



May 16, 2019

Dear Senator,

As you continue negotiations for comprehensive property tax relief, I write to reiterate National Taxpayers Union's (NTU) strong opposition to the inclusion of tax increases in any final package. NTU is concerned that the latest property tax relief proposal, Legislative Bill 183, continues to propose significant tax increases on consumers. To that end, NTU urges legislators to strike all tax increases and continue to address inefficiencies in the tax code.

Last month, I had the opportunity to testify in person before the Revenue Committee on property tax relief pay-fors. In my remarks, I strongly urged the committee to scrap plans to increase both the cigarette excise tax and sales tax rate as a funding mechanism for the legislation. While NTU is strongly opposed to the inclusion of tax increases, I also highlighted our support for the sections that broaden the sales tax base by applying tax to goods and services that currently enjoy exemption.

I am pleased to see our testimony, and that of dozens of groups, made an impact on the direction of property tax reform. Under the updated language, LB 183 scales back the proposed sales tax increase and applies sales tax to even more goods and services. However, LB 183 still increases the cigarette tax and sales tax, which is concerning for taxpayers and consumers across Nebraska.

First and foremost, lawmakers should scrap plans to increase the cigarette tax by 156 percent. As I mentioned in my testimony, excise tax revenue is extremely unstable and difficult to predict over the long-term. While cigarette tax increases usually correspond with a short-term bump in revenue, after a few years, revenue drops precipitously due to smuggling or declines in smoking rates and often results in lower-than-anticipated revenues. For a pack-a-day user, this amounts to a \$365 a year tax increase to the government. Furthermore, is troubling that lawmakers would try to fund property tax credits with uncertain revenue streams such as an excise tax increase.

Second, lawmakers should continue to apply sales tax to exempted products instead of raising the rate. LB 183 proposes to increase the sales tax rate by a quarter-percent, which is down from the three-fourths percent introduced in the original bill. By increasing the sales tax rate from 5.5 to 5.75 percent, Nebraska would have a sales tax rate that exceeds four of its six neighbors. Instead of raising the rate, lawmakers should make the tax code fairer by expanding the sales tax base to include select goods and services currently granted exemption. LB 183 does propose to apply the sales tax to more goods and services, but it continues to leave inefficiencies in the code. Broadening the base acts as pay-for that creates a more stable sales tax, with government out of the business of picking winners and losers through the tax code.

Using unstable revenue sources coupled with higher taxes on working class households is not a sensible way to fund property tax reductions. I urge you to continue to support a funding mechanism that does not result in a higher cigarette excise tax rate or higher sales tax rate. A fiscally-responsible solution that delivers meaningful property tax relief is within grasp and can be done so long as you hold the line against tax hikes.

Sincerely,

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