

Income tax package advances after cloture vote



Sen. Lou Ann Linehan said LB754 is part of the governor's larger legislative package that would provide additional property tax relief and public school funding.

Lawmakers gave first-round approval March 30 to a proposal that would cut Nebraska's top individual and corporate income tax rates to just under 4 percent beginning with tax year 2027.

Senators passed a measure last session to cut the top individual income tax rate in several steps from the current 6.64 percent to 5.84 percent over the next four years. It will cut the top corporate rate from 7.25 percent to 5.84 percent.

LB754, as introduced by Elkhorn Sen. Lou Ann Linehan at the request of Gov. Jim Pillen, instead would cut both rates to 3.99 percent over the same time period.

Linehan said the change would help Nebraska compete with neighboring states — all of which have lower income tax rates or do not collect income taxes — when trying to attract businesses and workers.

"Bringing down our top rate is critical to the future of Nebraska," she said.

A Revenue Committee amendment, adopted 41-1, replaced the bill with a modified version of LB754 as well as several other bills heard by the committee this session.

In addition to reducing the rate that applies to the top, or fourth, individual income tax bracket, the amendment incrementally would cut the rate on the third bracket from 5.01 percent to 3.99 percent beginning with tax year 2027. That rate applies to income between \$18,000 and \$28,999 for individual filers and between \$36,000 and \$57,999 for those married filing jointly.

The top individual rate applies to income of \$29,000 and over for individual filers and \$58,000 and over for those married filing jointly. The top corporate rate applies to all taxable

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Legislative rule change approved

Senators approved a change to the Legislature's rules March 28 that limits the options available to senators to extend debate for the remainder of the legislative session.

Sen. Steve Erdman of Bayard, chairperson of the Rules Committee, offered a motion to suspend the rules of the Legislature to provide that, for the remainder of the current session,



Sen. Steve Erdman

only one of the following motions on a bill or proposal could be offered on the same day at the same stage of debate: to commit; postpone to a later date certain; or indefinitely postpone.

The three procedural maneuvers are known as "priority motions" because they take priority over amendments and automatically move the introducer of the motion to the top of the speaking queue. The tactic was used by opponents of LB574 — a bill from Omaha Sen. Kathleen Kauth to ban gender-altering care for minors — to control debate in the run-up to a cloture vote that successfully advanced that bill March 23.

Omaha Sen. Machaela Cavanaugh opposes Kauth's bill and has engaged in extended debate during consideration of unrelated measures since early in the legislative session in response to it. She stated her intention to continue to do so on all bills up for debate this year after LB574 advanced to the second round of debate. The proposed rule change would not impact that

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Legislative rule change approved

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decision, she said.

“This changes nothing for me,” Cavanaugh said. “This doesn’t inhibit my ability to do anything that I am seeking to do.”

Erdman said the rule change would represent a balance between allowing members of the political minority to express their views and allowing the Legislature to work efficiently. He said all lawmakers have bills that they care about that might not be discussed during the 90-day session if extended debate continues on all other measures.

“It is time for us to move on. I think this ... is a fair rule change, so we can have full and fair debate on the bills as presented and move forward with doing the work that the people sent us here to do,” Erdman said. “If you like the way things went in the first 50 days, you’ll vote against this rules change.”

Several senators who supported the motion mentioned their constituents’ frustration at the pace of debate this session, including Elkhorn Sen. Lou Ann Linehan. The state has over a billion dollars in surplus, she said, and lawmakers could use that money

to cut taxes and provide more funding to rural schools and special education – but only if those proposals come up for debate.

“I want to get some things done this year,” Linehan said.

Sen. John Arch of La Vista, Speaker of the Legislature, also supported the change. Acknowledging that debate has been “reduced to a crawl,” he said progress in the second half of the session was up to members, adding that he would “love” to find a compromise.

“It’s all of our choice what we want the rest of the session to be,” Arch said.

An effort by Omaha Sen. Justin Wayne to have the rule change motion ruled out of order was rejected by the presiding officer, as was his subsequent motion to overturn that ruling, which failed on a 16-32 vote.

Wayne said the rules of the Legislature do not allow those rules to be both suspended and amended at the same time, and that Erdman’s effort should have been done through regular channels. He said he understood lawmakers’ frustrations, but likened the proposal to changing the rules of a basketball game at halftime because one team doesn’t like how the game is being played.

“My entire legacy might not even

be [debated] this year,” Wayne said. “I need to get stuff done, but there is a proper way for this body to do it.”

