[LB749 LB756 LB763]

The Committee on Revenue met at 1:30 p.m. on Wednesday, January 20, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB756, LB749, and LB763. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. I'm Senator Mike Gloor, District 35, which is Grand Island, and I chair the Revenue Committee. We're going to start today's meeting and we'll take the bills in the order posted on the agenda outside. I'm going to take a hint from Senator Scheer who began his meeting yesterday in the Banking Committee by admitting to the fact that we don't have total recall when it comes to how to pull off these meetings. So I'm going to go to my cheat sheet here and read through it. I would ask you to turn off all your cell phones. Please, if you're going to provide testimony, it helps with the flow of things if you would move to the front row of seats. The order of the testimony will be the introducer, the proponents, opponents, neutral, and then we'll provide the introducing senator a chance for closing. We would ask testifiers, please, sign in. There are sign-up sheets that are located on the side of either one of the doors. And fill one of those out and be sure and hand it to the clerk, who is over here on your right, when you come up to testify. Also, if you have any exhibits, we need you to give those exhibits to the page and we need 11 of those. So if you have something you want to hand out, we've got to have 11 copies. If you don't have 11 copies, that's why we have pages. Get their attention and they can take care of that for you. When you testify, please be sure to give us your name and spell it out. And we would ask that you be concise. We have a light system. We'll use the light system today. You have five minutes. After...you have a green light when you start. When you have a minute left, it will go yellow. And when it's red, it's time for you to wrap up your comments so that I don't have to politely remind you to wrap up your comments, please. If you're not going to be testifying before us and using the microphone and whatnot, you can, in fact, sign up in the back also and we'll show that you were in attendance and had a stand on this particular bill. We would ask, please, speak into the microphone so that we can be sure and get everything transcribed appropriately. Some introductions: To my right is Committee Counsel Mary Jane Egr Edson. Kay Bergquist is our research analyst. She's at the far right. And Krissa Delka is the clerk. And we have two aides today, Jordan...aides--you can tell I come from healthcare--two pages. We have Brenda and we have Jordan. Brenda is from Wakefield and Jordan is from Oakland I believe. And with that I would ask staff to introduce themselves starting with Senator Scheer...staff...senators. (Laughter) See? I went off script.

SENATOR SCHEER: A demotion and I just got here. I'm Jim Scheer, District 19, which is all of Madison County, a small part of Stanton County.

SENATOR SMITH: Jim Smith, Sarpy County.

SENATOR SULLIVAN: Kate Sullivan of Cedar Rapids, represent a nine-county area, District 41 in central Nebraska.

SENATOR SCHUMACHER: Paul Schumacher, District 22. That's Platte, part of Colfax and Stanton Counties.

SENATOR DAVIS: Al Davis, District 43, which is a 13-county area in north-central and western Nebraska.

SENATOR HARR: Burke Harr, Legislative 8, which is part of Douglas County in Omaha.

SENATOR BRASCH: Lydia Brasch, District 16. That is Cuming County, Burt County, and Washington Counties.

SENATOR GLOOR: Thank you. And we'll start with LB356 (sic) from the Performance Audit Committee...LB756. [LB756]

SENATOR WATERMEIER: Am I in the wrong building? [LB756]

SENATOR GLOOR: (Laughter) No, no. LB756. Welcome, Senator Watermeier. The floor is yours. [LB756]

SENATOR WATERMEIER: (Exhibit 1) Oh, good afternoon, Chairman Gloor and members of the Revenue Committee. I am Senator Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r, and I represent District 1. I'm also the Chair of the Legislative Performance Audit Committee and today here introducing LB756 on behalf of the committee. LB756 would eliminate the long-term care savings plan which the committee recommended following a performance audit of that program. In the audit the Legislative Audit Office looked at whether the plan was effective in encouraging Nebraskans to save for long-term care and whether it would reduce the long-term care burden on Nebraska taxpayers who fund Medicaid. The audit concluded that the program is not successful in meeting either of these goals. The audit was...also examined how the federal government and other states try to incentivize savings for or purchase of long-term care insurance. It found that none of these strategies used by others have been very effective as well. The long-term care savings plan was created in 2006 as a way of encouraging Nebraskans to save for long-term care and reducing the long-term care cost burden on Medicaid. The program is administered by the State Treasurer who contracts with individual financial institutions to manage the accounts. Individuals who create these accounts can reduce their adjusted gross income by the amount deposited up to the statutory limits. A single person may deposit up to $1,000 per year and gain a maximum tax benefit of only $68. A couple filing jointly may deposit $2,000 with a maximum benefit of $136. Participants may withdraw funds without penalty for long-term care expenses. Participants over the age of 50 may also withdraw funds to pay for long-term care insurance premiums. As I mentioned, the Audit Office found that the plan was not effective in encouraging people to save for long-term care. I provided the committee with the audit summary and a handout that contains information pulled directly from the report which will provide some context for the audit conclusions. I'll try to summarize this. But first the audit report found that very few of the people in Nebraska with long-term care insurance participate in the plan. Specifically, the audit found that if every single plan participant used their yearly contributions to pay for long-term care insurance premiums they would still account for less than one-half of 1 percent of all the long-term care insurance policies in Nebraska. Secondly, the audit found that the majority of individuals were depositing enough to get the maximum tax credit but not nearly enough to cover the costs of long-term care and, in some cases, not even enough to cover the insurance premiums. As you can see on your handout, the average annual contribution ranged between $1,300 and $1,850 depending on the year. Over the life of the program the audit found that the majority, 80 percent, of the contributions were for $2,000 or less. In 2012, which is the most recent year we have for premium data, the average premium cost to a 55-year-old for a policy with $164,000 value in coverage was just about $2,000. However, the average contribution under the plan was $1,425. Thirdly, the audit also looked at other methods used to incentivize planning for long-term care. Auditors reviewed several studies of state and federal incentives and found that no method, not the federal Medicaid exemption, not the public-private partnership program, or the state tax incentives had a significant impact on the number of individuals who would buy long-term care insurance. The research also showed that where there are any impacts at all it tended to increase coverage among individuals with higher incomes and more assets, essentially those who are not likely to rely on Medicaid in the first place. Under LB756, when the program is terminated participants have two options. The first: They may continue to make withdrawals for long-term care purposes until the account is empty, in which case they simply have to pay all taxes...will not have to pay any taxes at all. Secondly, if they choose to withdraw the entire of their balance, they will have to increase their adjusted gross income by the amount that they previously untaxed. As a committee our goal was to draft legislation that would eliminate the program but have minimal impact on current participants. However, constitutional requirements to some extent dictate how we can do that. We cannot remove tax implications for participants who withdraw funds for uses that were not authorized under the program. To do so would risk running afoul of the constitutional provision on communications of taxes that forbids the Legislature from excusing individuals or entities from paying taxes that they owe. The truth is, encouraging people to save for long-term care has proven to be very difficult. The long-term care savings plan was novel and well intended but it has not produced the results that its creators hoped for. Our committee concluded the program should be eliminated and the State Treasurer agrees. I thank you for your time and attention to LB756 and I would be glad to answer any questions. The Performance Auditor is here. Martha would be glad to answer any questions as far as details on the report. And I know that Senator...Treasurer Stenberg is here as well. Thank you, Mr. Chairman. [LB756]

SENATOR GLOOR: Thank you, Senator Watermeier. Would you cover again the issue of constitutionality. [LB756]

SENATOR WATERMEIER: We just can't eliminate the fact that there's not a tax owed on those dollars that are put in that account. [LB756]

SENATOR GLOOR: Okay. I follow you now. [LB756]

SENATOR WATERMEIER: Basically, you know, it would be nice to just say your best intention was we'll just go ahead and let you take the dollars out as you see, but they're not taxed and we need to recognize that they were not taxed as they went in, so. [LB756]

SENATOR GLOOR: I follow. Thank you. Questions? Senator Schumacher. [LB756]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for introducing the bill, Senator Watermeier. On the constitutional issue just raised, what if they rolled the money over into, say, the college savings plan or something? [LB756]

SENATOR WATERMEIER: You know, we had discussions on that. I guess I would defer that to my committee, Martha, if she'd like to come up and visit about it. Or maybe Treasurer Stenberg would be able to answer that as well, too, so. [LB756]

SENATOR SCHUMACHER: Okay, thank you. [LB756]

SENATOR WATERMEIER: Yeah. [LB756]

SENATOR GLOOR: Senator Harr and then Senator Davis. [LB756]

SENATOR HARR: Thank you. Thank you, Senator Watermeier. I guess I have a couple questions. Are you familiar with the NEST program? [LB756]

SENATOR WATERMEIER: Yes, I am. [LB756]

SENATOR HARR: Okay. And is that program successful or not successful, if you know? [LB756]

SENATOR WATERMEIER: Well, just from personal experience from individuals that have told me about it, it is and I... [LB756]

SENATOR HARR: Okay. And do you know what the dollar max is on that? [LB756]

SENATOR WATERMEIER: I don't but I could find that out as far as in comparison. [LB756]

SENATOR HARR: Okay. I think we just moved it to $10,000. [LB756]

SENATOR WATERMEIER: Okay. [LB756]

SENATOR HARR: Okay? And are you familiar with the ABLE program? [LB756]

SENATOR WATERMEIER: Just through what we...I think we had incentives on last year and that sort of... [LB756]

SENATOR HARR: Yeah. And do you know what the limit is on that? [LB756]

SENATOR WATERMEIER: No, I don't. [LB756]

SENATOR HARR: Okay. If I told you it was more than $2,000, would you have any reason to disagree with me? [LB756]

SENATOR WATERMEIER: No. [LB756]

SENATOR HARR: Okay. It is. And I think it's also $10,000 but it might be $5,000 for fiscal reason. I guess my question is, those programs, you know, we just voted on ABLE last year. And two years ago we voted to increase NEST. And I don't know, maybe you do, why one program is successful and the other isn't at driving people to act or incentivize people to work in certain ways. [LB756]

SENATOR WATERMEIER: Well, wouldn't NEST be in regards to education? [LB756]

SENATOR HARR: But it's a tax credit... [LB756]

SENATOR WATERMEIER: It is, yeah, but I... [LB756]

SENATOR HARR: ...to encourage people to act in certain ways. [LB756]

SENATOR WATERMEIER: I mean I guess I'm thinking, looking back to what we are trying to fund as far as the long-term care, it just must be a different attitude in the community, must be a different attitude in the public. [LB756]

SENATOR HARR: I guess my question is, if we raise this to $5,000, will we get more participants? [LB756]

SENATOR WATERMEIER: I couldn't answer that. I mean we studied it. I could let Martha come up and explain it. She had, you know, a different idea on it. But I don't think it will be effective even if we raised it to $10,000. [LB756]

SENATOR HARR: And why is that? [LB756]

SENATOR WATERMEIER: Well, because the average amount that it was used as far as participation wasn't any higher than that anyway. But I realize they were giving up tax benefits to do it. [LB756]

SENATOR HARR: Yeah. [LB756]

SENATOR WATERMEIER: In order to do that, they would not have had any tax benefits. [LB756]

SENATOR HARR: I guess my question though is, if it's a worthless program because it doesn't get me enough, I don't do it. If it actually gets me what I want, which is to pay the premiums on my long-term healthcare, I'm going to participate in the program. If the program isn't doing what it's intended to do, you don't just kill the program; you get it...you try to find ways to fix it so it does what we want it to do. And what I'm hearing here is, we have a problem, let's just kick the can down the road. [LB756]

SENATOR WATERMEIER: Well, I would tell you that there is going to be an awful lot of discussion in the body with other better programs that I think Senator Bolz has been discussing with other senators and I think there will be some better ideas honestly. [LB756]

SENATOR HARR: And what are those ideas? [LB756]

SENATOR WATERMEIER: I will leave that up to Senator Bolz and through the Aging Task Force that have been discussing that, so. [LB756]

SENATOR HARR: Okay, thank you. [LB756]

SENATOR GLOOR: Senator Davis. [LB756]

SENATOR DAVIS: Thank you, Senator Gloor. Just a couple questions, Senator Watermeier. Is the primary problem with this program that there aren't enough participants in it or that they're not making enough contributions to make any significant difference? [LB756]

SENATOR WATERMEIER: Well, I'd say both. I mean the 0.5 percent that are using it is a pretty low number, and that they're not making any contribution as well. [LB756]

SENATOR DAVIS: So do you know what kind of work was done to promote this across the state then? [LB756]

SENATOR WATERMEIER: You know, I don't. Treasurer Stenberg and I just visited briefly about it at that point in time this...today other than just on the phone a time. But I don't know of research or the effort that was made into promoting it, I don't. [LB756]

SENATOR DAVIS: I mean and I ask that question because it's something I certainly never heard of before this committee. [LB756]

SENATOR WATERMEIER: Yeah. [LB756]

SENATOR DAVIS: Thank you, Senator Watermeier. [LB756]

SENATOR GLOOR: Senator Schumacher. [LB756]

SENATOR SCHUMACHER: Thank you, Senator Gloor. What's the demographic that should be targeted by a program like this? Are we looking for people who make less than $30,000, less than $60,000? Who are we trying to encourage to buy a policy so that they don't end up on the Medicaid rolls when they're nursing home age? [LB756]

SENATOR WATERMEIER: Well, in my opening I mentioned that that Medicaid population, that group there, was what I think was the intention to try to save Medicaid cost. You know, honestly, the report I thought was pretty clear and spoke to it. And I'd be...I was just remiss to say that I would just reserve judgment back to the report. [LB756]

SENATOR SCHUMACHER: Basically, if there was $1,000 that they had to pay in premiums, we're asking somebody who doesn't have much money to begin with to come up with $800 out of their pocket toward that $1,000. And then they get a little off, their $120, whatever, off their taxes. And that's just not enough to move the needle. [LB756]

SENATOR WATERMEIER: I don't think it is. And I think the intention was to draw attention to the savings idea, save for the actual expenses. But we know how the expenses have gotten away, even in six years how they've gotten away from us. And it's obviously not enough to cover insurance policy either. [LB756]

SENATOR SCHUMACHER: Thank you. [LB756]

SENATOR GLOOR: Senator Scheer. [LB756]

SENATOR SCHEER: Thank you, Senator Gloor. Senator Watermeier, we've been down here the same length of time, so I'm not trying to assume that I was here when this was started several years ago. But it appears to me that the intent was trying to find those people that would be perhaps on the area that may be using...fall back on Medicaid for nursing home coverage, which the state through the Medicaid would be totally responsible for trying to get them to provide more dollars. It appears to me that those people that are utilizing it right now as a savings vehicle probably aren't the ones that are in risk or in need of that type of parachute for a landing as they move into nursing care facilities. So I don't know that it's something that's wrong with the program. It's just inherent in the problem that long-term care has gotten very, very expensive. And the folks that will rely upon the state's incomes have probably not escalated enough to make those numbers affordable. And they always have the opportunity then to fall back on the states. So, I guess, am I looking at that somewhat realistic that that might be the problem? [LB756]

SENATOR WATERMEIER: I think that's basically what I said. And even Senator Schumacher's question about who are we trying to get to in the demographics, that demographics is probably not paying tax and that's not their priority. And even the long-term care isn't. But to somehow incentivize that with a savings plan just appears to be ineffective to me. [LB756]

SENATOR SCHEER: Thank you. Thank you, Senator Gloor. [LB756]

SENATOR GLOOR: Seeing no further questions... [LB756]

SENATOR WATERMEIER: I'm going to probably go back to Appropriations. I've got something on the table there. [LB756]

SENATOR GLOOR: Okay. [LB756]

SENATOR WATERMEIER: So I won't close on this bill. [LB756]

SENATOR GLOOR: All right. You'll waive closing. [LB756]

SENATOR WATERMEIER: All right. Thank you, Chairman. [LB756]

SENATOR GLOOR: Thank you. We'll now move to proponents. Good day, sir. Welcome. [LB756]

DON STENBERG: Thank you. Good afternoon, Mr. Chairman, members of the committee. For the record, my name is Don Stenberg, D-o-n S-t-e-n-b-e-r-g, and I am the Nebraska State Treasurer. I want to begin by commending the Legislative Performance Audit Committee and their staff for a very thorough and thoughtful performance audit of this program. This is the second time that a committee of the Legislature has recommended the elimination of the long-term care savings plan. As noted in the audit report, in 2010 the Government Committee recommended that the plan be eliminated. And in 2011, LB400 was introduced for that purpose and I testified in support of that legislation. As I stated at that time, the small participation in the plan does not justify the expense of administering it. That continues to be the case today. The budget amount for this program is relatively small. In 2015-16, it is $43,870; in 2016-17 fiscal year, $44,323. Let me express my opinion on several of the reasons that the long-term care savings plan has been ineffective. First, there is very little tax incentive for individuals to participate. The maximum tax deduction an individual could receive in any one year for a deposit in the long-term care savings plan is $68. That's not the deduction; that's the amount of tax that could be saved. And that is if that person is at the maximum state tax rate. And while the earnings are exempt from state income tax, they are not exempt from federal income tax which for most people is a much larger tax. Second, there is no real incentive for banks to participate. There's additional paperwork for the banks above and beyond an ordinary savings account. And at the present time, we have 16 banks in the state of Nebraska participating in the program and only 14 of those have accounts currently open under the long-term care savings plan. Third, it has been my observation that most people prioritize saving for college for their children and maybe even their grandchildren and for their own retirement ahead of saving for long-term care. Fourth, for individuals who do want to save for potential long-term care needs, they can obtain substantially greater tax benefits by utilizing IRAs, 401(k)s, and similar tax-advantage retirement plans and use those funds, if needed, for long-term care. There's a much greater tax benefit to doing that as opposed to the long-term care plan. Those plans--401(k)s, IRAs, and so forth--can result in substantial reductions in both federal and state income tax in the year the contribution is made and they're both exempt from federal and state income tax until--the earnings are--until they are withdrawn from the plan. It has been said that some people cannot qualify for long-term care insurance because of their current health situation and that these savings plans might be used by them. I'm very sympathetic to that situation and it does exist. However, elimination of this program would not prohibit those persons from saving for their long-term care needs. They will lose at most $68 in income tax savings per year and will have some tax on the earnings of the plan, state income tax. These amounts, $68 and whatever the state tax might be on the earnings to the account, are really insignificant in the context of long-term care costs which may range from $50,000 to $90,000 per year. So I'll...I see my time is almost up. It's been said that the closest thing to eternal life on this earth is a government program and no matter how ineffective it is, it is nearly impossible to end the program. I would encourage the committee to make an exception to that rule in this case. The intentions of the long-term care savings plan are laudable and the problem of providing long-term care is certainly a very real one. But the fact is, as the Legislative Audit Committee and as the Government Committee five years ago concluded, the long-term care savings plan is an ineffective approach to solving that problem. So I would encourage the committee to refer this bill to the full Legislature for its consideration. Be happy to take your questions. [LB756]

