to build personal wealth for their future. While I am often testifying here at the Legislature to allocate more state funding to incentivize affordable housing development, we are also firmly committed to the principle that solving our housing issues is not limited to just more development. The introduction of the first-time homebuyers savings account is a perfect example of another financial tool that can be used to deal with the housing issue. Assisting individuals and families to implement a strategic savings strategy will allow them to lay a foundation for the long-term financial stability of homeownership. These savings accounts can result in the ability to make larger down payments, thus accessing more favorable loan terms, reducing monthly mortgage payments, and avoiding costly private mortgage insurance. When combined with other options such as NIFA and the Federal Home Loan Bank down payment assistance programs, homeownership could become even more accessible. We appreciate your consideration, and happy to answer any questions.

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

CAROL BODEEN: Thank you.

von GILLERN: Next proponent. Good evening.

KORBY GILBERTSON: Good evening, Chairman von Gillern, members of the committee. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a lobbyist on behalf

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of the Nebraska Realtors Association, the Nebraska State Home Builders Association, the Home Builders Association of Lincoln, the Metro Omaha Builders Association Coalition, and Habitat for Humanity of Omaha. This is a really great idea, and I know that there are two of us standing between you and getting out of here, and just be glad you're not in Judiciary, because they're-- have 30 people that go on their third bill.

VON GILLERN: Oh, boy. Oh, wow.

KORBY GILBERTSON: So. With that, I'd be happy to answer any questions. We do appreciate Senator Cavanaugh looking at alternative ways to incentivize how-- people getting into housing, and so I think this is just another one of those.

VON GILLERN: All right. Any questions? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. I-- I'll be quick. I know we all want to get out of here. Is this an idea that you know has been utilized in other states, or is this a novel concept?

KORBY GILBERTSON: My understanding is it is in other states.

DUNGAN: OK. I see the nods, so maybe Senator Cavanaugh can answer.

KORBY GILBERTSON: I see the nod-- I see the nod behind me, so yes.

DUNGAN: OK. Thank you. I appreciate it.

KORBY GILBERTSON: Mm-hmm.

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

KORBY GILBERTSON: Thank you.

VON GILLERN: Staying with the green theme.

KATIE ZULKOSKI: Good evening, Chairman von Gillern, members of the Revenue Committee. My name is Katie Zulkoski, Z-u-l-k-o-s-k-i, testifying today on behalf of the Nebraska Independent Community Bankers Association in support of LB151. Thank you to Senator Cavanaugh for introducing the idea aimed at increasing first-time homeownership. The bill incentivizes savings by-- saving by allowing individuals to contribute to a dedicated savings account for home purchases and receive tax deductions for the contributions made. I crossed out

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paragraphs as we've been sitting here. Homeownership is a driver of growth in our communities. When individuals purchase homes, they contribute to local economy through purchasing goods and services, becoming involved in their schools, and supporting local organizations, which makes our community stronger. Community banks have a strong commitment to community development; LB151 aligns with our mission to invest in the community, promote policies aimed at increasing homeownership, which is a key component of local stability and growth. And with that, we ask for your support of LB151.

von GILLERN: Thank you. Questions from the committee? Seeing none. Thank you for your testimony. Any other proponents? Seeing none. Are there any opponents? Seeing none. Anyone who would like to testify in a neutral position? Seeing none. Senator Cavanaugh, you're welcome to close.

J. CAVANAUGH: Thank you, Chairman.

von GILLERN: Ope. And we had 4 proponent online testimonies, 1 opponent, and zero neutral.

J. CAVANAUGH: Oh, man. I wonder who that opponent was. So-- well, I was going to say I really appreciate the testifiers here. These are-- this is a group of folks who generally testify against my bills, so it was really nice to have this group come and testify in favor. And-- so, you know, if, if you don't adopt Senator Brandt's bill, which-- I was watching that hearing, and it did look like there was a lot of interest in this committee, I think, to move that bill forward. But if you don't adopt it, it actually even decreases the cost of this bill on its fiscal note. And if you can see it from the fiscal note, its first year, it's about \$388,000. Even at the maximum, that's, like, over 2,000 people who would then be utilizing this program and being able to get-- making the dream of homeownership more realistic for people. And I think that's a really important objective, I think that's something we're all talking about here, and it is a fairly low-cost way, from our perspective, to get 2,000-- \$388,000 gets us 2,000 new homeowners. And that's actually 4,000 new homeowners, because it's married, filing jointly. And as I was sitting here, there was an article in the-- I think it's World-Herald about Pawnee City, Nebraska is spending money to build houses and then give away with the down payment, so they're giving away houses that have-- well, not-- they're not giving away, but they are not charging the \$50,000 down payment for those houses to encourage, incentivize people to move into Pawnee City and to become homeowners in that community. This is very similar; maximum \$40,000. They're trying to do the same thing in Pawnee City to help people get

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over the hurdle of that down payment. Affordable way to do it. Obviously, no opposition here in person. Seems like a consent calendar bill to me.

von GILLERN: I love your optimism. Any-- Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. You, you said you wondered what the opposition was online. Just to make sure that comment's clear, the person said "I oppose LB151." Do you have any response?