In opposition to the Erdman proposal and in support of Wayne’s motion, Lincoln Sen. Danielle Conrad called the rules change a “nuclear option.” Removing the need for a public hearing on a proposed rule change easily could lead to the removal of other tools that senators on the minority side of issues use to attempt to structure debate, she said.

“Be honest about what your intentions are,” Conrad said. “Because it’s not about the priority motions and it never was.”

Bennington Sen. Wendy DeBoer also supported Wayne’s motion. She said a process exists to change the rules – even mid-session – by going through the Rules Committee and having a public hearing. DeBoer said she didn’t oppose the underlying rule change, but rather the process being used.

“We can change the rules if we do it the proper way,” she said. “If we can just do it this way, why would we ever use the proper channels to amend the rules?”

The motion to suspend the rules was adopted 32-13. Thirty votes were required. ■

UNICAMERAL UPDATE

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income in excess of \$100,000.

Sen. Robert Clements of Elmwood, chairperson of the Appropriations Committee, supported the rate reduction, saying state revenue will exceed spending by more than \$1 billion this fiscal year.

“When we overcharge somebody in a business and figure it out, we give them back ... what they had coming from their overpayment,” he said.

Also in support was Elkhorn Sen. R. Brad von Gillern. Although the rate cuts are intended to return surplus revenue to Nebraskans in the top income bracket – who von Gillern said are responsible for the bulk of that revenue – other provisions in the committee amendment would benefit those with lower incomes, he said.

The proposal is designed to help a “broad spectrum of taxpayers,” von Gillern said, and make Nebraska more appealing to young people and businesses when they are deciding where to locate.

“This is a serious competition between us and 49 other states,” he said, “and if we ... don’t realize that, we’re going to be out of business as a state.”

Sen. George Dungan of Lincoln said the claim that people move to or leave a state because of its tax structure is not supported by data.

He and other lawmakers said they were concerned that the proposed tax cuts would not be sustainable. If revenue falls short in future years, Dungan said, lawmakers would have to choose between raising taxes and cutting services for residents.

“That’s a lose-lose situation for Nebraskans ... and it’s a place that I don’t want to put us in,” he said.

Omaha Sen. John Cavanaugh said the proposal disproportionately would benefit wealthy Nebraskans. He introduced an amendment that would cut

the top individual and corporate rates to 4.99 percent while decreasing the rate on the third individual income tax bracket and the lower corporate rate to 3.99 percent.

He said the amendment would give a “smaller but still substantial” tax break to those in the top bracket while providing a larger cut for middle income earners. Lawmakers could cut the top rate further next year if state revenue increases as projected, Cavanaugh said.

“There is a downturn coming,” he said, “and we need to be cautious about implementations of huge expenditures like this.”

The amendment failed on a vote of 8-32.

A similar amendment introduced by Dungan to cut the top rates to 5.84 percent by tax year 2024 failed on a vote of 6-29.

Additional measures

The committee amendment also includes the provisions of LB38, introduced by Sen. Carol Blood of Bellevue, which would allow federal retirees to exclude the amounts received as annuities under the Federal Employees Retirement System or the Civil Service Retirement System from their federal adjusted gross income.

Under the amended provisions of LB173, sponsored by Lincoln Sen. Eliot Bostar, income earned by a non-resident would not

be subject to state income tax if the individual worked less than 15 days in Nebraska during the taxable year.

The provisions of LB492, introduced by von Gillern, would allow businesses to deduct the cost of certain property and research or experimental expenditures from their tax liability.



Sen. R. Brad von Gillern

Von Gillern introduced an amendment to the committee amendment, adopted 40-1, to include the provisions of his LB206, which would allow partnerships to pay taxes owed on an amended return on behalf of the partners rather than requiring each partner to file an amended return.

Under the provisions of LB497, sponsored by Linehan, an individual who itemized deductions on his or her federal income tax return would be allowed to subtract from their federal AGI the standard deduction or the sum of their federal itemized deductions and the amount of state and local taxes they paid, whichever is greater.

The amended provisions of LB641, introduced by Sen. Kathleen Kauth of Omaha at the request of the governor, would exempt 100 percent of Nebraskans’ Social Security income from state income tax beginning in tax year 2024 rather than 2025.