SENATOR GLOOR: Thank you, Mr. Stenberg. Do you know how many actual individuals are taking advantage of it? [LB756]

DON STENBERG: Just under 500. [LB756]

SENATOR GLOOR: Okay. Thank you. Other questions? Senator Scheer. [LB756]

SENATOR SCHEER: Thank you, Senator Gloor. Goes back to I think either Senator Schumacher or Senator Davis. Would it be possible for those that have these dollars in these accounts, if they were to roll them over to a grandchild's education fund or something else that would be a tax-exempt savings program in the state, would they have to pay any tax if they rolled it into one of those? [LB756]

DON STENBERG: You know, that's a great question. And I think the question is...I mean there's two questions: the constitutional issue but also what the current law is. Now the current law would not allow it. However, I suppose the committee, the Legislature has within its authority to specifically allow that, in which case I don't know...the question then would be, is there a commutation of tax there since eventually the earnings on that (inaudible) and the tax deduction actually was less than if you directly put the money into the college savings plan in the first place. So I don't want to offer an opinion, legal opinion on the constitutionality. But one thing the Legislature could look at doing would be at least to have authorizing legislation as part of this bill that would allow that rollover. And then I guess it would be the Attorney General's call as to whether that would meet the constitution requirement of not being a commutation of tax. [LB756]

SENATOR SCHEER: Thank you. Thank you, Senator Gloor. [LB756]

SENATOR GLOOR: Senator Schumacher. [LB756]

SENATOR SCHUMACHER: Thank you, Senator Gloor. If they made the withdrawal they'd have earned income. But if they turn around and put that into some qualified retirement plan--a 401(k) or a SEP or something like that--then that subtracts out the other side. So they almost should be able to do that without any tax consequences because... [LB756]

DON STENBERG: Or maybe even a positive tax consequence. [LB756]

SENATOR SCHUMACHER: Yeah, maybe a positive. [LB756]

DON STENBERG: Yeah, that's true, too, Senator. Good point. [LB756]

SENATOR GLOOR: Seeing no other questions, thank you, Mr. Stenberg. [LB756]

DON STENBERG: Okay, thank you. [LB756]

SENATOR GLOOR: Other proponents who would like to offer testimony. [LB756]

MARK INTERMILL: (Exhibit 2) Good morning or good afternoon, Senator Gloor and members of the Revenue Committee. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, and I am here today in support of LB756. AARP has supported the long-term care savings plan over the years. We supported its enactment. We worked closely with the State Treasurer in the early years of the program to promote it. We opposed the previous effort to terminate the program. But it has not proven to be a successful means of helping a significant number of Nebraskans save for long-term care costs. For that reason we don't oppose LB756. It is a means by which Nebraskans can deduct a portion of their long-term care insurance premiums from income for state income taxation purposes. Nebraskans may apply long-term care insurance premiums to their itemized deductions on the federal form. But in 2013 only about 25 percent of Nebraskans over the age of 65 who filed a return qualified for itemized medical deductions. This summer the Aging Nebraskans Task Force reviewed issues related to long-term care financing for Nebraskans at all income levels, including the long-term care savings plan. We looked at the range of products that are available on the market today and the recommendation that we developed was to develop a program in state government similar to the highly successful Senior Health Insurance Information Program, or SHIIP, that could provide consumers with objective information about long-term care risks, different options available to mitigate that risk, and better understanding of the terminology used in the long-term care insurance marketplace. And I think that bill will be coming to the Banking, Commerce and Insurance Committee. Repealing the long-term care savings plan provides an opportunity to look at...take a new look at options that are available to encourage Nebraskans to prepare for future long-term care costs. That review should consider both the incentives that are provided to consumers and the requirements of those who offer long-term care financing instruments. I would just...I will tell you that I don't have a long-term care savings plan. I was a proponent of this. And the reason I don't is I looked at the options that I have in the state of Nebraska. I got kind of excited about one because I thought I could earn 1 percent. But I looked closer and it was one-tenth of 1 percent. So the earnings on these plans have not been very attractive and, as has been referenced, the tax savings have not been very great. I think that's the basic difference between the long-term care savings plan and NEST program is that there are better returns on those types of plans. So while we support this bill we do think there is room to take a look at other options down the road once we are able to make sure that consumers understand their different options related to long-term care financing. [LB756]

SENATOR GLOOR: Thank you, Mark. Is the bill that you're talking about that's going to Banking, Commerce and Insurance, is that bill predicated on this program going away? Or if this program stayed in place, is it just another way that that need for long-term care can be addressed? [LB756]

MARK INTERMILL: It's regardless of whether this bill advances or not. It's just I think we saw a need to...the information the consumers have regarding different long-term care financing instruments primarily comes from people who are offering long-term care financing instruments. We think that there is a need for objective information about what the risks of long-term care cost, what are the exposure to risk, and just a basic understanding about what the terminology, what do different things mean that will help consumers make an informed decision,... [LB756]

SENATOR GLOOR: Okay. [LB756]

MARK INTERMILL: ...much like the Medicare supplements, the Part D plans that are out there that the SHIIP program helps with. [LB756]

SENATOR GLOOR: All right. Other questions? Seeing none, thank you for your testimony. [LB756]

MARK INTERMILL: Thank you. [LB756]

SENATOR GLOOR: Other proponents? Seeing none, we'll move to opponents of this bill. [LB756]

GALEN ULLSTROM: (Exhibits 3 and 4) Chairman Gloor, members of the Revenue Committee, my name is Galen Ullstrom; that's G-a-l-e-n U-l-l-s-t-r-o-m. I'm senior vice president and registered lobbyist for Mutual of Omaha Insurance Company. What I wanted to do first is a little perspective or historical perspective on this bill. I've been involved in trying to provide for incentives for long-term care insurance for probably about 20 years. The first bill I ended up supporting was a tax credit bill back in 1997. Worked closely with the chairs of Department...of the Health and Human Services Committee over the years to try to advocate something. After falling short in the first few years, Chairman Jim Jensen of the Health and Human Services Committee suggested we go another way, which was the healthcare savings account, patterned in a lot of ways after health savings accounts on the federal level and other college savings plans. So the history is correct. This was a way to substitute an approach, although that same year there was also a tax credit bill introduced. The differences, frankly, have been the fiscal notes on those proposals and the reason the tax credit bills have not gone through. As to why this program has not been successful, I think in some ways we are the reason. There were attempts after 2006 to increase the amount you could deduct or claim under this bill. But in the end it was the decision, no, let's go ahead and propose another tax credit bill, instead of making that change. So the amounts, with the exception of lowering the age limit when you could apply these amounts, purchase long-term care, from 60 to 50, that was the only incentive that was done. We did consider increasing the amounts. I think that would be a reasonable option, as Senator Harr mentioned, to provide more viability in the plan. In 2007, and actually in 2008, the long-term care tax credit bill did get out of committee, through the floor, and all the way to Final Reading.

It died on Final Reading because that, as you recall the Recession, we had a significant shortfall and that bill did not come up. And working with the Speaker at that time, Senator Flood frankly was appreciative of the fact that we didn't push it at that stage because there were other opportunities. But I think the key to this is we do think there is a need for an incentive for long-term care. Long-term care is a unique policy. It's not like homeowners, it's not like auto, it's not like health insurance, major medical insurance that people think they need and know they need. Most people don't think they need long-term care. And if they think they need it, they're going to get it through some other program like Medicare. The recent statistics are that there's 70 percent of the people over age 65 will utilize some type of long-term care service in their life. It also is not covered by Medicare except for a specific period for skilled facility. And most of it frankly is covered by Medicaid, assuming people spend down to that level. So what we were trying to do in this bill is to provide an incentive. And recognizing that there are 500 lives in the plan now, starting out at 125 I think the first year, assuming that those...there is some...people have bought long-term care because of the limited incentive, I think it does save on Medicare. I passed out a couple of things that I think I want to focus on. The study of the Performance Audit Committee basically based their report on some studies that I think are dated. The primary study was a Hawaii study in 2006. And the first one-pager I passed out was just mainly some information on the cost of long-term care in Nebraska, the value of long-term care to policy holders and family caregivers. And the last three bullets are basically how it impacts Medicaid. There are studies out there that say, in the absence of a long-term care policy, 22 to 33 percent of people spend down to get to Medicaid. With a long-term care policy it lowers that to about 5 percent. So we think there are savings. Also, the last bullet effectively says that for every long-term care policy sold, it amounts to approximately a $500 annual savings to Medicare. So even if the 500 lives we have out there now, if 400 of them bought a long-term care policy that would amount, using the $500 number, to about a $200,000 per year savings. The cost of this program is about $70,000 according to the fiscal note, $60,000 to $70,000. So there are some savings there. But we do think there can be other things to do. I guess we still would favor a long-term care tax credit. But to totally repeal this product or this law before there is serious discussion again about that, I think would be premature and I think we would provide...and I think it can be enhanced. And I think others around, including frankly the Aging Nebraskans Task Force, may very well be supporting a tax credit. And if we tied a passage of a tax credit to the repeal of this bill, then I think we probably would have something that would be more meaningful because of the dollars to everybody in the state. The other thing is, again, this...I also passed out a state of Connecticut report to the General Assembly in January of 2016. And this is on the long-term care partnerships. The report, that task force report, also says those are not successful. This would dispute that. They--Connecticut--says they've got about $22 million savings already in the Medicaid program because of their partnership program. So I think the statistics differ and I just am concerned about repealing a program without a full analysis and without also looking at what might be able to replace it. So I'll be glad to answer any questions. [LB756]

SENATOR GLOOR: Okay. Thank you, Mr. Ullstrom. Are there any questions? Seeing none, thank you for your testimony. [LB756]

GALEN ULLSTROM: Thank you very much. [LB756]

SENATOR GLOOR: Others who wish to speak in opposition? Senator, welcome. [LB756]

JAN McKENZIE: Senator Gloor, members of the Revenue Committee, for the record my name is Jan McKenzie, spelled J-a-n M-c-K-e-n-z-i-e. I am the executive director for the Nebraska Insurance Federation which is a group of the Nebraska domestic insurance companies, meaning that they are domiciled here and so are our home companies. We are here also in opposition as a federation to LB756. And I want to just provide you a couple of additional little pieces of the history part of the efforts to get some sort of incentive to get people to purchase long-term care insurance. This is the 18th time I've testified on a bill and I'm only, you know, a young thing, so in support of some sort of long-term care credits. And I've done so often now that I think I'm in the category that must start to look to purchase long-term care policies. I also want to talk a little bit about does an incentive really work, and one place that we've looked over those years is Minnesota. Minnesota enacted legislation in 1999. They allowed for up to $100 maximum credit and that was at 25 percent of the total premium cost. In 2002, which was the first year data was collected, 42,700 people applied for the credits. In 2015, in the latest report I pulled from their legislative Web site, 62,128 people now have applied for the credits. So we have evidence from states that have had the credits for awhile that it does in fact encourage people to some extent, maybe not as much as people would like but it does. And in many cases these people haven't reached a point where they've had to actually use the long-term care benefits. So it's hard to say, does it save money, because you buy it with the hope that it's there long term, far, far away. The other thing I wanted to just state was from the very report that is in the Legislative Audit report which was done by a National Bureau of Economic Research out of Cambridge, Massachusetts, by Gopi Shah Goda in 2010. He states that they did a study comparing states that did nothing to incent the purchase of long-term care versus states that added some sort of a tax subsidy. And the statement says, "...long-term care insurance coverage increased significantly in treatment states while remaining almost flat in control states. The growth in coverage is highly correlated with the introduction of tax incentive programs...I find that tax incentives are effective in inducing purchase of private long-term care insurance: implementation of the average tax subsidy increases purchase rates by 2.7 percentage (points) or approximately 28 percent." With that I will conclude. [LB756]

SENATOR GLOOR: Thank you. Questions? Senator Schumacher. [LB756]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony today. This is a pretty tiny incentive when you talk about $60. When you talk about a $300 credit, that's $300 in your pocket, not $60. And so there's a big difference there. And this not paired with any federal complement to it; they're still paying 20, 30 percent federal tax on that money that they spend on this program. [LB756]

JAN McKENZIE: Correct. We would... [LB756]

SENATOR SCHUMACHER: So, I mean, even if the idea of incentivizing purchase of long-term care insurance is a good one, this is...there has to be a way that it be effective, because $68 doesn't get you many hamburgers at the hamburger store. [LB756]

JAN McKENZIE: Right. We agree. We've tried for many years to try to get a better incentive or increase this incentive, but the will has not been there. And quite honestly, that's one of the lovely side effects that has kind of happened out of term limits. By the time we get someone...you know, you get enough time to get some legs under something, it's... [LB756]

SENATOR SCHUMACHER: And all those cost us money. [LB756]

JAN McKENZIE: Right. [LB756]

SENATOR SCHUMACHER: And then there's such demand for some type of tax break. [LB756]

JAN McKENZIE: Right. [LB756]

SENATOR SCHUMACHER: The money is gone. [LB756]

JAN McKENZIE: Right. [LB756]

SENATOR GLOOR: Other questions? Seeing none, thank you, Ms. McKenzie. [LB756]

JAN McKENZIE: Thank you. [LB756]

SENATOR GLOOR: Others in opposition to this bill. Anyone who would like to speak in a neutral capacity? Good afternoon. [LB756]

MARTHA CARTER: Good afternoon, Senator Gloor and members of the committee. My name is Martha Carter, M-a-r-t-h-a C-a-r-t-e-r. I'm the Legislative Auditor and in that capacity manage the staff who conducted this audit. And I just wanted to add a couple of pieces of information for your consideration. And I'd also be happy to answer any questions. One is that the research that we reviewed made a distinction that I think is important for you as policymakers to keep in mind, which is, are you trying to simply incent more people to buy long-term care insurance or are you trying to incent folks who would not otherwise buy the insurance to buy it? And the second category is the one that would ultimately get you a greater Medicaid savings because one of the issues in the research is that many people who participate in the long-term care incentive programs are people who arguably have the finances that they would have purchased it anyway. So I just put that out there as you consider how you want to go forward that it's important to distinguish exactly what your goal is. And the second point, which is related, is just that if you're trying to incent people who are on Medicaid now you need to keep in mind that the numbers that we used in the report for an annual premium was $2,000. And I know from just my own personal conversations with an accountant that that's very low now. I mean you're certainly looking at a $5,000 ballpark more likely. So on a monthly basis you're talking about $400 a month for that premium for a year. So that's why there's a particular challenge getting people who are on Medicaid to invest in these kind of programs as well as some of the issues that have been mentioned that none of us really want to think about: that we're going to need long-term care. We'd like to hope that we wouldn't and that if we would our family would take care of us or ultimately that Medicaid would. So it's a...you have a harder motivational problem than you would maybe for education or retirement programs. [LB756]

SENATOR GLOOR: Questions for Martha? Seeing none, thank you for your research and thanks for that guidance. [LB756]

MARTHA CARTER: Thank you. [LB756]

SENATOR GLOOR: Anyone else in a neutral capacity? [LB756]

KENT ROGERT: Good afternoon, Chairman Gloor, members of the Revenue Committee. My name is Kent Rogert, K-e-n-t R-o-g-e-r-t. Today I'm here in a neutral capacity on behalf of LeadingAge Nebraska, which is a coalition of nonprofit and government-owned nursing homes and assisted livings across the state. This is going to be a testimony that I typically give to the Appropriations Committee, but I think it deems appropriate here today. While this particular program may not have worked out like we had hoped, we must, must, must find a way to incentivize Nebraskans to figure out a way to prepare for long-term care. We as an association of folks that get lots of Medicaid monies, we need your help. Medicaid payments do not cover our costs. They are only about 82 percent range, so we have to shove more of our costs off to private pay. Fifty-two percent of the residents statewide are on Medicaid. Many facilities are not uncommon to have Medicaid populations of 80 percent or higher. And the aging population, which will be over 75 in Nebraska, will more than double between now and 2050, creating the need for more beds and much more money. If we fall behind now, which we are, we just may never catch up. Secondly, the Appropriations Committee needs your help. In 1990, we spent $97 million in Medicaid dollars to long-term care facilities; in 2005, $278 million; in 2014, $326 million. And it will continue to grow out of control. The median rate for a year in long-term care is north of $70,000 and in assisted living about $40,000. It's been mentioned there is a bill in front of the Banking, Commerce and Insurance Committee from Senator Bolz that requires the Department of Insurance to develop and disseminate information about long-term care. We very easily could add a requirement to talk about this particular program in an effort to try and encourage participation at a higher rate. That's really all I had today. I'd answer any questions you have. But we're coming in neutral because we know it's not working like we wanted but we encourage strongly the entire Legislature to figure out a way to help everybody out in this situation. [LB756]

SENATOR GLOOR: Seeing no questions, thank you, Senator Rogert. Other neutral capacity? [LB756]

MICK MINES: Thank you, Mr. Chairman. My name is Mick Mines, M-i-c-k M-i-n-e-s. I'm a registered lobbyist today representing the National Association of Insurance and Financial Advisors of Nebraska and our 1,000 members across the state. And we're...it's called NAIFA. NAIFA historically has supported long-term care incentives--in fact, we were among the many that helped support the bill in 2006 that we're talking about today--and will continue to support public policy that provides reasonable incentives for Nebraskans to plan for their future, to plan for their financial well-being, and assure long-term affordability. However, due to the severe lack of whatever it is, you've heard all kinds of reasons of why this program isn't working; you could throw in marketing and promotion as well. We don't hear any ideas or direction on how to make the plan work. It's hard to testify in support when there are no solutions. So given that, NAIFA is going to testify in a neutral capacity and urge, as several others have, that going forward we need to work on the problem because it is a big problem. And I'll answer any questions you might have. [LB756]

SENATOR GLOOR: Thank you, Mr. Mines. [LB756]

MICK MINES: Thank you. [LB756]

SENATOR GLOOR: Are there any questions? Senator Schumacher. [LB756]

SENATOR SCHUMACHER: Thank you, Senator Gloor. It's a big problem because of the big expense of old-age care and there's basically two sources of revenue: people who are retired and people who are yet to retire. [LB756]

MICK MINES: Right. [LB756]

SENATOR SCHUMACHER: And those are the two groups you can tax. So how do we make something out of nothing by expecting the younger folks to ante up and to assist them so that it's spent on the basically baby boomers and older? Or is there a mechanism that we can take from the baby boomers who have saved and give it to those who are unable to save? [LB756]