J. CAVANAUGH: I think they should reconsider.

DUNGAN: All right. We'll see if they do.

J. CAVANAUGH: And to answer your question, there are other states that have done this. We modeled this off of Iowa, but to get my full credit, I came up with this idea myself and then started looking for places that maybe have done it. Because I just, out of the ether, came up with this idea.

DUNGAN: OK. Thank you.

von GILLERN: Senator Bostar.

BOSTAR: Thank you, Chair. Thank you, Senator Cavanaugh. So, if, if it's not possible to do all that LB151 as it is written now, would you have an objection to modeling it the way that NEST plans work? The reason I say that is you would have basically no fiscal impact for a while, and as long as our markets are doing what they are, maybe ever.

J. CAVANAUGH: I haven't thought about it, but certainly-- I mean, my intention is to encourage people to save, and, and the-- really, the encouragement is creating the mechanism, and then giving them some, because essentially the tax deduction is the state saying you put in \$4,000, we're going to kick in \$120. I mean, that's essentially what we're saying there, right?

BOSTAR: Yeah.

J. CAVANAUGH: So, if it's-- if we could accomplish-- if we could actually do this, like, if we were able to pass it with a smaller amount of money that we're kicking in, I think that might be-- that's worth doing.

BOSTAR: OK. All right. Thank you.

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von GILLERN: A couple of quick questions or thing-- maybe things to consider as the conversation might possibly move forward. I, I don't see an income threshold.

J. CAVANAUGH: No.

von GILLERN: OK.

J. CAVANAUGH: Yeah, and that, and that is a-- certainly a consideration. But, but I--

von GILLERN: I'm just curious. I'm not necessarily steering one direction or another. I know that there are situations-- because I know this very personally-- where parents help kids with the down payment. Is, is, is there a-- is there a, a means to where-- is there a-- is there a, a time span where someone has to put their money in as to separate-- I could, I could, I could write a check to my kids for two grand, they could deposit it into an account and withdraw it tomorrow.

J. CAVANAUGH: Well, so I think my intention in this would be that you could just create an account for them that you could put money into, but they're-- the money has to sit for 90 days before you can--

von GILLERN: OK.

J. CAVANAUGH: --so you can't just create an account today and then buy a house tomorrow.

von GILLERN: OK.

J. CAVANAUGH: So, it's basically 90 days up to ten years. So, you have to use it within ten years.

von GILLERN: OK. All right. Did any-- hang on. You'll get your turn.

SORRENTINO: Well, I--

von GILLERN: Any, any, any--

SORRENTINO: So, are you suggesting--

von GILLERN: You-- no, I haven't given you your turn yet. I still have a question.

SORRENTINO: Could I, could I establish one--

von GILLERN: I guess I have.

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SORRENTINO: --for a child who was not a first-time homeowner yet, and take the deduction on my return?

J. CAVANAUGH: Well, so the money would have--

SORRENTINO: I'm not the beneficiary.

J. CAVANAUGH: Right. So, the money has to be used for the, the allowable purposes. But my recollection of how it's drafted-- and I would have to double-check this-- is that the person who does make the contribution gets that deduction, but you would lose the benefit if it was not-- if, if the pers-- you couldn't-- you'd have to create it in the benefit of someone who qualifies. A qualifying individual.

SORRENTINO: All right.

J. CAVANAUGH: That's my recollection. I would have to double-check to see if it's explicitly written that way.

SORRENTINO: Yeah, I read it and I can't quite figure that out.

J. CAVANAUGH: I'm sorry?

SORRENTINO: I read it, but I can't quite figure it out.

J. CAVANAUGH: Well, so, I--

SORRENTINO: Does the contributor and the beneficiary have to be the same person?

J. CAVANAUGH: Yeah, I, I don't-- that was not my intention was to make them the same person. In my mind, I was thinking similar to 9--529s, where I've created them for my kid's benefit. Right? And then, hypothetically, when they get to college or they're in their early 20s, I could start an account for them so they could buy a house when they get out of college. So, help them with the down payment at that point, like Senator von Gillern was talking about.

von GILLERN: Thank you, Mr. Hunt [SIC]. Any more questions?

SORRENTINO: No, thank you.

von GILLERN: OK. I don't see any other questions, and we're totally off the rails, so. I think that will wrap up our hearing for LB151. I'm glad you stayed.

J. CAVANAUGH: Thank you, Mr. Chair.

von GILLERN: That'll wrap up our hearing for the day.