Sen. Kathleen Kauth

Also included in the committee amendment are the amended provisions of LB318, also introduced by Bostar. They would allow individuals, estates, trusts and corporations

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Sen. Carol Blood



Sen. Eliot Bostar

Income tax package advances after cloture

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to apply for a nonrefundable state income tax credit of up to \$100,000 for qualifying contributions they make to eligible child care programs.

The state Department of Revenue could approve \$10 million in credits under the program annually.

The proposal also would allow the department to approve up to \$15 million each year in refundable income tax credits intended to help Nebraskans pay for child care. Parents or legal guardians could apply for a credit of \$2,000 per child if their household income is no

more than \$75,000 and \$1,000 per child if their household income is more than \$75,000 but no more than \$150,000.

Finally, Bostar's proposal would amend the School Readiness Tax Credit Act to increase the amount of tax credits available for qualifying child care providers and employees.

Bostar said the measure would help child care providers remain viable and create an "extraordinary" benefit for Nebraska's early childhood educators, approximately 30 percent of whom live in poverty.

Lincoln Sen. Danielle Conrad said the proposal is a "baby step" that would assist only 10,000 to 15,000 Nebraska families when hundreds of thousands of families need help with child care expenses.

Conrad suggested that lawmakers use the state's "unprecedented" revenue surplus — which she attributed in large part to an influx of federal pandemic relief funds — to make LB754 more equitable. A more "robust" child tax credit like the one proposed in her LB294 along with an increase to the state's earned income tax credit would benefit more middle class and low-income working families, she said.

After eight hours of general file debate over two days, Linehan filed a motion to invoke cloture, which ends debate and forces a vote on the bill and any pending amendments.

The motion succeeded on a vote of 41-0. Thirty-three votes were needed.

Senators then voted 41-0 to advance LB754 to select file. ■

HEALTH & HUMAN SERVICES

Statewide behavioral health model clears first round

Lawmakers advanced a bill to select file March 28 that would implement a new statewide delivery model for behavioral health service provision in Nebraska.

LB276, introduced by Lincoln Sen. Anna Wishart, would adopt the Certified Community Behavioral Health Clinic Act in an attempt to increase access to outpatient mental health and substance abuse treatment through service delivery coordination with community partners.



Sen. Anna Wishart

The CCBHC model began in 2017 as a Medicaid demonstration project in collaboration with grants provided by the federal government, Wishart said, and there currently are approximately 500 CCBHC's in 46 states across the country.

The state Department of Health and Human Services would be required to apply for a Medicaid state plan amendment through the federal Centers for Medicare and Medicaid Services to implement the bill's provisions by Jan. 1, 2026.

Under the CCBHC model, DHHS would develop a prospective payment system through which providers would be reimbursed based on the anticipated cost of providing required services to Medicaid recipients on either a daily or monthly basis, rather than on a fee-for-service basis.

Wishart said the goal of CCBHC clinics is to provide community-based mental health and substance use dis-

order services through collaboration between health care facilities and community partners. Such services have long been underfunded by the state, she said.

A 2016 rate study done by the DHHS Division of Behavioral Health found that provider rates were between 15 and 40 percent below the cost of providing services, she said.

"That is what our providers have had to contend with for years, and yet they continue to provide services to Nebraskans," Wishart said. "Now is the time to invest in a modest increase in Medicaid match dollars, because this new delivery model has proven its effectiveness in savings to governmental entities all across the country."

A Health and Human Services Committee amendment, adopted 45-0, would cap any general fund appropriations to the program at \$4.5 million annually, which Wishart said would be matched by federal funds.

Sen. John Arch of La Vista, a former hospital administrator, supported the bill and the amendment, saying the state should embrace the new service model. Arch said he previously had been hesitant about CCBHCs, but results from other states in recent years and support for the project from the governor and DHHS have changed his mind.

“I’ve come to the conclusion now — having seen outcomes ... cost results and the benefits to the recipients of these services — that it’s time for us to take the step,” Arch said.

Also in support was Lincoln Sen. Danielle Conrad, who cautioned fellow lawmakers not to ignore other issues with the state’s behavior health system, including a lack of funding in the governor’s proposed budget for behavioral health provider rate increases.

“Let’s not wrap ourselves up as being the great supporters and defenders of behavioral health and mental health on a very small piece of the puzzle when we’re not willing to take a hard look at the big picture,” Conrad said. “This is one step forward, but we’ll see if your intentions are pure and true as we take up other aspects regarding mental health, including the budget.”

Senators voted 46-0 to advance LB276 to select file.