MICK MINES: Well, I think you're looking at the front end of the issue perhaps. On the back end you heard Mr. Rogert testify about the cost of Medicaid and how this program can help alleviate some of those costs. And the reason that it's been at $2,000 since 2006 is the fiscal note that is presented every time it's tried to be increased. So I don't think it's a front-end issue completely. I think we need to look at what happens on that back end, how does it impact long-term care costs that the state is paying anyway, would be an answer. [LB756]

SENATOR GLOOR: Other questions? I don't see any other questions. [LB756]

MICK MINES: Thank you. [LB756]

SENATOR GLOOR: Thank you. Others in a neutral capacity? [LB756]

KORBY GILBERTSON: Good afternoon, Chairman Gloor, 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 on behalf of the Nebraska Association of Health Underwriters and the Nebraska Health Care Association in a neutral capacity. As Mr. Mines talked about, we, too, have supported attempts in the past to incentivize the purchase of long-term care insurance. I don't want to repeat everything that Mr. Rogert said. But our primary concern is the ever-increasing cost of Medicaid. If something isn't done, we spend a lot of time talking about personal responsibility and other things in the Legislature and it would seem as though this would be something that we would want to try to find at least some sort of solution to rather than just shutting off a program and not looking for another solution. So with that I'd take any questions. [LB756]

SENATOR GLOOR: Questions? Thank you for not being repetitive. [LB756]

KORBY GILBERTSON: Thank you. [LB756]

SENATOR GLOOR: Thank you. Others in a neutral capacity? Seeing none, Senator Watermeier waived closing and that will close the hearing on LB756. We'll now move to LB749. Senator Lindstrom. Good afternoon. [LB756]

SENATOR LINDSTROM: (Exhibit 1) Good afternoon. Thank you, Chairman Gloor and members of the Revenue Committee. My name is Brett Lindstrom, L-i-n-d-s-t-r-o-m, and I'm bringing LB749 today for your consideration. LB749 is an attempt to further alleviate the tax burden on our retirees and anyone else receiving Social Security income. This bill raises the exemption threshold to $60,000 of AGI for single filers and $75,000 AGI for joint filers. Everyone else will have a percentage of their Social Security income eligible for state tax based on their income bracket at 20 percent increments. I have a handout--simple handout--that explains the income brackets and the breakdown. And instead of repeating all that that's in there, you can see the range between $75,000 on the low end and $95,000 on the high end. In the past, including my bill from last year, LB165, the push has been to completely eliminate the state income...state tax on Social Security income. I understand the fiscal impact of that method of tax reduction is too costly for our state revenue, especially the fiscal note last time was about $109 million, especially this year as we face a budget shortfall. LB749 provides a more targeted tax rate and is intended to encourage retirees to keep Nebraska as their home. This bill is also a method of reducing the fiscal impact with the long-term goal of elimination. And there's a fiscal note. You can see there is about three separate years that's a part of that. There's also a lot of discussion right now on providing tax relief for Nebraskans, and that discussion is mainly on broad-sweeping property and income tax reform, as it should be. However, as a state that consistently ranks as one of the worst states for retirement and retirees, we need to be pursuing all avenues possible to not only giving Nebraskans some income tax relief but also to become more competitive with surrounding states and attract more retirees. Currently Iowa and Missouri have full exemption of their state tax on Social Security income. Kansas exempts AGI of under $75,000 and Colorado exempts the first $20,000 of retirement income and $24,000, those over the age of 65, from state tax on Social Security income. Many Nebraskans receiving Social Security income are retirees on a fixed income or are receiving disability benefits, which means they are no longer able to work. This year it is even more important to help our neighbors by reducing their tax burden as the federal government did not issue a cost-of-living adjustment, also known as COLA, to benefits this year. LB749 would provide tax relief to approximately 82,000 Nebraskans. Thank you for your consideration of LB749. And with that I'll take any questions. [LB749]

SENATOR GLOOR: Thank you, Senator Lindstrom. Senator Lindstrom,... [LB749]

SENATOR LINDSTROM: Yes, sir. [LB749]

SENATOR GLOOR: ...when you were doing your research on this, were you aware on this bill or perhaps last year's that as a result of the Tax Modernization Committee a couple of years ago the Legislature did increase from $32,000 to $58,000 a full exemption on Social Security? Thirty-two thousand was what it had been; $58,000 is what we increased it and where it stands right now. [LB749]

SENATOR LINDSTROM: Yeah, I was aware of that. [LB749]

SENATOR GLOOR: Okay, but...and in your discussions had you gotten any feedback from people that was recognized that it made a difference in terms of how people looked at the state as a better place to retire or...? [LB749]

SENATOR LINDSTROM: Not directly with that particular number. I think anytime...you know, long term I'd like to see this eliminated. But anytime we can move it--the dial--up higher and higher to focus in on middle-income families I think is a positive step in the right direction. So, you know, I still think that people are hurting out there, particularly in that age demographic and people who are accessing Social Security income. [LB749]

SENATOR GLOOR: Okay. Other questions for Senator Lindstrom? Seeing none, thank you. Are you going to stay around to close? [LB749]

SENATOR LINDSTROM: I can stick around, yeah. [LB749]

SENATOR GLOOR: Okay. We'll now move to proponents. Proponents, please. Good afternoon. [LB749]

ROGER REA: Good afternoon. Senator Gloor and members of the committee, for the record I am Roger Rea, R-o-g-e-r R-e-a. I live in Omaha. I'm the president of NSEA-Retired, an organization of approximately 5,000 retired school employees. NSEA-Retired is an affiliate organization of Nebraska State Education Association. Several ideas for lowering the state income tax on Social Security benefits have been advanced through the past several years. Two years ago you passed LB987 which increased the threshold income required before Nebraska residents would pay state income tax on their Social Security benefit. I'm here today to support LB749 which would further increase that threshold to be roughly what it would have been had an inflation adjustment been applied to the original threshold for the Social Security incomes that was in effect in the 1980s. LB749 would also phase the tax in over a range of incomes to eliminate what I call the cliff effect. The cliff effect refers to the fact that if a taxpayer's income exceeds the threshold income by just $1, then all of their Social Security benefit is subject to state income tax. LB749 addresses that critical problem in a way that is fair to the taxpayer. One of the goals for providing tax relief is to increase the retention of citizens who are pushing retirement age and to keep their entire retirement income stream, including the Social Security benefit, the Medicare benefit, and the pension or other incomes from other sources. Nebraska is aging, especially in the rural areas. If the citizens close to retirement age leave the state, they take with them their Medicare benefits that help pay...help keep rural hospitals and doctors in business. Medicare is a major payer for healthcare benefits and much of that money goes to hospitals and medical providers in the rural areas of the state. You had heard testimony in the past about how many Nebraskans close to retirement age decide to leave the state when they retire. You will hear additional detail on that out-migration at this hearing from other witnesses. Nebraska needs to take action to help attract and retain citizens age 50 and older when they're considering where they're going to live in retirement. One step the state could take, we reduce the burden of state taxation on Social Security benefits. Retirees represent an untapped economic resource for Nebraska. The income the retirees have from Social Security, pensions, savings, and investments, as well as money that comes to them in the form of Medicare payments, represents a huge economic engine for the state. The reason for this economic engine is very simple. Retirees spend the retirement income where they live. They support their local grocery stores, restaurants, clothing stores, doctors, and pharmacies, just to name a few businesses. Social Security and pensions are intended to keep the elderly and disabled citizens out of poverty. They were never intended to be a source of revenue for the states. I strongly encourage you to make Nebraska more retiree friendly in order to slow and hopefully reverse the out-migration of Nebraskans at the time they retire. We have seen the successes enlightened tax policy has had on populations age 65 and older in both Iowa and Missouri. I ask that you advance LB749 to the floor of the Legislature to engage that debate with the full Unicameral. Be happy to answer any questions you might have. [LB749]

SENATOR GLOOR: Thank you, Mr. Rea. I know you pay attention to issues around taxes, quality of life and whatnot. But as I'm sure you're aware, the Legislature has spent some time looking at the issue of property taxes. What do you see as a bigger issue for yourself personally as you look at your tax bill, your income tax that you pay or property tax? [LB749]

ROGER REA: The property tax I get value for; the income tax I get value for. I'm not opposed to paying taxes. It just seems to be that the tax on Social Security is a tax that probably shouldn't occur. It was never taxed before the federal government applied tax to it in the 1980s. And the taxes applied to the Social Security benefit was used to shore up the Medicare and Social Security trust funds. The state of Nebraska has never made a policy decision to tax Social Security. I think it's time to return that position. [LB749]

SENATOR GLOOR: Okay, thank you. Other questions? Seeing none, thank you. [LB749]

ROGER REA: Thank you. [LB749]

SENATOR GLOOR: Good afternoon. [LB749]

JOHN JENSEN: Good afternoon. Senator Gloor, members of the committee, I'm John Jensen and I'm a proud member of LD18. And my senator is sitting right here. I was going to go over the surrounding states, but Senator Lindstrom did that. We are still, even after the bills that had passed, we rank last in...for our contiguous states and by quite a bit. We're still one of the worst in the nation and that is truly a shame. There are states that recognize and value drawing retirees from other states to their states. They spend a lot of tax dollars to do that. Now why do they do that? They do it because it makes economic sense. South Carolina has a lot of very well-to-do retired people that they drew from other states. And they spend a lot of money in South Carolina. They don't spend it here. Look at Florida, Arizona, Georgia, North and South Carolina. They all draw retirees to their states, they all spend tax dollars to do that, and they're pretty good at it. And they don't do it because they like our good looks as retirees. They do it because it's good for business in their state. Now, please, imagine going with me for a walk a little bit to Shelton, Nebraska. Shelton is close to Senator Gloor. It's between Grand Island and Kearney. It's where my wife is from. It's right next to Wood River where Scott Frost and Jack Gangwish are from. They played high school football there. It is Nebraska, it truly is. Now visualize that Frank and Jane Bernhard, an elderly couple living in Shelton, and they have for decades. Together their Social Security income is $20,000 per year. Almost all of it is taxed at the highest rate: 6.8. That's about $1,000 a year that they pay in state taxes. Now imagine the Bernhards keeping that $1,000 in Shelton. What would happen to that money? Well, Larry's Market--and if you can say it's a downtown Shelton--would sell a few more groceries. Frank and Jane might have a cocktail at the Motor Inn Bar and Grill. And the Sportsman Bar in Gibbon--have you ever been there?--they have a fantastic steak there. It includes wine. And I'm sure they would spend some of their money there. And the wait person would gain a few extra dollars from their tip. The same thing would happen in Wood River, Grand Island. In fact, in Grand Island I think they would...I know they would go to Coney Island because that is one of their favorite little places to go. Grand Island, Kearney, St. Paul, Minden, all of these places would gain some of their money. And that's a large area in Nebraska. Now multiply that by 100,000 across the entire state of Nebraska spending their money, extra money they'd never had before. That is what I would call, and I think most economists would call, economic stimulus for the state of Nebraska. And it's not concentrated in Omaha or Lincoln. It's in every county, every community in the state. That's why these other states want retired folks coming to their state. And so I ask you that we pass this out of committee and pass it this year. It's the right thing to do for Nebraska and Nebraskans. It's good for senior citizens and it's good for business. It's good for all of Nebraska. And as an added bonus, Roger and I have been in front of this committee several times over the years. I know that Senator Harr remembers us. I would love it if we don't have to come next year, so please pass the bill out of committee. And if I have any...if you have any questions, I'd be glad to try to answer them. [LB749]

SENATOR GLOOR: Thank you, Mr. Jensen. [LB749]

JOHN JENSEN: I think I mentioned all the places that they'd spend their money. [LB749]

SENATOR GLOOR: No, you missed some but (laughter) I'm already taking medicine for gastric reflux. I don't go to as many of them as I used to. Senator Scheer. [LB749]

SENATOR SCHEER: Thanks for coming and testifying again, obviously. But in fairness, that couple that you mentioned, that $20,000 of Social Security money, they're not being taxed on that right now. That's far below our state level. So, you know, I don't think it's fair to utilize that as a position to pass this bill. We're already doing that at this point in time. [LB749]

JOHN JENSEN: May I? [LB749]

SENATOR GLOOR: Certainly. [LB749]

SENATOR SCHEER: Sure. That's a question. [LB749]

JOHN JENSEN: Well, that's $20,000 in Social Security income. They also have other income. They might have a pension plan. They might have savings. They might have farmland that they're renting out. But they have income that's high enough so that, no, they do pay tax on that Social Security income. And in fact, it could be somewhere around $80,000 and that is a high enough income where they do have money to say, let's go to South Carolina or let's go to Florida. Or in my case, 15 miles and I'm in Iowa. And I pay on my Social Security. And that would save me money with just a 15-mile move. [LB749]

SENATOR SCHEER: Fair enough. But the way you implied it, it was as though they were living on their Social Security, that that would give them some additional dollars. And if they are making, obviously, above the $58,000 or $60,000 level that we have now, they wouldn't be paying taxes on it. [LB749]

JOHN JENSEN: I should have pointed that out. [LB749]

SENATOR SCHEER: So in fairness I just wanted to make sure we were talking about the same thing. But thank you very much. Thank you, Senator Gloor. [LB749]

SENATOR GLOOR: Sure. Thank you, Senator Scheer. Senator Schumacher. [LB749]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you for your testimony. So if we have a situation where these folks making $80,000 a year want to have their $20,000 in Social Security exempted from state tax, that would save them arguably about $1,200, $1,400. And they're living on retirement and rents, as you say. And then we have somebody over 65 years old who was unable to save and is still working for earned income at a job, whether it's, you know, doing whatever to earn income. Which should we choose to give an exemption to, the person who is earning their income and still paying the 6.84 percent or the person who is living on retirement income? What's fairer? [LB749]

JOHN JENSEN: I'm not going to choose between the two. I think both. If they're low-income earners they should get a break, and I think they already do. But I think it's also true for Social Security. As was mentioned earlier, when Congress started the federal taxation on Social Security the money went almost...it did go 100 percent into the Social Security trust fund. That's what started the trust fund and that's why we have several trillion dollars in the trust fund today. All of that money went into the Social Security system to help to pay it in the future. [LB749]

SENATOR SCHUMACHER: Well, last year this committee heard a bill that basically said that, of people over 65 still working, presumably because they need to, they pay in $60 million a year in income taxes on their earned income. And those people are looking for help too. And to the extent any--that group or the retiree group--gets help, who do we assess that shortfall to? I mean, do we put that onto sales tax? Do we put it onto a tax on the younger working people? Where do we put...where do we make up the difference so that we can float our expenses? [LB749]

JOHN JENSEN: Well, you're asking me tax policy questions here. [LB749]

SENATOR SCHUMACHER: Well, that's what we're here for. [LB749]

JOHN JENSEN: You know, I would show my prejudice but I truly think that Warren Buffett could afford a little bit extra to put in the money. [LB749]

SENATOR SCHUMACHER: Thank you. [LB749]

SENATOR GLOOR: Other questions? Senator Davis. [LB749]

SENATOR DAVIS: Thank you, Senator Gloor. So I'll probably be moving right along sort of the same lines you heard earlier. But it seems to me--and I'm going to make my statement and then you can tell me how you feel about it--that we have people coming in and saying, I need a tax break because I'm retired. But we have a lot of young people who are working pretty hard and have house payments and car payments, college loans, raising kids, and we're not doing anything for those people. So why, what is the reason that we need to accommodate people who are retired and who have their house paid for, don't have to have a new wardrobe, don't have kids in school? I need to have a rationale for this because, you know, the fiscal note on this is $30 million. [LB749]

JOHN JENSEN: The first year; second year is less. [LB749]

SENATOR DAVIS: Still, though, it's $30 million. [LB749]

JOHN JENSEN: Remember what I said about 1984 when the feds started taxing Social Security. The vast majority of states decoupled so that they did not count that as state income that they would tax, the vast majority. There's like something like five states that still do that, still tax Social Security. The vast, vast majority said, we're not going to do that. Nebraska for whatever reason--I can't remember what I was doing in 1984 but I wasn't thinking about Social Security--they kept the money. The taxation changed again, I think it was, in 1993. It went from 50 percent to 85 percent of your Social Security income. That helped start I believe the Medicare trust fund. Once again, other states did not take advantage of that. But Nebraska did. I'm not going to say take advantage--they didn't do anything--but they took the money. And it was kind of a windfall and it was a windfall because of what Congress did that did bring more money into state coffers. And I'm saying, as the governor in Missouri said several years back, Social Security was never supposed to be a source of income for states. It was designed to do one thing and that's to help our elderly live a little more comfortably until they pass on. [LB749]

SENATOR DAVIS: And that's certainly true. Also let's remember that when it was designed most people lived only about 3 or 4 years as opposed to maybe 20 or 30, so there's some difference there. And then I guess the other question is, you know, the implication you make is that Nebraska is not competitive. But we do rank tenth out of the 50 states in terms of desirability for retirement living, which is more of a statement than a question. [LB749]

JOHN JENSEN: I'm not sure. There's all kinds of groups that come up with top-ten lists. The ones like AARP is not saying that. There is...can't remember the name of the group. It's Bloomberg or something like that. They don't have Nebraska rated very high. They're the ones that look at taxation. Taxation of the elderly makes Nebraska look quite bad. [LB749]

SENATOR DAVIS: This is bankrate.com. [LB749]

JOHN JENSEN: No. Omaha was just rated number four in foodies, for foodies--great restaurants there. [LB749]

SENATOR GLOOR: Senator Brasch and then Senator Harr. [LB749]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Mr. Jensen. Is that correct? [LB749]

JOHN JENSEN: Um-hum. [LB749]

SENATOR BRASCH: Yeah. I do want to thank you for coming forward year after year, you have mentioned, before. And like other members on this committee, now I'm sitting here listening very carefully. And what you're saying, you know, has truth to it. You know, definitely retired individuals ideally would not be paying on Social Security taxes I think. And then it would be great to have this committee gather here today because we just have way too much money in Nebraska (laughter), we've got to find places for it to go. And I am appreciative and grateful and humbled by the retirement money that we must collect because we are a state huge in geography, lots of land, and just 1.8 million individuals. And it's a challenge but we have a great quality of life. And when you mentioned South Carolina, I imagine the cost of living might not be the same as it is in Gibbon, is that correct, that if you wanted a house in South Carolina, in Gibbon you probably would... [LB749]

JOHN JENSEN: I think it would be much less in Gibbon. [LB749]

SENATOR BRASCH: Much less in Gibbon and probably some of those other communities. [LB749]

JOHN JENSEN: But the folks that are moving to South Carolina are generally making over $100,000 a year. [LB749]

SENATOR BRASCH: Exactly. And they have wherewithal. They have other wherewithal and they're choosing to leave the rest of us behind to fend for ourselves, you know, so be it. But I would think that when we look at a national map of the cost of living, amount of crime, and the contributions that retired individuals are paying, we're just all trying to keep that good life intact that we enjoy here. And so because we can't come here and say we have way too much money, you know, what recommendations are there? You know, who do we...and I think, who do we take away from? Is it the property taxes go...you know, they're already disproportionate and higher. Do you see areas where Social Security income would not need to be taxed and another tax imposed? [LB749]

JOHN JENSEN: You know, I could give my opinion but I don't want to gore any oxes today... [LB749]

SENATOR BRASCH: Okay. [LB749]

JOHN JENSEN: ...if you follow what I'm saying. I don't want to say something that, you know, that's your favorite thing, you know. [LB749]

SENATOR BRASCH: Okay. [LB749]

JOHN JENSEN: But if I were a state senator, I would let you know what they are. [LB749]

SENATOR BRASCH: Okay, and I appreciate that. And this is where I...you know, the veterans that are coming here... [LB749]

JOHN JENSEN: Let me... [LB749]

SENATOR BRASCH: ...to us as well, you know, they're...you look at everyone and you try to do as much as you can, but you can't do it all at once. [LB749]

JOHN JENSEN: I hesitate to say this because it's in Omaha, but I really question...one of the largest corporations in the United States is now broken up and part of it is going to Chicago. We gave them a tremendous amount of incentives over the years. I'm a retired teacher. I know a lot of those incentives came from property taxes they never had to pay to the Omaha Public Schools. And they're still leaving. The CEO is from Chicago and he made a quick decision. It had nothing to do with the taxes, just he didn't want to be here. He wanted to be in Chicago. What's going to happen with a certain sporting goods store located out west? You know, again this is some hedge fund manager out of New York City that's going to make a decision that affects thousands of Nebraskans. [LB749]

SENATOR BRASCH: So would you support an exit tax? I've suggested it before to my members off...but, you know, maybe the person who moved to North Carolina should pay exit tax, too, because they have more than they need. But, no, I appreciate your...and sincerely appreciate what you're saying here today. And hopefully one of these years, or this year, you know, when you come here that this can be something we can do. [LB749]

JOHN JENSEN: I wish we could quantify the economic impact because if you could take that economic impact and subtract it from that $40 million cost the first year, $30 million the second year, it's not as bad as it looks and maybe it's a wash. We don't know. [LB749]

SENATOR BRASCH: Or a prepay of some sort so we can deduct from that. But I want to thank you. I have no other questions,... [LB749]

JOHN JENSEN: Sure. [LB749]

SENATOR BRASCH: ...just a comment, because you are truly here for a good reason. And it's just we need to grow the pie a little bit bigger so everyone can enjoy retirement. [LB749]

JOHN JENSEN: Thank you. [LB749]

SENATOR BRASCH: Thank you. [LB749]

SENATOR GLOOR: Senator Harr, did you have a question? [LB749]

SENATOR HARR: More of a statement and I'll keep it brief. You talked about you didn't know where you were in 1984. I was under the thumb of Ms. Woerdeman at that time, so I know exactly... [LB749]

JOHN JENSEN: Oh, Mr. Rea's wife. [LB749]

SENATOR HARR: Now wife, yeah, so I know exactly where I was. And that was it. [LB749]

JOHN JENSEN: That was a good way to end. Thank you very much. [LB749]

SENATOR GLOOR: That was it. He didn't say how many years he was under the...her thumb. Thank you for your testimony. [LB749]

SENATOR SCHEER: Senator Gloor. [LB749]

SENATOR HARR: Only for a year. [LB749]

SENATOR SULLIVAN: Oh, Senator... [LB749]

SENATOR SCHEER: Senator Gloor. [LB749]

SENATOR GLOOR: Oh, I'm sorry. Mr. Jensen. [LB749]

JOHN JENSEN: Yes. [LB749]

SENATOR GLOOR: I think we have one more question. Senator Scheer. [LB749]

SENATOR SCHEER: It's not so much a question as a follow-up comment to the extent that, you're right, this program might not be as devastating or as financially expensive as one would assume. But unfortunately the way we receive the impact, the financial impact of bills, sometimes doesn't take into consideration what I would consider all the factors that would either be positive or negative. And so in this case you may be absolutely correct we just don't have those numbers, but we have to make decisions on the numbers we have. And so unfortunately sometimes those are tilted one direction or another. And so that does create a problem. [LB749]

JOHN JENSEN: And I wish the fiscal note would have that impact. But it doesn't, like you said. [LB749]

SENATOR SCHEER: Thank you. [LB749]

SENATOR GLOOR: Thank you. Other proponents? Good afternoon. [LB749]

JESSICA HERRMANN: (Exhibit 2) Good afternoon. Chairman Gloor, members of the Revenue Committee, my name is Jessica Herrmann, J-e-s-s-i-c-a H-e-r-r-m-a-n-n. I am the director of legislative outreach testifying today on behalf of the Platte Institute, speaking in support of LB749. Rather than just reading this verbatim, I could probably impress you all with how quickly I am able to speak, but instead of doing that I'm just going to kind of hit on some of the main points and try to do a little bit of follow-up to some of the comments that I've heard. Obviously Nebraska has been ranked in various publications but, most notably, Kiplinger magazine ranked Nebraska as the seventh worst state in the nation for retirees. Why do they do that? Well, that's because there's currently 37 other states that offer a more attractive environment for baby boomers and other retirees. One point that has not been discussed--or if it was I did not hear it but I don't believe it has--the average household income for aging Nebraskans is 19 percent below the national average. So that's something to think about. Also, Social Security benefits are derived from earnings that have already been taxed up to 85 percent at the federal level, so we are talking about double taxation. You know, this is not...I think a lot of times when you think about retirees you think of the grandma and grandpa on the golf course with their...you know, living off the benefits of saving and working hard and now they have millions of dollars in the bank. And that's not exactly true. According to the Tax Foundation, the majority of private-sector retirement income goes to people making less than $100,000 per year. So we're talking about a predominantly middle-class segment of the population. And they're less likely to retire in a state that taxes the majority of their economic livelihood. When we're talking about...you know, Senator Gloor, or Chairman Gloor, you mentioned, what's the bigger burden, property taxes or Social Security taxes? Well, if we keep losing people, which we have been, then property taxes are going to get a lot higher. And so we don't see them as a separate issue. We see it as under the same high-tax environment altogether. The Tax Foundation has also found that exempting Social Security from taxable income would increase revenues, result in a negligible effect on the gross state product, and increase employment as the patterns of income migration are severed. This is why we need this exemption on this particular group of folks rather than the younger folks. I think, Senator Davis, you had asked about that. If we're...these are the people that are paying, that are coming to a new community, that are buying homes, that are volunteering their time, that are very good, productive, taxpaying citizens. These are the people you want to keep in your state, not the people that you want to be shoving out the door to go to a more tax-friendly environment. Travis Brown, author of How Money Walks, estimates that between '95 and 2010 Nebraska experienced a net loss of $2.3 billion in AGI due to tax migration. So within 15 years we've lost essentially $2 billion. These, you know, former Nebraskans are predominantly flocking to Florida, Arizona, Texas, and other states with more favorable tax environments. The state's tax system should encourage residents to retire within its borders and not flee to a sunnier climate with lower taxes. Ultimately, the compounding effect of taxation on Social Security income, military pensions, and inordinately high property taxes is overly burdensome on Nebraska's retirees and threatens the state's future economic stability. This is also one more point that I'm going to add before I wrap up. Obviously, it's the $30 million fiscal note. How do we pay for this? This is something that taxing Social Security benefits is very economically destructive according to our research. We could look at different options. We could look at something like a phased-in approach that other states have done that might carry out the cost of that over ten years. But the bottom line is though is that while you're looking at this and you're thinking that you don't want to take that money right now from the federal...from the state pie, when you look at the long-term harm that taxing Social Security benefits do and the gain that you're going to get if you remove that in terms of people staying in your state, increased earnings, increased...keeping your AGI in your state, this is really something that you need to do, I mean, that's...the benefits dramatically outweigh the loss of state revenue. With that, the Platte Institute will continue to strongly support such efforts, including LB749, and we thank you for the opportunity to testify today. And I'm happy to answer any questions. [LB749]

SENATOR GLOOR: Thank you, Ms. Herrmann. I want to make sure I understood. The Platte sees property tax, income tax relief as basically wearing the same coat, in fact, inside the same coat. So if this bill advanced and we weren't able to do anything with property tax relief, would the Platte run a paper that says it's okay, it's one and the same thing? [LB749]

JESSICA HERRMANN: No, I should clarify that. We see all of the taxes combined as harmful. We see Nebraska as a high-tax state. We see all the taxes as being harmful in different areas. When we're talking about what's the...if you had to pick what's more harmful, is it property taxes or is it a tax on Social Security benefits, then I think we would say, well, that's hard to choose one or the other but you can look at them... [LB749]

SENATOR GLOOR: We have to do that so I'm just curious... [LB749]

JESSICA HERRMANN: This is a...you have to do it? Well, I don't know if I'm ready to commit to that. I know my property tax bill is also very high, so I don't know if I personally could commit to that. But we see it that, you know, if we're losing people we're not going to have as many people to kind of carry that property tax burden that we do need to fund a lot of areas in our state, including our schools. So if we don't have those people, there is going to be less of that population, there's going to be less people to spread that cost around. So property taxes are naturally going to go up. So we just see...the Platte Institute sees these income migration patterns and the fact that we're losing this amount of adjusted gross income to states like Florida, Texas, that that is and probably will continue to confound the property tax problem, make it higher. [LB749]

SENATOR GLOOR: Does somebody have a map someplace that shows former Nebraskans who are wearing red living in Fort Lauderdale or Fort Myers or Palm Desert someplace? [LB749]

JESSICA HERRMANN: Yeah. [LB749]

SENATOR GLOOR: I mean, is there an actual organization that tracks these with some degree of competence? [LB749]

JESSICA HERRMANN: Well, the gentleman who did the How Money Walks book, when he did his $2.3 billion in AGI that left the state, he used data from the Census Bureau and the annual

Tax Foundation survey to map the AGI, and I can get you that information. And I think that that has been the most relied upon map that kind of shows AGI income migration. [LB749]

SENATOR GLOOR: It's interesting though, of the people, and I think we probably all can do this--and maybe it's only because you get to my age, you pay more attention to these things--but people that I know who have had the monies to migrate down to those warmer climes have, in fact, stayed down there for about a decade until, because of their advanced years and the fact that they distressed the healthcare system there and they trust the healthcare system in this state or the long-term care facilities, the fact that family are around, that they don't have to travel as far to get to church and to get groceries and whatnot, they travel back up here for the quality of life that our tax dollars buy. And so I have a problem differentiating between people who leave just because they plan to live there and realize tax savings or because the quality of life when they're young enough to be able to spend some of the money they've saved, can be spent at those warmer climes but ultimately they come back to where they feel safe and comfortable, again, with all of those things our tax dollars buy. So it's hard to track those sort of things, but certainly my personal experience has been those are the snowbirds and they come back to roost. [LB749]

JESSICA HERRMANN: Yeah. [LB749]

SENATOR GLOOR: And we get those tax dollars back eventually, wish that they would stay but understand why they decided that's what they want to do with their life. That's why I ask about the numbers. [LB749]

JESSICA HERRMANN: Absolutely. [LB749]

SENATOR GLOOR: Senator Harr. [LB749]

SENATOR HARR: Thank you. You call Nebraska...and thank you for coming, Ms. Herrmann. [LB749]

JESSICA HERRMANN: Absolutely. [LB749]

SENATOR HARR: You call Nebraska a high-tax state. What do you consider a low-tax state? [LB749]

JESSICA HERRMANN: Oh, well, there are...I mean there are several. There's the obvious examples that pop up that don't have an income tax. You can look at Wyoming, Texas, South Dakota. You can look at those. [LB749]

SENATOR HARR: Wyoming is a state that's one of the most expensive tax dollars are spent per person. It's just that they are able to export their tax through coal. And so is...I mean... [LB749]

JESSICA HERRMANN: Right. [LB749]

SENATOR HARR: ...so there is a tax. It's just not felt by the citizens there. [LB749]

JESSICA HERRMANN: Right. [LB749]

SENATOR HARR: It's felt by us. [LB749]

JESSICA HERRMANN: Sure, absolutely. [LB749]

SENATOR HARR: So does your definition of high tax mean the citizens of that state pay the tax or is it that a large percentage of taxes are collected per person? [LB749]

JESSICA HERRMANN: I think it's that a large percentage of taxes are collected per person. And I don't want to misstate this because this is an important distinction that you're making. But it's that a large percentage per person, per capita, are collected in the three: income tax, sales tax, property tax. That's what we look at when we determine that Nebraska is a high-tax state. We look at those three. [LB749]

SENATOR HARR: But there are other types of taxes, correct? [LB749]

JESSICA HERRMANN: Absolutely, absolutely,... [LB749]

SENATOR HARR: Okay, but you just don't... [LB749]

JESSICA HERRMANN: ...cell phone taxes, hygiene... [LB749]

SENATOR HARR: Yeah. [LB749]

JESSICA HERRMANN: Hygiene taxes, which is a term I recently learned, I was not aware of,... [LB749]

SENATOR HARR: Yeah. [LB749]

JESSICA HERRMANN: ...that kind of encompasses those. Even just licenses to operate, to...you know, occupational licensing, yeah, there's a whole variety of taxes. But we typically look at the big three, I guess you could say. Although, when you look at all of them, I mean, motor vehicle taxes are high in Nebraska; cell phone taxes we're the second highest nationally. [LB749]

SENATOR HARR: And this is a little off base, but we collect an extra $200 million in sales and income tax that is used to subsidize property taxes and yet it shows up on no receipts as lowering property tax. Where do you guys stand on the property tax relief fund then? [LB749]

JESSICA HERRMANN: On the Governor's specifically or other proposals or... [LB749]

SENATOR HARR: Well, should we have $200 million in the property tax relief fund or should we provide...cut income tax, sales tax by $200 million? We can't cut property tax because we don't collect on it. [LB749]

JESSICA HERRMANN: You know, the difficulty with the property tax credit relief fund, I get the intent of it absolutely. My personal difficulty with it is that it seems to me like it's a tax shift. You’re paying...you're giving me a refund of...for my property taxes via my income and sales taxes that I've already paid. So it's just a boondoggle. [LB749]

SENATOR HARR: Well, and we're seen as a high state of collecting over $200 million that we really aren't because the government never sees it and yet it goes as a tax. [LB749]

JESSICA HERRMANN: Well, that's true, that's true. And meanwhile we have other taxes that are compounding and making us feel the burden. And I know that I personally feel the burden, as do a lot of...I'm sure you all and folks in the audience. So we know that it's there and we're get...when we get this relief it doesn't really feel like relief. And then, you know, another problem is that we've come to rely now on the property tax credit and other funds. So when you get that, you know, you would notice if we took that money away, but you're not going to look at it and say, oh, gosh, thanks, I'm glad we that we got this relief, this really helped me. You're expecting it because you get it every year; you're relying on it. [LB749]

SENATOR HARR: Okay, thank you. [LB749]

JESSICA HERRMANN: Absolutely. [LB749]

SENATOR GLOOR: Senator Scheer. [LB749]

SENATOR SCHEER: Thank you, Senator Gloor. Thanks for coming, Jessica, but a couple things in fairness. We talk about Texas or we talk about Florida--no tax; don't talk about South Dakota--no tax. So if it was no tax, why doesn't South Dakota have this huge migration of population coming in all the time? I suspect that some of that may be tax, but a whole lot of it has to do with environmental issues and warmth. Now you're a hired gun. Mr. Hansen wasn't. And so from the vantage point you're telling us we need to reduce that expense to those people, that's not the argument. But my question to you is, if we are going to do that, we're $110 million in the hole, where is it we reduce what we're doing, in what location, at what service, in order to facilitate the $30 million this year, maybe the $20 million next year? But where do those dollars come from to offset this request? [LB749]

JESSICA HERRMANN: That's where we think that the phased-in approach could really help. [LB749]

SENATOR SCHEER: Doesn't make any difference, phased in or not, you're still having to replace the dollars. You want to phase it in or over a ten-year period of time, it's in $3 million or $4 million. Tell me where you want to reduce the $4 million. [LB749]

JESSICA HERRMANN: Well, all I can tell you, Senator, is that when we study these types of larger tax issues it seems you feel that immediate knee-jerk, no, we can't do that, we have a $110 million shortfall, what are we going to do, how are we going to get that in? And I do, I completely understand that. But from our point, we see the benefits that you can get if you remove this tax that's very harmful on folks. If you remove that, we see the benefits that over time that we'll reap. But it's hard to... [LB749]

SENATOR SCHEER: But the problem, Jessica, is you say you see them but you don't quantify them. Everything you just did up here was say it will do this or it could do that. But you gave us absolutely no quantification that one of those things is reality. And unfortunately, we can't live on we hope it does things. We have to make decisions based on the information that's provided us. It tells us it's going to lose $30 million a year. I don't think anyone that has testified today is going to be willing to say, gee, that's a great idea, let's push it off for ten years, let's give us a tenth of that every year. I don't think one of these people that have testified or probably will are willing to wait ten years. So I don't necessarily buy into your proposal that let's just push it into a ten-year phase-in. That's a little long. But having said that, you still have not provided me with any direction. I'm saying, you know what, we need to get rid of taxing Social Security, having said that, but here's how we're going to make it up. And this...and it's not just Social Security but everything that we do when we talk about either giving an exemption for a tax or something else. When it costs the state income, we have to be cognizant of where those dollars are going to be replaced because everyone usually expects to have the same services, the same facilities that they had before and, you know, this "we can do more with less" I don't...sometimes I just don't buy that. You do more with more. So if we're going to have less, we're probably going to do less. [LB749]

JESSICA HERRMANN: Sure. If I could respond to the two by...I may be technically a hired gun because I'm here in my official capacity with the Platte Institute. But I would say that my in-laws retired last year after 42 years of teaching, and my dad actually retires next Friday. His retirement party is this Friday, so. And my mother retired a year ago. So this is an issue that I have seen firsthand and experienced. And both sets of parents, my parents and my husband's parents, are not by any means wealthy and they are struggling to figure out, like a lot of other folks, how are they going to pay for their retirement, how are they going to live, how are they going to afford to live. And Nebraska's taxation has been a topic at both family dinner tables. And one family votes for one political party, one votes for the other, so it crosses both lines. So I would say that it's very much felt personally by myself. Also, I'm happy to get you as much information as you're looking for because I understand that you need to see where those results are. I think the strongest case is the $2.3 billion of adjusted gross income that we can see, we've quantified, that I can get you those maps that leaves Nebraska and has left Nebraska over 15 years. I think that's the strongest case to show, well, my gosh, what would have happened if we could have kept that $2.3 billion. I guess because we didn't keep the $2.3 billion, we can't see those results. We can probably look at other states that don't tax Social Security exemptions and try and look to see what benefits they have received. And I'd be happy to send that to you. [LB749]