JUDICIARY

Repeal of concealed handgun permit requirement advanced to final round

A bill that would remove the requirement for a concealed handgun permit in Nebraska advanced from select file March 28 after a successful

cloture motion.

Current state law requires that an individual pass a background check, submit a \$100 permit fee and complete a gun safety course to obtain a concealed carry permit. LB77, introduced by Gordon Sen. Tom Brewer, would waive those requirements.



Sen. Tom Brewer

Under the bill, an individual not otherwise prohibited from possessing or carrying a gun in Nebraska would be allowed to conceal carry without a permit. LB77 also would prohibit counties, cities and villages from regulating ownership, possession or transportation of a concealed handgun.

As amended on general file, LB77 would subject an individual to an additional misdemeanor charge for carrying a firearm or destructive device while committing certain “dangerous” misdemeanor crimes, including harassment, stalking, domestic violence, shoplifting and resisting arrest, among others.

An individual would be subject to a Class I misdemeanor for a first or second offense and a Class IV felony for a third or subsequent offense.

Brewer said LB77 would allow law-abiding citizens to fully exercise their constitutional right to conceal carry without being required to pay for a permit.

“This bill is trying to help Nebraskans be able to protect themselves,” Brewer said. “LB77 ... would not allow felons or perpetrators of domestic violence or those with dangerous mental illness or other prohibited persons from carrying weapons.”

Lincoln Sen. Jane Raybould led the opposition to the bill during the second round of debate. The rights secured under the Second Amend-

ment are not unlimited, she said, and LB77 would preempt existing laws that Lincoln and Omaha use to keep their communities safe.

“The [current] ordinance helps us prevent the mentally ill, substance users, gang members and known criminals from purchasing a firearm,” Raybould said.

Omaha Sen. Terrell McKinney disagreed. Speaking in support of the bill, he said Omaha’s concealed carry permit ordinance is used by police to discriminate against Black residents and that LB77 is one way to address that problem.

Sen. John Cavanaugh of Omaha offered an amendment to the bill that would have maintained the permit requirement in Nebraska but would have removed permit issuance and renewal fees. He said the measure was a compromise to address the concern that permit fees are an undue burden on gun owners.

Bayard Sen. Steve Erdman spoke in support of the underlying bill and in opposition to the Cavanaugh amendment, saying it would “derail” everything LB77 seeks to accomplish.

“It’s time for us to become like all the other states that allow for constitutional carry so that ... [individuals] can exercise [their] Second Amendment rights without having a permit,” Erdman said.

After four hours of debate, Brewer filed a motion to invoke cloture, which ceases debate and forces a vote on the bill and any pending amendments.

The motion was successful on a vote of 33-10. Thirty-three votes were needed.

Senators then voted down the Cavanaugh amendment 10-33 and advanced LB77 to final reading on a vote of 31-10.

TRANSPORTATION & TELECOMMUNICATIONS

Creation of broadband services office advanced from first round

A bill that would establish a state broadband office in Nebraska advanced from general file March 31 after a successful cloture motion.

LB683, introduced by the Transportation and Telecommunications Committee, would create the Nebraska Broadband Office to administer and maintain broadband services in Nebraska. Under the bill, a broadband director would be appointed by the governor and confirmed by the Legislature to lead the office, which would operate administratively under the Nebraska Department of Transportation.

Currently, broadband services are under the purview of the Public Service Commission, a five-member elected body that regulates a variety of transportation and telecommunications industries in Nebraska.

The bill also would transfer the creation and maintenance of the state broadband map from the PSC to the new Nebraska Broadband Office.

Lincoln Sen. Suzanne Geist, chairperson of the committee, spoke in support of the bill, saying Nebraska is expected to receive between \$100 million and \$400 million in Broadband Equity, Access and Deployment program funding to implement broadband across the state. LB683 would help to expedite use of those BEAD funds, she said, and ensure that federal program deadlines are met.

“The administration of these funds is a huge job and this coordinator’s specific position will be to administer and deploy the funding, but also ...

where these funds will go,” Geist said. “We need to get this individual in place so that we can start working toward our five-year plan, which is due in August.”

Plymouth Sen. Tom Brandt also supported the bill. Having a dedicated broadband director would help rural Nebraska achieve full broadband access, he said, something that has not happened yet.

“Now is the time to help the unserved and underserved areas of the state,” he said.

Brainard Sen. Bruce Bostelman also spoke in favor. Thirty-four states already have a broadband office or commission, he said, and Nebraska has lagged behind on the broadband issue for years.