SENATOR SCHEER: Well, I'd sure appreciate it. [LB749]

JESSICA HERRMANN: Yeah, absolutely. [LB749]

SENATOR SCHEER: You know, I'm not saying none of this is quackery. [LB749]

JESSICA HERRMANN: Sure. [LB749]

SENATOR SCHEER: But, you know, just saying that something is going to happen doesn't make it so. And, you know, I can appreciate that your family's conversations in relationship to the retirement...but again, that didn't answer my question in relationship to, using your in-laws or your parents if they retired here, are they not going to expect the same services that they have been receiving the last 30 years that they were employed in the state of Nebraska? And if they do, they expect the same state services, the same community services, how do we pay for those if we do not have the same dollars coming in? [LB749]

JESSICA HERRMANN: Yes. I see your point on that. I'm happy get you...I would say I chuckle a little bit because I think if my parents were here they would say, well, we don't use any of the services, but that's not true. Everybody does. So that's neither here nor there. But, yeah, I would be happy to get you more information that shows how certain states do/have benefited and exactly what those results are. [LB749]

SENATOR SCHEER: Thank you. Thank you, Senator Gloor. [LB749]

SENATOR GLOOR: Senator Schumacher and then we'll go to this side of the table. [LB749]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you for your testimony and thank you for sparring with us a little bit. [LB749]

JESSICA HERRMANN: My pleasure. [LB749]

SENATOR SCHUMACHER: We'll spar back. What's scary is wasn't just a few years ago, you know, there were three people in the "working under 65" group to support everyone over 65. Very shortly I think--what is it, 10 or 15 years out--we're going to have one person working for every person over 65. That's a scary reality and it makes the problem we have here today look pretty minor. But following up a little bit on the $2.3 billion figure, that was over 15 years. [LB749]

JESSICA HERRMANN: Yes. [LB749]

SENATOR SCHUMACHER: That was, if you buy those numbers of $153 million a year in loss. Now, if I understand things right, we're turning down now somewhere between $300 (million) and $400 million a year in cash that would be coming into the state because we're refusing to expand Medicaid. How does the...what's the difference? A dollar is a dollar. [LB749]

JESSICA HERRMANN: I would say the difference is...that's a good question, Senator. I would say the difference on that one is that the money that we're turning down to expand Medicaid is federal money that's already been paid in and taxed. And it's not just money that is going to go away or disappear or is free. It's money that taxpayers have already paid. And it will just be a new line item on the budget. And so is it responsible to take that $300 (million) to $400 million? Whereas this is money, these are...when you look at it in terms of adjusted gross income you're looking at...on the one hand, you've got the federal budget and all of the budgetary issues that everybody knows about, the $18.8 trillion debt on the one hand; on the second hand, you're talking about the $2.3 billion in AGI. That is actual people that have left and that have gone to

Florida and have bought houses and have bought boats and have bought whatever else, golf clubs and whatever else you buy when you're on retirement, and giving into their communities and the...everything that is associated with that. That is the difference that we're talking about. [LB749]

SENATOR SCHUMACHER: But it's that we're saying no, putting up a roadblock to $400 million. And that looks like kind of a bad thing, just like your $153 million figure looks like a bad thing. But a dollar is a dollar. And the fact that if we don't spend it it'll stay in Washington and we'll run on that $400 million the federal government for I think two or three hours, that, I mean, we're not taking that money. And one could make the same argument, if you look at it from a national perspective, that, gee, this $2.3 million (sic) that left Nebraska...or billion dollars that left Nebraska over 15 years, it's just in some other state making that state $2.3 billion, so it all evens out. [LB749]

JESSICA HERRMANN: Sure, sure. [LB749]

SENATOR SCHUMACHER: And why shouldn't we help those other states out by extending them our $2.3 billion? [LB749]

JESSICA HERRMANN: How much do we like our Florida and Texas neighbors and whatnot? [LB749]

SENATOR SCHUMACHER: Well, and it's nice weather and, I mean, clothes are cheaper. [LB749]

JESSICA HERRMANN: Yeah, that's true, that's true. The one thing I would say about the money from...without getting too heavy into the Medicaid expansion debate, that we do not just see it as a straight "we're missing that money." We see it, if we would accept that money with the strings attached, it would create really terrible outcomes on both Nebraska taxpayers and for patients under Medicaid and in the gap population. [LB749]

SENATOR SCHUMACHER: Thank you. [LB749]

JESSICA HERRMANN: You’re welcome. [LB749]

SENATOR GLOOR: Senator Brasch. [LB749]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Jessica...Herrmann? [LB749]

JESSICA HERRMANN: Yes. [LB749]

SENATOR BRASCH: Very good. I was following you along fairly steady here, and I hit a spike offensively when you called the property tax credit a boondoggle. Boondoggle is a waste of money on--and I pulled it up on my little device here--on unnecessary, questionable projects...it goes on. The Tax Modernization Committee held statewide hearings. Assessors came in. As a person who would pay income tax, I imagine the whole state would be up in arms or alarmed if their income tax went up 30 percent one year, another 30 percent, you know, a continual climb. And the purpose of looking at our taxes is we looked at income tax, sales tax, and property tax as the three-legged stool. And if there is a shift, it's a shift for equity, for responsibility, for...it was never intended to have this become a one-legged pedestal with two legs just hanging and spinning around. So I would hesitate to call our efforts to reduce property taxes a boondoggle. There would be many, many Nebraskans that would be very troubled by that. I am troubled that we do have to tax Social Security. You know, that is troubling. And what we're trying to do, we worked on income tax relief, we've worked on different areas, we did some veterans, some...you know, we, in an effort to keep our state stable, financially secure, all of the programs that we need to fund for all walks of life, for all ages, there isn't an overnight magic solution. So I just hesitate and, you know, I...what you’re saying is a good thing. But when you're trying to take away from the value of other tax programs, I would like you to, please, you know, reconsider calling it a boondoggle. [LB749]

JESSICA HERRMANN: Certainly, Senator. And you're absolutely right. It is not a boondoggle. I should not have called it that. I personally would love to see more relief instead of that, you know, minus $70 on your credit. And so I think it's my...because it's my preference to want that more relief up-front, I get frustrated personally with the property tax credit relief fund. But that does not represent the way, you know, my organization feels. And it is certainly not a boondoggle. It is something...it is a great tool that we have right now and it's the only tool that we have unless, you know, certain other legislation is enacted. So I think that you're absolutely right and I apologize for calling it that because it is not a boondoggle. [LB749]

SENATOR BRASCH: I appreciate that. [LB749]

JESSICA HERRMANN: Absolutely. [LB749]

SENATOR BRASCH: I have no other comments. Thank you. [LB749]

SENATOR DAVIS: Senator. [LB749]

SENATOR GLOOR: Senator Davis. [LB749]

SENATOR DAVIS: Thank you for coming. And thank you, Senator Gloor. Can you elaborate a little bit on the $2.3 billion, where those figures came from? I know we've talked about this but... [LB749]

JESSICA HERRMANN: Sure. So the $2.3 billion in the adjusted gross income left the state between '95 and 2010. It was...we got that figure from a book by Travis Brown. He authored a book called How Money Walks. And when he did that he looked at U.S. Census Bureau data and the annual Tax Foundation survey map and he showed and he mapped, actually did the analysis himself, and he mapped to see the income migration patterns and how AGI was leaving and where it was going and from where. So that's where we got that figure from. And I'd be happy to send you a copy of that. [LB749]

SENATOR DAVIS: And that is specifically targeted to people who are 65 and over? [LB749]

JESSICA HERRMANN: You know, I'm not sure if he actually targeted it to people that are 65 or lower. And I may be wrong because it's been awhile since I've looked at it, but I think it was everybody, it was all income migration. But I...it's been awhile since I've looked at the book specifically. [LB749]

SENATOR DAVIS: So certainly then, if that's the case, a big portion of that could be due to job relocation. [LB749]

JESSICA HERRMANN: Sure, it absolutely could, it absolutely could. I don't remember off the top of my head if he put in there an allowance for 65 or older or if the $2.3 billion was just 65 or older, how that went. But I'd be happy to clarify that for you. [LB749]

SENATOR DAVIS: So we've talked a lot about where people go. And while I've been sitting here I've been kind of doing some research. So Wyoming looks to be the number-one tax state for retirement and the number-one overall state. I don't know very many people who are moving to Wyoming to retire. Do you? [LB749]

JESSICA HERRMANN: I don't really know very many folks from Wyoming at all. I'm sure they're lovely. I just for whatever reason don't know a lot of them. [LB749]

SENATOR DAVIS: Well, these would be Nebraskans moving there. [LB749]

JESSICA HERRMANN: Sure. [LB749]

SENATOR DAVIS: Wyoming is a state that's losing population as we speak despite its tax status for retirees and everyone else. Second state that's most desirable state for taxation is Alaska according to these retirement data. I don't see a lot of people moving to Alaska. Moving down, you end up at third is South Dakota, which has a rather significantly different tax policy than we do, but they tax everything in terms of sales. [LB749]

JESSICA HERRMANN: Yep. [LB749]

SENATOR DAVIS: So, you know, we...people get it one way or the other. And if retirees move to South Dakota and they have to pay sales tax on the food they buy and everything else and the gambling that they have, which we don't...but fourth then is Texas which ranks 23rd overall. But Texas, of course, has the highest property taxes in the country. So, you know, it's a little bit of a question of...and I think this is...the committee's answer is probably going to be, how in the world do we pay for this and is it justifiable? And I come back to the statement I made earlier which I think you challenged, which is, why do people who are retired, don't have car payments, don't have house payments, don't have a lot of the same obligations that young parents have, get a tax break when young people don't get that? [LB749]

JESSICA HERRMANN: I think our answer would be that...I'm not sure how the committee feels, but let's either lower the income tax rate altogether or let's get rid of it. I think that would be our answer to solve that particular problem. But I would say you're absolutely correct and that can be the danger when you compare Nebraska to other states is you're not always making an apples-to-apples comparison. You might say they've got no income tax. Well, they've got tourism. Well, they've got natural resources. Well, you know, they've got a really high property tax base to make up for it. So you do have to look at everything. You've got to look at the whole pie. You've got to look at what else are they taxing, what do they have to bring in revenue, what are they doing? Unfortunately when...businesses and people don't often take into account all of that when they're making those decisions. And so what we try to do is look at other states and say, what can we do to change to be a little bit more competitive so that we'll get the people that are coming here or, if they are going to Wyoming, that they'll come here instead, what can we change to make Nebraska more competitive and how do we do that in a way that doesn't economically harm the state or deplete one area of the budget and revenue and deplete another one? This is an area that we've looked at and that we think, because the benefits are potential--and I'm happy to get Senator Scheer some more quantifiable information on the benefits--this is something that we really ought to consider. [LB749]

SENATOR DAVIS: And I would like to see that... [LB749]

JESSICA HERRMANN: Absolutely. [LB749]

SENATOR DAVIS: ...information, too, please. [LB749]

JESSICA HERRMANN: Happy to. [LB749]

SENATOR DAVIS: Thank you. [LB749]

JESSICA HERRMANN: You're welcome. [LB749]

SENATOR GLOOR: Okay. Anyone else with any questions? Thank you. And I hope in your family discussions you give them a quick tutorial on marginal versus effective tax rates. Sometimes that makes it a lot easier for people when they're trying to decide where to go and what they actually pay in terms of taxes. [LB749]

JESSICA HERRMANN: Yep, absolutely. Thank you. [LB749]

SENATOR GLOOR: Thank you. [LB749]

JESSICA HERRMANN: Thank you very much. [LB749]

SENATOR GLOOR: We'll continue with proponents, other proponents. [LB749]

MARK INTERMILL: (Exhibits 3 and 4) Good afternoon, Senator Gloor and members of the committee. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l. I'm here today on behalf of AARP. I have two points that I want to make. First of all, I want to say thank you for the action that you took two years ago to provide relief from Social Security taxation for those individuals, single individuals under $44,000, couples under $58,000. That action provided relief for about 40 percent of Social Security beneficiaries, so they are not currently required to pay tax on Social Security benefits. But--and there's always a "but"--we do think there is room for some additional relief. And I will go back to 1983 when we at the federal level established for the first time in 38 years of the Social Security program taxation of Social Security benefits. Up until that point it was deemed that Social Security benefits should not be taxed. But we had a Social Security crisis. We were in days of default. And the Social Security trust fund, there were a number of things that were done, including increasing the FICA rate. There were a number of things in terms of containing benefits. We also taxed Social Security benefits up to $24,000 for a single person, $32,000 for a couple. That was deemed to be the point at which people below that level didn't have sufficient income to be able to afford a tax on their benefits. Fast-forward to 2016. If we had inflated those two numbers--$24,000 for a single household, $32,000 for a couple--we would be at $57,106 for a single person and $73,096 on a married-filing-jointly return. So while we did make progress two years ago, we are I believe 59 percent of the way to the inflation-adjusted level for the singles and 63 percent for the married-filing-jointly returns. Those are the things I would encourage the committee to at a minimum move us towards that inflation-adjusted level for those two types, which brings me to the second point which is cost. We saw the fiscal note, which was about what I expected it to be: $29 million ongoing with some increases for inflation. I think if we adjusted how we implement this we could get that down to a more reasonable level. And I am anticipating the question of where will we find the money and I would encourage you to look at the DAS annual budgetary report. Go to page 18. And what you will see in the Agency 25, Program 348, which is the Medicaid program, that we were underspent in the Medicaid program by $138 million. And a big reason that we're underspent by $138 million is that our growth in spending for services to persons over the age of 65 is growing at an average annual rate of 0.6 of a percent over the past ten years. We are reducing the number of people who live in nursing homes. We've gone from 17,000 to 12,000. That has had the effect of controlling the cost of Medicaid. We still budget as though we are growing at a fast rate, but we're spending at a much lower rate. So of that $138 million, I'd like to claim $10 million for this because I think there is money there. We have reappropriated unspent money in the Medicaid program so that $138 million did not go back to the General Fund. It's still in the Medicaid program. Our appropriation for this year was based on the higher level. So that is what I would suggest as a place to go to find some resources to help us at least get to that point where we've adjusted for inflation since 1983. And with that I would be happy to answer any questions. [LB749]

SENATOR GLOOR: Thank you, Mark. And this won't surprise you, but there's some of us who believe that some of those savings are as a result of the ineffectualness, the broken ACCESSNebraska system that denied people the ability who needed--legitimately needed--services the ability to acquire their services. And now that it's being fixed we're told--and I think that's true, I do I think it's being fixed--some of those decreases or slow down in growth may, in fact, actually return to more normal rates. We won't know, obviously, but there is some, certainly, suspicion that we may be seeing some of that, especially in Health and Human Services. [LB749]

MARK INTERMILL: If I could? [LB749]

SENATOR GLOOR: Sure. [LB749]

MARK INTERMILL: I would also go back to the growth rate for people over 65. The people who we serve through Medicaid who are over 65, primarily the...what Medicaid covers for the 65-plus population is long-term care either in a nursing facility, assisted living, Medicaid waiver. All of those individuals tend to have somebody who is helping them coordinate care. They have been assisted in the process of negotiating the ACCESSNebraska system. So I don't disagree. I think that the ACCESSNebraska could have had the effect of keeping people out of Medicaid who could have been there. But I also don't discount the limited growth in Medicaid expenditures for that 65-plus population. [LB749]

SENATOR GLOOR: I certainly hope you're right, but I can't absolutely tell you that we'll be able to tap into those dollars, so. Senator Scheer. [LB749]

SENATOR SCHEER: Thank you, Senator Gloor. Thanks for stopping (inaudible). Couple things. We keep bandying around the 1984, '83 time period. But I think if we're all going to be honest, in at least Nebraska's case, doesn't make it right now, but if we're going to be honest we'll go back in time. That was the first farm problem when hundreds literally of farms across the state of Nebraska were being foreclosed upon. The income from the state, especially from the ag sector, plummeted. And so I suspect they probably were looking at how to keep money, not necessarily how to not provide more relief. My second response is, one, I do appreciate your coming with a solution. However, if I'm reading what the Governor has proposed in his budget, he saw the same thing that you did and has already spoken for it. Not sure which one will get the nod, but I'm going to guess he's got maybe a better shot at that. [LB749]

MARK INTERMILL: Yeah, maybe. [LB749]

SENATOR SCHEER: But that would be my response to where to find it. I think it's already been found and it may already be gone. But I appreciate the fact that you at least looked. [LB749]

MARK INTERMILL: Okay. We're looking. [LB749]

SENATOR SCHEER: So thank you. [LB749]

SENATOR GLOOR: Other questions for Mr. Intermill? Seeing none, thank you for your testimony. [LB749]

MARK INTERMILL: Thank you. [LB749]

SENATOR GLOOR: Other proponents? Anyone in opposition of this bill? Good afternoon. [LB749]

RENEE FRY: (Exhibits 5-7) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute and I'm here today in opposition to LB749. Ensuring that seniors aren't overburdened by the tax code is a laudable goal that all Nebraskans can agree on. And while we appreciate Senator Lindstrom's intent, the group of seniors who would receive additional tax reductions under this legislation make more money than the median household income in Nebraska...or median household in Nebraska, which was $53,482 in 2014. Those seniors making less than the median household income already have their Social Security income fully exempted from taxation. In fact, according to the Department of Revenue 2013 statistics of income, only 45 percent of Social Security income in Nebraska was taxed. Even less will be taxed now since the passage of LB987 in 2014. LB749 carries a high price tag that will become more costly as Nebraskans age. I have handed out a couple of slides prepared by UNO for the Legislative Planning Committee. On the first slide you can see that the number of Nebraskans age 65 and older is projected to increase by over 90 percent from 2010 to 2015, while the group of 18- to 64-year-olds only grows by 12 percent. Furthermore, you can see in the next page that the ratio of those over the age of 65 to those age 18 to 64 will double over the following decades. Consequently, the revenue loss from exempting Social Security will grow significantly at the same time that there are relatively fewer Nebraskans in the work force. The Tax Modernization Committee report notes that many states that have exempted retirement income have been and will continue to pull back from this exemption due to demographic changes in their populations. Demographic analysis indicates that the growing population of retired taxpayers and their exempt retirement income will put increasingly difficult pressure on state budgets to maintain such exemptions. I would ask a lot of the questions that the committee has been asking during this hearing. As these exemptions put more pressure on Nebraska's budget, how will we make up the growing loss of revenue? Do we cut areas such as healthcare that are important to seniors? Do we cut education funding that is essential to our future work force and our economy? Or do we increase taxes on those under the age of 65? I do want to mention just a couple of other things that were brought up in previous discussion. There was a comment made that we are a high-tax state. We consistently rank about in the middle on taxes in Nebraska according to census data. The Tax Foundation actually had a report that they've released today finding Nebraska ranked 30th. With number 1 being the highest tax state, 50th being the lowest, we ranked 30th in state and local taxes combined. In terms of migration, pretty consistently seniors migrate to the Sun Belt. And that's pretty consistent. Pretty low level of elderly migration, but when they move, they move to the Sun Belt. And in terms of looking at retiree-friendly places to live, if you Google AARP best places to live, Omaha is in the top ten of the ten cities that are listed. So I think someone had said earlier that AARP ranks Nebraska poorly, but at least in terms of top-ten cities, Omaha does make that top-ten list. So thank you for your time. I'd be happy to answer any questions. [LB749]

SENATOR GLOOR: Thank you, Ms. Fry. Senator Scheer. [LB749]

SENATOR SCHEER: Thank you, Senator Gloor. Thanks for coming, Renee. I appreciate the information. One thing that struck me on your...the second...dependency ratios, just looking at the raw numbers. And I guess I'm just curious because we talk about an out migration of older individuals but yet in your numbers it looks like those would literally double in that period of time that you're showing. So from your...from whoever put these numbers together, they're not seeing a continuation? Or is there a huge outward migration within the state? [LB749]

RENEE FRY: So these were put together by UNO and used by the...they were prepared for the Legislative Planning Committee. So at UNO they have the census data and so they do all that demographic analysis and projections. So we did not prepare this data. But if you'd like to see the full deck I'd be happy to get that to you. And I'm sure Jerry Deichert would be happy to answer any questions that you have about that. [LB749]

SENATOR SCHEER: Well, yeah, I guess it would be nice. But I guess my thought was we've talked about the fact that there's...there either...maybe there isn't, maybe there is. And if there is, is it a small amount, as you suggested, that is an outside migration upon retirement? Or it may be quite large. These numbers make it look like people probably are staying, if not growing, and I think we are an aging state. We unfortunately are not attracting a lot of younger families and those that are here might be...that might be a bigger form of migration than perhaps older ones. But I'm just...if there's a problem, how to go about fixing it, but trying to figure out if there is a problem. No disrespecting the previous testimony that taxes are what they are and they are on retirement income and so forth and there are the states that don't, so I'm not trying to argue that, just trying to find out if that (inaudible). [LB749]

RENEE FRY: If you look at the...I've looked at the census data before where you look at the migration patterns, and total migration in any given year is very low. And according to the academic research that I've seen, for seniors it's actually even lower than it is for the general population or for those under the age of 65. The primary reasons people move are for a job, to be near family, or for weather. For seniors it's predominantly for weather. But again, that migration rate for seniors, at least according to the academic research, is lower than it is for the general public. And I've looked at the migration rates for the general public. Based on census data you can see what the numbers are and they're...and Tax Foundation does a migration study as well. The total population that's migrating in every given year is really relatively low, so...and seniors it's even lower. But I'd be happy to send you some follow-up information that points to that. [LB749]

SENATOR SCHEER: Okay. [LB749]

RENEE FRY: And I'll send you the PowerPoint deck as well and that has the full...they did a full PowerPoint looking at these demographic trends over the next decades. And so they have a lot of material in there that might be useful. [LB749]

SENATOR SCHEER: It would. And in fairness, if you could send it to... [LB749]

RENEE FRY: Everyone, sure. [LB749]

SENATOR SCHEER: ...all the committee because, you know,... [LB749]

RENEE FRY: Yeah, absolutely. [LB749]

SENATOR SCHEER: ...that way everybody has the same information. [LB749]

RENEE FRY: Absolutely, be happy to. [LB749]

SENATOR SCHEER: Thank you, Senator Gloor. [LB749]

SENATOR GLOOR: Thank you. Senator Davis. [LB749]

SENATOR DAVIS: Thank you, Senator Gloor. Thank you for coming, Renee. Do you have any idea what percentage of people over 65 are still employed as earning income? [LB749]

RENEE FRY: I don't, I don't. [LB749]

SENATOR DAVIS: Is that information that is accessible anywhere, as far as you know? [LB749]

RENEE FRY: The Department of Revenue has statistics of income. I don't know that I have it printed out with me. I have it on my laptop. They have statistics of income and they specifically separate that out for seniors. And I'm getting a nod from legal counsel. And so they have taxable income; they have Social Security income. I'm not sure if you can tell if it's working income or other income or not but... [LB749]

MARY JANE EGR EDSON: Over 65, they broke out how many are over 65. [LB749]

RENEE FRY: So that would be available to some extent. [LB749]

SENATOR DAVIS: So as kind of a follow-up to Senator Schumacher's question... [LB749]

RENEE FRY: Yeah. [LB749]

SENATOR DAVIS: ...about the fairness of taxation in terms of earned income versus unearned income and taxing earned income on people who are probably working because they need to, and then you talked about...I think you said 40 percent of people are already exempt from income... [LB749]

RENEE FRY: Forty-five percent of income as of the last statistics of income. So the Department of Revenue should have a new report coming out sometime in February, but their last statistics of income was 2015 and it was for years 2013...and as of 2013, 45 percent of that Social Security income was...make sure if I say this correctly... [LB749]

SENATOR DAVIS: Was exempt, and can I assume that's because the income was below median? [LB749]

RENEE FRY: Forty-five percent was taxed, so 55 percent was exempt. [LB749]

SENATOR DAVIS: Was exempt. [LB749]

RENEE FRY: But that was prior to LB987, so...because that was 2013 data. So over the next couple of years you're going to see that number is going to increase. [LB749]

SENATOR DAVIS: That's the indexing. [LB749]

RENEE FRY: Yeah, the indexing, but it also had... [LB749]

SENATOR GLOOR: The big jump. [LB749]

RENEE FRY: ...the increase in the... [LB749]

SENATOR DAVIS: The big jump, yes. [LB749]

RENEE FRY: Yeah, the big jump, so that number will change. So I'm saying even before that change, 55 percent of Social Security income was exempt at that point. [LB749]

SENATOR DAVIS: And that 55 percent was exempt because it fell below... [LB749]

RENEE FRY: Right, the thresholds. [LB749]

SENATOR DAVIS: ...the threshold. Thank you. [LB749]

RENEE FRY: And you never tax more than 85 percent in Nebraska, just to clarify that as well; that is the maximum that's taxed here. [LB749]

SENATOR DAVIS: Thank you. [LB749]

SENATOR GLOOR: Seeing no further questions, thank you. [LB749]

RENEE FRY: Thank you. [LB749]

SENATOR GLOOR: Anyone else in opposition? Anyone in a neutral capacity? Good afternoon. [LB749]

DAVID DROZD: (Exhibit 8) Good afternoon, Senator Gloor and members of the committee. My name is David Drozd, last name spelled D-r-o-z-d, and I'm the research coordinator at the Center for Public Affairs Research at UNO. And I've had the opportunity to testify before the Revenue Committee in neutral capacity several times before, as well as at the Tax Modernization Committee. And I always view my role as to try to put some data onto this debate in which the tax and revenue discussion takes place. That's what I'll try to do again today not only for perspective on this particular bill but many of those that you'll have hearings on in the next several weeks that are related and relevant. So I've been in my position for 12 years and over that time there are a few things that are clear to me from the data and putting things together. Number one is that Nebraska does lose population from age 55 to age 74. As Senator Gloor mentioned earlier, we do get some people to come back after age 75, but we do lose the people in that primary retirement age, leading up to it, and once people are in retirement. And that is important because we're currently at a time frame in which you know that we have a large number of baby boomers at or coming into those ages at which they're apt to move out of the state. And of course, as they go, they will take the income and spending and the taxes that they pay along with them. So Nebraska will not be able to collect that. I've also learned that taxes do have an influence on people's decision on where to live. In general they follow their economic best interest from relatively high-taxing places to relatively low-taxing places. As discussed, weather also does have an influence but we cannot change the weather, as we know. But we can influence policy a little bit. Weather is not the whole factor in all circumstances because other data from IRS shows that in the 14 out of the last 15 years Nebraska has indeed lost population to both Wyoming as well as South Dakota, places that have similar weather to what we do. So there are a lot of different facts that go into people's move decisions. But the tax policy is one of them. I did want to go over some new data that's available for the first time from IRS and that was the packet that's coming around. So in the past what IRS has done is they've released either state-to-state or county-to-county migration flows based upon the tax ID number of the filer and where they file from one year to the next. And they have released that with adjusted gross income and that is where some of the data from that How Money Walks report comes from. For the first time last summer and fall they released a more detailed cross tabulation by age category as well as income category. So I've summarized some of that information for you. The first page looks at people who are 55 or older and have a relatively high income of $100,000 or more. And this is for a couple of one-year periods early in the 2010s here. And what we see is that Nebraska is about at the bottom ten for the net mover rate of people with these characteristics, so again kind of the Social Security relevant population who will have to pay the tax and might be apt to move. The, again, ranking 41st, if you look at the bottom ten states on the back, a lot of those states have at least a reputation of being high tax, such as California, Maryland, Connecticut, New York, New Jersey, and Illinois. I also note that Nebraska ranks worse on this than other states that might have a relatively high-tax reputation, such as Massachusetts and Michigan, District of Columbia, Rhode Island, etcetera. So it just shows that we're not being real competitive in keeping our older population that does have a relatively high income for whom taxes are going to be a potential issue. The next slide that's a graphic is just looking at that particular set of numbers and how our border states are. You'll see that Nebraska ranks worse than each of our surrounding states. The next sheet takes a look and puts it into comparison versus, again, that high-dollar value of $100,000 or more adjusted gross income and looking at younger age groups. And I just pulled two of them the way IRS breaks the data. And what’s interesting here is that Nebraska is in the middle of the pack on this. So even though we have a lot of brain drain issues, we're actually holding our own in looking at people with higher income who are of early working or mid-working ages. So that's positive and it just shows that again where we're not relatively competitive is on the older side for the various reasons. The other two pages are more for reference. There's one that looks at even higher income of $200,000 or more and, finally, a look at the other states that surround us on a graphic. So to conclude I would just mention that this discussion again takes place in the context of Nebraska being on the cut line for keeping our current three congressional seats come the 2020 census. So anything we can do to help keep our population will help keep that representation, which impacts all of Nebraska. Additionally, we do know that rural areas are concentrated with a lot of baby boomers. So if they happen to lose more population, there might not be as many people left given a lot of younger people have moved out already. And then finally, as people move away, we not only lose their taxation but all of their skills, their talents, volunteerism, leadership--we've seen leadership issues in a lot of rural Nebraska where population has moved away--so it's just important to focus on that from a population perspective. So I will close my comments there and happy to take your questions. [LB749]

SENATOR GLOOR: Senator Brasch. [LB749]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, David, for your testimony here. [LB749]

DAVID DROZD: Yes. [LB749]

SENATOR BRASCH: And you've mentioned you've testified on numerous occasions and I'm very interested and a little surprised. You're with the University of Nebraska at Omaha? [LB749]

DAVID DROZD: That's correct. [LB749]

SENATOR BRASCH: And so the university has a department or a division that follows the Revenue Committee or the Legislature to... [LB749]

DAVID DROZD: No, we're the census folks. So in the prior testimony, what was handed out, those are projections from us. So every state has a liaison to the Census Bureau. In our case it's handled at the university through our office to help work with their data, release it to policymakers and media, things of that sort. [LB749]

SENATOR BRASCH: So you're with the federal census or are you... [LB749]

DAVID DROZD: No, we're university, but we kind of have an agreement with Census (Bureau) that we house what's called the Nebraska State Data Center, that liaison group that works with their data and... [LB749]

SENATOR BRASCH: But funded through the university. [LB749]

DAVID DROZD: Yes, yes. [LB749]

SENATOR BRASCH: And so they... [LB749]

DAVID DROZD: And so we have no ties to federal funds of that...for census or anything like that. [LB749]

SENATOR BRASCH: Okay. I just thought it was interesting that I look at the university as being a learning institution. [LB749]

DAVID DROZD: Yeah, so... [LB749]

SENATOR BRASCH: And you're a reporting institution or... [LB749]

DAVID DROZD: Research, and so basically the demographics as they tie in, so we have worked with the Planning Committee to help provide a variety of things not only on true demographics but ag sales and receipts and returns. You know, anything that's kind of policy relevant we try to help keep track of and put into a format that's usable. [LB749]

SENATOR BRASCH: I truly don't have a question. I was just very interested on the university's role in providing data to the State Legislature. [LB749]

DAVID DROZD: Exactly. And that's why we stay neutral on these types of things because we just want to try to add facts in the debate. And, you know, it's very difficult to disaggregate why people move and what their preferences are. You know, I would tend to say that older people are going to be more in tune with the taxation issue. You know, they're no longer looking so much for jobs, of course, they're no longer looking for schools for their children. And maybe schools are one reason why we tend to perform better among higher income at middle age because we do have such high-quality schools in the state. They get high rankings. So I think older people are more in tune to the tax issue and that's again why it would be policy relevant. [LB749]

SENATOR BRASCH: I have no other questions. Thank you. [LB749]

SENATOR GLOOR: Thank you. And Senator Sullivan in the past, certainly Senator Schumacher and I currently serve on the Planning Committee, and the university since the beginning of the Planning Committee has, in fact, been the research branch for us. They don't bring issues to us. We prioritize and take issues to them and then they gather the data for us. [LB749]

SENATOR BRASCH: Okay. [LB749]

SENATOR GLOOR: Senator Scheer. [LB749]

SENATOR SCHEER: Thank you, Senator Gloor. And I was going to ask some rationale and that may not be your wheelhouse but I...from listening to the earlier testimony, and I don't disagree that from the vantage point that Iowa in this case maybe has somewhat better tax policy, they actually lose more people at age 55 and older--raw numbers--than Nebraska does. And that sort of surprised me. I mean they both are relatively small numbers as far as percentage of their total population. I get that. But it makes me wonder if the tax policy is really that predominant in relationship to the migration because, as one gentleman said, Iowa does have a better climate to a certain extent for retirees who go across the river and reduce that tax burden, at least from a Social Security standpoint. But yet they're losing almost, you know, they're losing 600 people 55 and older a year and Nebraska is losing 400. Now I don't know where they're going. But that just seemed sort of odd. I would have thought with maybe a...if they do indeed have the better tax climate, why they would be losing as well. [LB749]

DAVID DROZD: A couple thoughts there. Of course, Iowa is a bigger state than ours, so it's not surprising they have a higher number. And that's why we focus on the rate to try to equalize that as we can. But Iowa is also quite a bit older than we are, so they have more of their population concentrated in that older demographic. So that again might be one reason--well, they have more churn or more people who are heading outward. This particular data again is from the early 2010s, so it really doesn't reflect the time frame post when their policy got phased in and is fully functioning. [LB749]

SENATOR SCHEER: Oh. [LB749]

DAVID DROZD: And then after that it takes a little bit of time for people to kind of become aware of the differences, kind of feel it out or hear through the grapevine or their tax person that maybe you'd be better off. But the issue again might be in are we holding our own and is our policy set up so they don't leave in the first place. But then again on that return migration, which is very important, you know, a person is a person in population perspective and that's what we focus on. You know, we do have people come back who are 75-plus, 80-plus. And again, now it's easy to locate across the river and still be near your family maybe who are millennials and they're with their grandkids and whatever and still 15 minutes away but in a tax environment that's much different, whether Omaha, Sioux City area, or in the South Dakota region of that border part of the state, so. [LB749]

SENATOR SCHEER: Okay, thank you. Thank you, Senator Gloor or Senator Schumacher. [LB749]

SENATOR SCHUMACHER: A couple of questions if no one else has one right now. This is for age--on the first sheet--ages 55 and over $100,000. A couple things strike me: the smallness of the numbers over, what, two years? Is that what this... [LB749]

DAVID DROZD: This is an average of the two periods of data, so they'd be like annual numbers but they... [LB749]

SENATOR SCHUMACHER: These would be annual,... [LB749]

DAVID DROZD: Yeah. [LB749]

SENATOR SCHUMACHER: ...so only 400 people. [LB749]

DAVID DROZD: These are returns so it could be, you know, more people if they're married and such. But it is a relatively small number who hit that high level of retirement actual income. [LB749]

SENATOR SCHUMACHER: If we took the population strata more normal than $100,000--$100,000 is getting up there for Nebraska--between $40,000 and $60,000, what would these numbers look like? [LB749]

DAVID DROZD: You know, that's why I like to provide these, because I just try to do something logical and then all that data is out there. It's just a matter of running it. So we're held within the confines of what IRS put out. The nice thing about this data is it's all returns, so it's not like subject to a sample or something that we sometimes get from various surveys. But that's why I did 26 to 34, I believe it was, on the age bracket, because that's what they provided, you know, that there's...couldn't do 26 to 30 even if I wanted to because it wasn't available. So within...wherever they break those income categories this same run could be provided. I'm pretty sure that there's actually a third year of data now from 2013 to '14. They put it out but then they retracted it because there were some mistakes and I haven't been to the site in the last couple weeks to see if there's the update. But our office would be happy to pull these numbers together because it's quite a cumbersome data set to work with, with all these different categories and in movers and out movers and nonmovers. But it's obviously going to be a substantially larger number the lower you let the income threshold be. [LB749]

SENATOR SCHUMACHER: One of the hypotheses that we've kind of been working on is that we're trying not to burden younger people and that if you do bigger cuts--we've already done in Social Security--that becomes a bigger and bigger number because people...we're having the baby boomers that are getting into that category. And what's kind of interesting is that this might accidentally be working, even though not with huge numbers, is that we are at least on the positive side of the scale for migration between that 26 and 34 group. [LB749]