“This is something we need to do now,” Bostelman said. “There are hundreds of millions of dollars coming to the state. We need an office that is focused solely on taking those funds, understanding the needs of the state and delivering the funds into those areas [and] to those people that need it most.”

While in support of expanding broadband access across the state, Lincoln Sen. Danielle Conrad expressed concern that the bill would disrupt the continuity of the work on broadband access that the PSC has engaged in for the last several years.

“I’m also concerned about the duplication of efforts by essentially creating a new state agency,” Conrad said. “I’m not entirely sure if there is existing subject matter expertise within the Department of Transportation to address and advance [broadband] policy goals.”

A Transportation and Telecommunications Committee amendment, adopted 46-1, would, among other provisions, require the broadband director to provide a report to the

Legislature annually and require the committee to conduct a public hearing following receipt of the report.

Sen. Mike Jacobson of North Platte spoke in support of LB683 and the committee amendment, saying the PSC has failed to deliver broadband statewide.

“I have people in my district and across the state in rural areas that want broadband and are tired of waiting for it,” Jacobson said. “It’s time for someone to take control of [broadband], and the governor intends to do just that.”

While not opposed to the idea of creating a broadband office, Omaha Sen. Machaela Cavanaugh opposed the bill and the committee amendment. LB683 would give the governor’s office more control over the use of state funds, she said, diluting the separation of powers and the authority of both the Legislature and the PSC.

“We are taking a function away from an elected body and giving it to the governor,” Cavanaugh said. “That causes me a great deal of hesitation.”

Cavanaugh offered several amendments to the bill that she said would increase transparency and oversight of the Nebraska Broadband Office, including an amendment that would have required the office to be subject to the Open Meetings Act. None of the amendments were adopted.

After eight hours of general file debate over two days, Geist filed a motion to invoke cloture, which ends debate and forces a vote on the bill and any pending amendments.

The motion succeeded on a vote of 43-1. Thirty-three votes were needed. Lawmakers then voted 43-2 to advance LB683 to select file. ■

MEET THE SENATOR

Armendariz brings moderate voice to the Capitol

According to Omaha Sen. Christy Armendariz, the most important approach that a person can take to life and lawmaking is to open one's mind, talk less and listen more.

"I'm a negotiator by trade and ... listening to all sides of an argument — maybe from a 30,000 foot view if you can — instead of having a real emotionally vested interest in it [benefits] all people," Armendariz said.

A native of northeast Omaha, Armendariz recalls hunting for garter snakes, playing in the mud and fishing with her older brother — all activities that involved her favorite place: the outdoors.

Now, as a busy state senator with a full-time job, Armendariz's solace

remains the outdoors — except now that looks like grabbing a pair of headphones, hopping on her lawn mower and trimming the grass around her acreage.

"Personally, I like getting on my 60-inch, zero-turn lawn mower and just zoning out after so much work and my mind being so full," she said. "That's my reprieve — at least for six months of the year."

After graduating from Omaha Tech High, Armendariz married husband Ralph and became a mother to three children: Lauren, Alex and Gabrielle. In 2004, when Ralph unexpectedly lost his job, Armendariz said she realized that not having a college education left her unable to help the family financially when they needed her the most. She started taking business classes, a decision that would

change her life in more ways than one.

Armendariz earned a degree in business administration from the University of Nebraska at Omaha in 2009 at age 42. She said education not only opened up career opportunities, but also helped her find the extroverted side of her personality and reach her full potential.

"After I went back and got my degree, my whole outlook

changed from what it was before and I pretty much became unstoppable after that," Armendariz said.

She stepped into enterprise sales and later accepted a position at Nebraska Methodist Health System in Omaha where she continues to negotiate health care contracts. Her job also provided her the

opportunity to obtain an M.B.A. from Nebraska Methodist College in 2021.

Armendariz didn't start out with a plan to run for office, but the combination of confidence gained from career success and her belief that the Legislature could benefit from more moderate voices, led her to run for the open District 18 seat.

"There was a vast middle that wasn't getting heard and I just decided, 'I can do that,'" she said. "I have a voice and I think I can have that conversation in a productive way."

Armendariz hopes to embody the theme of her campaign during her time at the Capitol: bringing the question, "What would a reasonable person do?" back into lawmaking. ■



Sen. Christy Armendariz (fourth from left) with family at her son's wedding in 2022.

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