DAVID DROZD: Yeah. I was pleasantly surprised to see that we were holding our high-income younger people to the degree that these data indicated. Granted, it's a time frame in which Nebraska was relatively strong migrationwise, you know, as we held our own in the Recession better than most other parts of the country. So, you know, from a different time frame might be a little bit less positive. But, you know, there is this issue of the shift and then who do you want to tax and, if you tax somebody, somebody else is more burdened. And that's a very different question. We're not really policy people. But I do think that the younger population is not quite as in tune to making their location decision based upon that tax issue and that the older people will follow that a little bit more closely so that, you know, obviously you don't want to put any extra burdens if possible, but they just might not be quite as price sensitive to, you know, the shifts that people might see. [LB749]

SENATOR SCHUMACHER: How do we know that these numbers are tax driven and not driven by something else? [LB749]

DAVID DROZD: It's hard to disaggregate and that's why we try to put the different sources together. So in this data set we can't see where people are going, so we don't know which state to which state is in this release. There's just a "for Nebraska overall at these ages and these incomes, here is what the net returns were." Other data would show us again that we do lose people not only to the Sun Belt but also places like Wyoming and South Dakota and that's important to try to put that all into perspective to see how much is weather related, personal lifestyle related, or how much is something policy related that we can actually change and address. And I think the fact is that we...it indicates that we're not real competitive. And given that both Iowa and Missouri have phased out their tax on Social Security, we're a little bit less competitive than we were even a few years ago, so these numbers might soften as we go forward. And, you know, they must have found a way to make that happen, because I know that some of the discussion has been about, well, how do you...who are you not going to tax or who are you going to raise taxes on if you make this cut over here? Well, I think Iowa and Missouri found a way to do that. And maybe following their example, whatever it is--I can't say that I know what they cut or how they adjusted that loss of revenue--but we don't have to reinvent the wheel here. Perhaps maybe we can look at what some of the other states have done to try to address those concerns. [LB749]

SENATOR SCHUMACHER: Thank you. [LB749]

SENATOR GLOOR: Seeing no further questions, thank you for your testimony. [LB749]

DAVID DROZD: Thank you. [LB749]

SENATOR GLOOR: Anyone else in a neutral capacity? Senator Lindstrom, would you like to close? [LB749]

SENATOR LINDSTROM: Thank you, Mr. Chairman, committee. Thank you to all the testifiers today. I thought it was a very enlightening process and a lot of information. I would make the suggestion that maybe people are leaving Iowa because they're sick of being Hawkeye fans (laughter) and that might not be part of the equation. But again, I know you all will hear about issues this session and I think this is an important one moving forward, especially with the demographics and the baby-boom generation growing older. So I'd just urge you to support and pass or move along LB749. So thank you very much. [LB749]

SENATOR GLOOR: Thank you. Any final questions? Seeing none, thank you. [LB749]

SENATOR LINDSTROM: Thank you. [LB749]

SENATOR GLOOR: (Exhibits 9-11) And I would read into the record proponents: Al Mumm with the Nebraska Alliance for Retired Americans; Robert Bussmann, Nebraska Association of Retired School Personnel; Jason Hayes with the Nebraska State Education Association. And then, members, you'll also have a copy of letters from at least two of those individuals. And with that we'll end the hearing on LB749 and move to LB763. Senator Garrett, thank you for your patience. [LB749]

SENATOR GARRETT: There's not a trap door below me, is there? [LB763]

SENATOR GLOOR: Pardon? [LB763]

SENATOR GARRETT: There's not a trap door below me where you hit a switch? [LB763]

SENATOR GLOOR: No, we have it wired but there's no trap door. [LB763]

SENATOR GARRETT: (Exhibits 1 and 2) (Laugh) Good afternoon, Senator Gloor and esteemed members of the Revenue Committee. I'm Senator Tommy Garrett, T-o-m-m-y G-a-r-r-e-t-t, representing the people of Bellevue and Papillion and Sarpy County who live in District 3. Today I'm introducing LB763, a bill to make Nebraska more competitive with neighboring states while honoring our active-duty servicemen and -women. As most of you know, I'm a huge champion for veterans and doing everything possible to ensure that Offutt Air Force Base stays off any future base realignment and closure, or BRAC, list and that we keep the 55th Wing at Offutt Air Force Base. This bill, LB763, the Honoring Our Military Exemption Act, is another in a series of bills that I have brought and will continue to bring in order to achieve these goals. LB763 allows active-duty military whose home of record is Nebraska and whose legal residence is a state other than Nebraska to reacquire legal residence in Nebraska and receive an income tax exemption if the individual on active duty can show evidence of their intent to make Nebraska their home. I have firsthand experience with the topic. When I was commissioned as a second lieutenant in 1976, I was a Colorado resident. After active-duty assignments in California, North Dakota, Wyoming, Germany, and Nevada, all the while paying Colorado state income tax, I finally had had enough. I was paying Colorado state income tax when I hadn't lived in the state in 12 years. As most of you know, military members don't make a lot of money, so paying a state income tax when you don't currently reside in the state just doesn't pass the logic test. I know from talking with my brothers and sisters in arms it was a very common practice for them to take out residency in a state where they will not have to pay state income tax. LB763 will require the active-duty member to prove one of the following: they are registered to vote in Nebraska; have purchased residential property in Nebraska; (3) have titled or registered a motor vehicle in Nebraska; (4) have prepared a last will and testament and that indicates Nebraska as the individual state of legal residence; or (5) have notified the state of the individual's previous legal residence that the individual intends to make Nebraska their state of legal residence. This exemption would take effect on or after January 2017. Both Iowa and Colorado passed the military tax exemption bill last year. As a matter of fact, that's where I got the idea about coming up with this. Iowa and Colorado had both passed the bill. As most of you know, South Dakota, Wyoming, Florida, Nevada, Texas, and Alaska do not have a state income tax. As a matter of fact, there are 30 states that do not tax military income. I am mindful of our current state fiscal situation but ask that you consider the actions of our neighboring states when you consider this and other tax exemption proposals. This really will have no fiscal impact. There is a programming cost which they've estimated to be about $52,000. Colorado was able to do it for $25,000, just strictly a programming cost. I believe it will have a very minimal fiscal impact in the short term and will help ensure the state will see growth occur as a result of taking steps to pass this legislation. And it will be another step to help ensure we keep Offutt Air Force Base off of any future BRAC and keep the 55th Wing at Offutt Air Force Base. This bill will allow proud Nebraskans serving in our armed forces to proudly keep their title as Nebraskans. And I'd like to entertain any questions that you might have. [LB763]

SENATOR GLOOR: Thank you, Senator Garrett. I don't understand why the fiscal note is so low if we're talking about an exemption. That's one question. But the other question is, why did you pick the five? It's one of those five criteria for... [LB763]

SENATOR GARRETT: Yeah, we modeled it after what they did... [LB763]

SENATOR GLOOR: Okay. [LB763]

SENATOR GARRETT: ...in Colorado. And quite honestly, you know, Senator Krist, when I talked to him, he said when he was in processing originally in the military that was one of the things they said is, what's your state of residency going to be, because nobody...I would hazard to guess we couldn't find a number. But active-duty military members from Nebraska who are serving outside of Nebraska I doubt very seriously...you know, I felt like kind of a sucker. I mean after 12 years we were going to have our first child and I was thinking, why am I paying Colorado state income tax when I'm not making much to begin with and we're going to have a child? And it just didn't make any sense. So I was in Nevada. I took out Nevada residency. But most of my brothers and sisters in arms, Florida--and there are a lot bases in Florida--Texas, Nevada, Wyoming, it's just a fiscal reality. So I think the fiscal note on this, again, this will be for folks after 2017, January 2017. [LB763]

SENATOR GLOOR: Okay. Questions? Senator Brasch. [LB763]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Senator Garrett, for bringing this to our attention. When you're saying on active duty, it could be active duty not deployed overseas or just specifically how? Can you explain that? [LB763]

SENATOR GARRETT: On active duty outside the state of Nebraska, so they could be serving on active duty down in Florida, they could be serving over somewhere in the Middle East, Germany, Japan, Korea. It could be anywhere, but living outside...you know, a Nebraska resident that got enlisted or got commissioned and is serving outside the state. [LB763]

SENATOR BRASCH: Serving outside the state. [LB763]

SENATOR GARRETT: Right. [LB763]

SENATOR BRASCH: Okay. [LB763]

SENATOR GARRETT: When they come back to the state, clearly, they would be paying state income tax. [LB763]

SENATOR BRASCH: Okay. And I just did want to add that I think it's been like three years ago or more I was taking a flight from Lincoln for my occupation other than legislation. And I met an outstanding young man who has a career in the military as well. And he lived in Texas but he was flying home--and this is why he was outstanding--flying home to visit his mother. But he said that he became a Texas resident because of our taxes on active duty. And Senator Avery at that time was his senator and I connected the two together. But that was a very compelling argument at that time for him. He felt on active duty he should be not paying income tax, so. [LB763]

SENATOR GARRETT: Exactly. And it's like we're charging them to be...call themselves Nebraskans because when they're not living in the state and they're not benefiting from the taxes that they're actually paying they're just...you know, that's what I felt like from being from Colorado. I'm paying just to say I'm a Colorado resident when I haven't lived there in 12 years. So I think that's...and again, when I was a second lieutenant I think I made $12,000 a year. And when I paid almost $1,000 in state income tax, it wasn't quite that, but it just doesn't pass the giggle test and can... [LB763]

SENATOR BRASCH: But like Chairman Gloor, I was very surprised that the fiscal note was only $55,000 on this. [LB763]

SENATOR GARRETT: Yeah. And I actually think it's going to be a lot lower because this is just for programming. And like I say, I would hazard a guess there's not too many Nebraska residents who are serving on active duty out there that haven't taken out residency in some other state. I mean it just...it's the fiscally smart thing to do. And again, my intent with this is I'm looking for every angle I can possibly look to make Nebraska a more inviting place so that if there is a BRAC...you know, there is a whole report card, a whole litany of items they look at: how supportive the state and the local community are for the military and veterans. And you've got to keep Offutt Air Force Base off the BRAC. And there's going to be a BRAC. There's 30 percent excess capacity with bases. And my fear is that if there's not a BRAC, that the Air Force is going to try and relocate the 55th Wing. So I want to do everything possible. And again, this is a principled, responsible thing to do. I know we have fiscal challenges here in the state, but I think this will be a minimal cost to the state and it will help position ourselves. [LB763]

SENATOR BRASCH: Very good. Thank you. [LB763]

SENATOR GLOOR: I would just say I think about this in my own personal circumstance. This has been a long time ago. But when I was stationed overseas I maintained Nebraska as my home of residence because I wanted to vote. I mean I knew all of the people who were running for various offices, and so I wanted to maintain my ability to vote in Nebraska elections. And that was primary to my issues related to tax. I made I think half of the amount you were talking about (laughter) and so, you know, paying taxes wasn't that big an issue to me. I also wasn't as savvy as I should have been about taxes at that time. But it wasn't going to be a big number for me and I wanted to vote so I...it wouldn't have been much lost income for the state, number one. But number two is I was an example of somebody who went overseas but kept their residence as the state of Nebraska even though there would have been other options for me but...Senator Scheer. [LB763]

SENATOR SCHEER: Thank you, Senator Gloor. In response to the comments, I think Senator Garrett is absolutely correct. And I wasn't even aware...I mean I didn't serve. And God bless you for serving. But when I recall when my son graduated from college, there were three or four fellas that I knew that were in the ROTC program and were all getting ready to go in. It was graduation and we were talking and that was the conversation. The three of them were talking about, what state did you pick? I said, well, what, you know, what is this, the lottery, I mean, you get to pick whatever? They said, well, yeah, you go in and they're not...I mean they are very candid about it. I mean they...the services are. If you don't want to pay taxes, here's the list of states that don't charge taxes. You can be a member of any one of those states automatic. It's approved by the government. You pick whatever you want. And conversely, they do get to vote but, you know, on a national basis they get to vote on the ones... [LB763]

SENATOR GLOOR: Yeah. [LB763]

SENATOR SCHEER: But, yeah, I mean, and all three of those had picked a state that they had not been raised in. So it wouldn't surprise me at all if there was...I mean there may be a couple like you, Mike, but I would venture to say very, very few that... [LB763]

SENATOR GLOOR: That comes up a lot. [LB763]

SENATOR SCHEER: ...would pick their home state if it was not one that was (inaudible) because that's part of the deal. You don't make a lot of money, so don't give it to the government, you know, keep it. And so I could see where it would not have...I mean it's one of those principle things, not necessarily a financial thing. It just...because they're not going to pay, so it just depends if you want to try to keep them as a resident that at some point in time they may come back to the state or at least they feel an allegiance to the state. That's great but, you know, that's the only way we're going to do it. [LB763]

SENATOR GARRETT: Yeah, we really...you know, we never want to seem like we're mercenary, like we're doing...you know, again, when you join the military you're not making a whole lot of money to begin with, so. But, you know, at the time when I was from Colorado I was proud to say I was from Colorado. But when it comes at such a cost and you, you know,...it gets tough, tough to justify fiscally. [LB763]

SENATOR SCHEER: Thank you, Senator Garrett. And thank you, Senator Gloor. [LB763]

SENATOR GLOOR: I'll bet you didn't root for the Broncos back then though. [LB763]

SENATOR GARRETT: Hardcore. [LB763]

SENATOR GLOOR: Senator Schumacher had a question, then Senator Davis. [LB763]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you, Senator Garrett, for bringing the bill. I must admit I don't quite have my...understand the mechanism here, so if you'll bear with me and walk me through something. You have a serviceman at Offutt and the guy is presently a Nebraska resident, okay, and he's earning income in Nebraska. Do we tax that income now? [LB763]

SENATOR GARRETT: Yes. [LB763]

SENATOR SCHUMACHER: Okay. And with this in force, would we tax that income? [LB763]

SENATOR GARRETT: If you're in Nebraska, you're paying state income tax, if you're living in Nebraska. If you're outside of Nebraska, you would not. [LB763]

SENATOR SCHUMACHER: So right now, if that same serviceman moves to a base in Texas, he doesn't pay us tax anymore. [LB763]

SENATOR GARRETT: With passage of this bill he would not have to pay state income tax assigned outside of Nebraska. [LB763]

SENATOR SCHUMACHER: Let's say he moves to New York where they have an income tax. [LB763]

SENATOR GARRETT: Right. [LB763]

SENATOR SCHUMACHER: Okay. Who does he pay his tax to? [LB763]

SENATOR GARRETT: Well, currently, if he's still a Nebraska resident, he would still be paying Nebraska state income tax. But what we're saying is after 2017, when they have the ability to take out residency in some other state, we don't want them to do that; we won't tax them; we won't tax their military pay when they're assigned outside of Nebraska. [LB763]

SENATOR SCHUMACHER: So everybody who makes their money by physically being at Offutt still pays Nebraska tax. [LB763]

SENATOR GARRETT: Right, right. [LB763]

SENATOR SCHUMACHER: Okay, and...but if somebody who is carrying a California driver's license turns in his California driver's license and gets a Nebraska driver's license and then moves and goes to a base in Florida, he won't pay us any tax. [LB763]

SENATOR GARRETT: Right. [LB763]

SENATOR SCHUMACHER: But would he pay us tax today if he went to that base in Florida? [LB763]

SENATOR GARRETT: Yes. [LB763]

SENATOR SCHUMACHER: So even though he's working for the military, earning the income in Florida,... [LB763]

SENATOR GARRETT: And he'd be...he's a Nebraska resident. [LB763]

SENATOR SCHUMACHER: Because he's carrying a Nebraska driver's license, he's paying us tax. [LB763]

SENATOR GARRETT: If he's declared residency for Nebraska, yes, he would be paying us state income tax. [LB763]

SENATOR SCHUMACHER: And if he... [LB763]

SENATOR GARRETT: But I honestly don't know why someone from California or from another state would take out Nebraska residency when...especially if they go to a place like Florida where they could not have to pay any state income tax. [LB763]

SENATOR SCHUMACHER: So I guess with no cost there's usually no gain and I was trying to figure out how this works. What do we gain by this? [LB763]

SENATOR GARRETT: Well, we gain the fact that we're being military friendly, we're being veteran friendly. [LB763]

SENATOR SCHUMACHER: But we're still taxing them. They're here in Nebraska and we're still taxing them while they're here. [LB763]

SENATOR GARRETT: While they're here but, again, when they're outside the state we're...and that was my whole point about being a Colorado resident. I hadn't lived in Colorado for 12 years but I was still paying Colorado state income tax and it was, why are you doing that? [LB763]

SENATOR SCHUMACHER: So the Nebraska serviceman who is now earning his income and his check on a Florida base down the homestead... [LB763]

SENATOR GARRETT: ...is paying Nebraska state income tax. [LB763]

SENATOR SCHUMACHER: ...is sending a check back here. [LB763]

SENATOR GARRETT: Yeah. [LB763]

SENATOR SCHUMACHER: And all he'd have to do to get out of it is say, I'm a former resident. [LB763]

SENATOR GARRETT: Just go to the consolidated base personnel office, the CBPO, and say, I want to change my state of residence to Florida, to Texas, to Alaska, to Nevada, to Wyoming. [LB763]

SENATOR SCHUMACHER: Now once he moves, if we do this and the guy moves back from Florida to Nebraska, does he then resume paying Nebraska tax? [LB763]

SENATOR GARRETT: Yes, if...the whole point would be when they're outside of Nebraska not having to pay state income tax. [LB763]

SENATOR GLOOR: If this bill passed, not currently. [LB763]

SENATOR SCHUMACHER: Okay. All right. Thank you. I think I understand. [LB763]

SENATOR GLOOR: Senator Davis. [LB763]

SENATOR DAVIS: So, Senator Garrett, I've probably got a few of the same kind of questions that Senator Schumacher had. But I don't understand how we can have...we can exempt this income from people who are Nebraska residents and have no fiscal note. Can you explain that to me? [LB763]

SENATOR GARRETT: This is going to happen for after 2017, January of 2017, so those military members again that...again, I don't know of anyone like Senator Gloor who continues to pay Nebraska state income tax in the military when there is somewhere else and they have the ability not to have to pay that state income tax. [LB763]

SENATOR DAVIS: So what do...why...how does this make us more military friendly? [LB763]

SENATOR GARRETT: Well, by...we're doing what 30 other states have already done is not charging you state income tax for those military members that are...some of those states don't have any state income tax at all and some just don't...like Iowa and Colorado last year passed a law that exempted the military pay for members outside the state from having to pay. [LB763]

SENATOR DAVIS: But there will be a fiscal note after 2017. [LB763]

SENATOR GARRETT: Well, that is if there's people from Nebraska who decide that--and they're in the military--that decide that they're going to pay the tax anyway, I mean. But again it's anyone with any thought about being financially prudent would not choose to do that. I mean Senator Gloor said so he could vote in local elections. But, yeah,... [LB763]

SENATOR GLOOR: I would be the odd (inaudible)... [LB763]

SENATOR GARRETT: ...I could still vote in national elections when I took out Nevada residency and I could vote in local Nevada... [LB763]

SENATOR DAVIS: So because... [LB763]

SENATOR GARRETT: So I guess if it's worth all that money for you to vote locally, then maybe you'd still want to pay those taxes. [LB763]

SENATOR DAVIS: So if we don't make the change they will still be able to vote locally. [LB763]

SENATOR GARRETT: If we... [LB763]

SENATOR DAVIS: I mean if we do make the change they'll be able to vote locally. [LB763]

SENATOR GARRETT: Yes, because they'll still be Nebraska residents. [LB763]

SENATOR DAVIS: Okay, now one other question that I have and this comes about because of some issues in the Retirement Committee. How do you define what active duty is? [LB763]

SENATOR GARRETT: The technical definition I guess is you're serving on active duty orders. That's your primary job. [LB763]

SENATOR DAVIS: So what about the reserves? [LB763]

SENATOR GARRETT: The reserves are exactly that. If they get mobilized, a reservist or a National Guard may get mobilized under Title 10 when they're actually going overseas to serve in Iraq, Afghanistan, or wherever. [LB763]

SENATOR DAVIS: Is that considered active duty? And then that's where I'm leading to, my next question. [LB763]

SENATOR GARRETT: That would be considered active duty. So while they're deployed on active duty orders, after 9/11 there were reservists and guardsmen that got mobilized for sometimes years, and so they're serving outside the state on active duty orders then. [LB763]

SENATOR DAVIS: So as this plays out in the Retirement Committee, we had a specific defined benefit class which has members who are on active duty. Two years...in 2011 they were called, these National Guard reservists were called to do some active duty within the state of Nebraska and it was about a month's worth of work. So what's going to happen to that? Is that going to need to be quantified if something like that were to happen? [LB763]

SENATOR GARRETT: I don't know that it would. I would have to get back with you on that. We'll do some research and look at that and see. [LB763]

SENATOR DAVIS: I think maybe that's something we ought to know how that would be dealt with because obviously those people were still within the state of Nebraska, were Nebraska residents,... [LB763]

SENATOR GARRETT: Yeah. Yeah, I... [LB763]

SENATOR DAVIS: ...and were on active duty, however, within the state itself. [LB763]

SENATOR GARRETT: Yeah. [LB763]

SENATOR DAVIS: You see what I mean? [LB763]

SENATOR GARRETT: Yeah. Again, my original intent with this was the fact that, you know, looking for something we could do for our active-duty military. And thinking back about my own personal situation and circumstances I thought, hey, here's something else that really shouldn't cost the state much, if anything, that we could do. Offutt Air Force Base has a $1.3 billion annual impact on our state economy. And again, I don't want to sound like Chicken Little, but I'm deathly afraid of BRAC and/or just the Air Force deciding to move the 55th Wing. [LB763]

SENATOR DAVIS: Thank you. [LB763]

SENATOR GLOOR: Senator Brasch. [LB763]

SENATOR BRASCH: Thank you, Chairman Gloor. And I just wanted to circle back. The young man, I'll describe him as being 40 years of age. He had started as an enlistee. He climbed the ranks. He became a military trainer. But the way he explained it to me is while he was deployed, and I don't know if there is a difference between deployed and active duty, but that's what he found most disturbing was that while deployed and stationed in Texas or elsewhere, that he was required to pay Nebraska taxes, where in Texas, while deployed on active duty, you pay no taxes. So do you think maybe this low figure is thinking deployed active duty? And this is where he did change his residency but he flies home frequently because of his aging mother and...but still chooses to use Texas as his domicile, his place of residence, because of the military tax. [LB763]

SENATOR GARRETT: Texas doesn't have any state income tax at all. And when you're on active duty and you're deployed to a combat zone, there is a very specific definition, they tell you what countries that is. The first--and I don't know what the number is anymore--I think that first $90,000 that you make is exempt from federal income tax. That's when you're serving in a combat zone. [LB763]

SENATOR BRASCH: Deployed. [LB763]

SENATOR GARRETT: Deployed, yeah. [LB763]

SENATOR BRASCH: Okay, so but Nebraska taxes while deployed, Nebraska taxes... [LB763]

SENATOR GARRETT: As far as I know they do, yeah. [LB763]

SENATOR BRASCH: Okay. [LB763]

SENATOR GARRETT: We... [LB763]

SENATOR BRASCH: And maybe that was the difference here on his changing. He just thought that being deployed you should not pay taxes. [LB763]

SENATOR GARRETT: Yeah. If you're a Nebraska resident and you're serving on active duty and you're assigned to Texas, you're still paying state income tax, Nebraska state income tax. [LB763]

SENATOR BRASCH: So those who are working at Offutt Air Force Base, they're not considered deployed. They're just... [LB763]

SENATOR GARRETT: They're not deployed, no, right. [LB763]

SENATOR BRASCH: So they would still pay their taxes? [LB763]

SENATOR GARRETT: As far as I know. I'll double-check that... [LB763]

SENATOR BRASCH: All right. [LB763]

SENATOR GARRETT: ...and get back with you. But as far as I know, yes. [LB763]

SENATOR BRASCH: Okay. I have no other questions. [LB763]

SENATOR GLOOR: Senator Schumacher. [LB763]

SENATOR SCHUMACHER: Okay. Thank you, Senator Gloor. Just a bit of follow...the operative language seems to be Section 4, and that seems to say that if you've got your Nebraska driver's license back, for all practical purposes you shall receive a tax exemption as provided in 77-2716. And 77-2716, is that even in here? [LB763]

SENATOR GARRETT: I'm sorry, Senator, what page were you on? [LB763]

SENATOR SCHUMACHER: I was on page 2 at the bottom that if... [LB763]

SENATOR GARRETT: Okay. [LB763]

SENATOR SCHUMACHER: Basically, if you get your Nebraska...arrange to get your Nebraska driver's license back rather than the Florida one you're carrying around, you will get an exemption under 77-2716, number subsection (15). I guess that's not in here though. [LB763]

SENATOR SULLIVAN: Yes, there is. [LB763]

SENATOR SCHUMACHER: Is it? [LB763]

SENATOR SULLIVAN: Page 4. [LB763]

SENATOR SCHUMACHER: Is it on page 4? It's under subsection (15). [LB763]

MARY JANE EGR EDSON: Page 11. [LB763]

SENATOR SCHUMACHER: Page 11. [LB763]

SENATOR SULLIVAN: Page 11, oh. [LB763]

SENATOR SCHUMACHER: Okay. So this just exempts the active-duty income. If that serviceman happened to own a farm in Nebraska and was getting rent, that would not be exempt. [LB763]

SENATOR GARRETT: That should not be exempt. We're just talking about his active-duty pay, his military pay. [LB763]

SENATOR SCHUMACHER: Okay. [LB763]

SENATOR GLOOR: Any other questions for Senator Garrett? Thank you, Senator Garrett. I'm guessing you're staying to close. [LB763]

SENATOR GARRETT: Yes. [LB763]

SENATOR GLOOR: I will then move to proponents. I know we have at least one. [LB763]

GREG HOLLOWAY: One. Senator Gloor,... [LB763]

SENATOR GLOOR: Thanks for your patience. [LB763]

GREG HOLLOWAY: ...I appreciate you. No, I'm here to try to assist my fellow service members as much as I possibly can. My name is Greg Holloway, G-r-e-g H-o-l-l-o-w-a-y. I represent the Disabled American Veterans and the Vietnam Veterans of America and I am currently the chair for the Nebraska Veterans Council. It's my turn in the barrel. That's the way that goes. And the reason I'm here, this is basically not a veterans issue, which mostly I represent veterans issues. This is a military issue and, as you can see, those ones that this will certainly affect aren't in the state of Nebraska to testify. So maybe I could be a little bit of a voice for them. To answer some of Senator Davis' questions on eligibility and the definition of being active duty military, we have National Guard reserve units, Air National Guard reserve unit, we have Army National Guard reserve units here. Pretty quick the Air National Guard reserve unit is going to deploy. And once they deploy they will become what's called under federalized active duty for purposes other than training. Now that gives them the definition after they become un...when they're back from being deployed and they're back as a reservist, they still have the veteran's designation. But while they are carrying that explanation on what you are actually...is federalized active duty which becomes then those, the way I read this, would be the ones that would be tax exempt. Now Senator Gloor and I, when we were in, I don't think we had state sales tax, because I was in in '68. [LB763]

SENATOR GLOOR: That's true. [LB763]

GREG HOLLOWAY: So I don't think we had it. [LB763]

SENATOR GLOOR: Oh, no, we did for me, not for you, because you're much older. [LB763]

GREG HOLLOWAY: Oh, yes, I'm 69 (laughter). So we didn't have to worry about it. But, you know, most of these members of our reserve units and our National Guard, they're settled in Nebraska. They joined the National Guard because their family is here in Nebraska. And I had a wife and child when I went to Vietnam, as a matter of fact. Right now in 1968 I was sitting at Fort Lewis, Washington, waiting to go to Vietnam. February 28th is the day I left to go to Vietnam, so I was in that tropical Seattle, Washington, area. But they're established with their families, their wife and their children. And it's a quality-of-life issue also, not having to base them, that maybe they're deployed for six months, they wouldn't have to pay the sales tax for six months. Once they come back and return back from their deployment, then they would go back into probably staying there, paying their taxes. It's a quality-of-life issue. I was making...I was a sergeant, buck sergeant with no time-in-grade. I was making, like, with my allotment to my spouse, I was making like $250 a month back in 1969. Of course, gas was only 17 cents a gallon but where...when I...in the house I lived in off base we didn't have a refrigerator because we couldn't afford it. We had a freezer and we kept ice, made ice, and lived out of a cooler and ate C rations and a lot of pancakes, you know, so that...and these guys, these...the service members now actually while they're on deployment, boy, their income could drop drastically because they're losing their home work, their salaries from their regular jobs. And they could be on food stamps to start with, so we need to do whatever we can to alleviate some of the pressures of the family life for our service members that are serving our country honorably. I was drafted out of North Platte so I've never served--I was in two years--I've never served a day actually in Nebraska while I was in the military. I was always out of state somewhere for training and Vietnam. So that's the way it is and that's the...maybe I could explain just some of the issues that you had about who would be eligible and who is not. I was a county veteran service officer so I understand the laws on veterans laws but they apply to military services laws also. I'll answer any questions you have. But if not, please consider this and for all those guys out there. [LB763]

SENATOR GLOOR: Thank you, Mr. Holloway. [LB763]

GREG HOLLOWAY: The room is full. The room is actually full, you just can't see them because they're working to keep us safe. [LB763]

SENATOR GLOOR: Any questions for Mr. Holloway? Senator Schumacher. [LB763]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Mr. Holloway, for your testimony. I'm still trying to get my bearings on this. If you're a serviceman, a Nebraska resident, Nebraska driver's license, you're on a Colorado base, that's where you're serving your active duty,... [LB763]

GREG HOLLOWAY: Yeah. [LB763]

SENATOR SCHUMACHER: ...okay, Nebraska has an income tax on the book, Colorado has an income tax on the books, who do you pay taxes to? Do you pay them both? [LB763]

GREG HOLLOWAY: From what I understand, you're going to be paying Nebraska income taxes. And I'm not sure if Colorado is going to ding you for them or not. But here's what you're playing in Colorado for the taxes. You're probably paying their sales tax on their gasoline; you're paying the sales tax on their food if they have it; you're paying the sales tax on your apartment that you're renting if they have it. And I don't know about income tax there. [LB763]

SENATOR SCHUMACHER: Right now this bill just deals I think with income taxes. [LB763]

GREG HOLLOWAY: Just income tax. [LB763]

SENATOR SCHUMACHER: Okay, so, and I guess maybe we'll just...it's a legal question, maybe have to ask legal counsel to explain it to us, but whether or not you pay to both places or if you pay to one, you get a credit to the other, you know, how this is... [LB763]

GREG HOLLOWAY: That I don't know. [LB763]

SENATOR SCHUMACHER: Okay. Thank you. [LB763]

GREG HOLLOWAY: That I don't know. [LB763]

SENATOR GLOOR: Any other questions? Thank you. [LB763]

GREG HOLLOWAY: Thank you for indulging this old guy. I always enjoy coming and visiting with you. And I don't think we have any other veterans bills this year that we'll...I'll try to talk you into. So thank you. [LB763]

SENATOR GLOOR: Thank you. Any other proponents? Are there any opponents? Anyone in a neutral capacity? Senator Garrett. [LB763]

SENATOR GARRETT: Thank you, Chairman Gloor. I wanted to clarify something. The way our bill is structured, if you're currently a Nebraska resident serving on active duty, prior to January 2017, you will continue to pay state income tax if you're already doing so. If, however, after January 2017, you take out state residency in another state where you're serving... [LB763]

SENATOR SCHUMACHER: And that state doesn't have an income tax. [LB763]

SENATOR GARRETT: ...and that state doesn't have a state income tax, then you could subsequently qualify. If I remember correctly, when you changed your state of residency in the military I don't think you could change it again for a year. So if that...if you're currently a Nebraska resident serving on active duty and you're in another state, this isn't going to apply to you. That's why there's no fiscal note on this. If, however, after 2017 they were to take out state residency in one of those states where they're not going to pay state income tax, they could subsequently change it back and not have to pay a state income tax. Does that make sense? [LB763]

SENATOR SCHUMACHER: Can I follow up, a question? [LB763]

SENATOR GLOOR: Absolutely, yeah. [LB763]

SENATOR SCHUMACHER: Okay, so, you know, go back to the question I just asked. You're a Nebraska serviceman, Nebraska driver's license, Colorado base. [LB763]

SENATOR GARRETT: Um-hum. [LB763]

SENATOR SCHUMACHER: Both places have an income tax right now. [LB763]

SENATOR GARRETT: Right. [LB763]

SENATOR SCHUMACHER: Both places don't have this bill. Okay. Who do you pay taxes to? [LB763]

SENATOR GARRETT: If you're a Nebraska resident you're paying Nebraska taxes. The way our payroll is, it goes according to your state of residence, your home residence. So when you're on active duty, if your home state has a state income tax, that's getting deducted every month out of your pay. [LB763]

SENATOR SCHUMACHER: So likewise, if you're out at Offutt now and you've declared yourself a Florida resident, do we get any tax out of you? [LB763]

SENATOR GARRETT: No. [LB763]

SENATOR SCHUMACHER: Okay. [LB763]

SENATOR GARRETT: No, not if you're a Florida resident. [LB763]

SENATOR SCHUMACHER: What's that? [LB763]

SENATOR GLOOR: That's your answer. [LB763]

SENATOR SCHUMACHER: Okay, so if the servicemen at Offutt wanted to beat the system, they'd all declare themselves to be Florida or Wyoming or South Dakota residents. [LB763]

SENATOR GARRETT: Oh, absolutely, and that's what the vast majority of them do. They...you know, I've got friends who were stationed in Alaska that took out Alaska residency. Not only does Alaska not have a state income tax, they get a stipend every year because of the oil revenue, I mean, and we're talking thousands of dollars that the state pays these military members. [LB763]

SENATOR SCHUMACHER: So that's different from the bills we had other years which were on veterans who have retired. [LB763]

SENATOR GARRETT: Right, right. [LB763]

SENATOR SCHUMACHER: Okay, gotcha. Now I think I finally (inaudible)... [LB763]

SENATOR GARRETT: My old LB454 was going to exempt military retirement... [LB763]

SENATOR SCHUMACHER: Okay. [LB763]

SENATOR GARRETT: ...from state income tax. [LB763]

SENATOR SCHUMACHER: Okay, it's sinking in finally. [LB763]

SENATOR GARRETT: Yeah, this is active duty. [LB763]

SENATOR GLOOR: Senator Davis. [LB763]

SENATOR DAVIS: I guess that Senator Schumacher and I need to go to remedial school because I have not quite grasped it totally. So you can be stationed at Offutt, living in Nebraska, but not paying income tax because you've declared your residence in Florida, is that right? [LB763]

SENATOR GARRETT: Right, right. [LB763]

SENATOR DAVIS: And so then those people do not vote in Bellevue elections who do that? How does that work? [LB763]

SENATOR GARRETT: In the military we do a lot of absentee ballots, especially when you're overseas. But, yeah, you get a ballot from your home state. That's how you vote. [LB763]

SENATOR GLOOR: You vote in your home state. [LB763]

SENATOR DAVIS: But all in your home state, so the residents would be for their... [LB763]

SENATOR GARRETT: Yeah, yeah, and they can't vote locally, no. [LB763]

SENATOR DAVIS: They can't vote. Okay. Now to get back to this question that I had earlier about the reserves and someone being called up from Nebraska to serve in a flood situation or an earthquake and they end up in, we'll say, Florida or Louisiana for two months. So what happens to their pay then? They're not...they're deployed in Louisiana or they're deployed in Iowa. [LB763]

SENATOR GARRETT: You know what, let me check on that because now I'm wondering what the specific details would be on...there's got to be I think a limit. They, you know, if you're only out of the state for 30 days or a couple of weeks or...that doesn't make sense. [LB763]

SENATOR DAVIS: And, like, as I said, this issue actually came up with retirement when people were deployed during the 2011...was it 2011, Lydia, the floods? And it was the extensive period of deployment trying to deal with the situation there. So I just think that's something maybe I'd like to have an answer to if you're able to get that. [LB763]

SENATOR GARRETT: Okay, I could certainly do that. [LB763]

SENATOR DAVIS: Thank you. [LB763]

SENATOR GLOOR: Any other questions? Did you have anything... [LB763]

SENATOR GARRETT: Again, just in closing, I'm constantly looking for things that we can do for our veterans and for our active-duty members and all with the goal of trying to make us as military friendly a state as possible because that's...it's really interesting to look at a BRAC--base realignment and closure--report card because they literally look at everything, what we do, not just for the active-duty members, but veterans, their spouses, their families, their children. They look at everything. And so I want to try and do everything within our power--again, being fiscally constrained obviously--and I thought this was a good opportunity for us to do something that really wouldn't cost us much of anything. Colorado implemented it for a total of $25,000. That one article I handed out shows that. And so I think it's a responsible thing that we could do that shows our active-duty military that we're looking out for them. [LB763]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Garrett. [LB763]

SENATOR GARRETT: Thank you, Chairman Gloor. [LB763]

SENATOR GLOOR: (Exhibit 3) And I would read in, we have one letter of support from Colonel Dan Donovan, U.S. Air Force, retired, who is the president of the Heartland of America chapter of Military Officers of America. And with that we will end the hearing. [LB763]