



Monday, July 29, 2024

The Honorable Lou Ann Linehan and The Honorable R. Brad von Gillern  
Nebraska Unicameral Legislature Committee on Revenue  
1445 K Street  
Lincoln, NE 68508

Dear Chairwoman Lou Ann Linehan, Vice Chairman R. Brad von Gillern, and members of the Nebraska Unicameral Legislature Committee on Revenue,

Thank you for the opportunity to share our thoughts on this special session. We represent the National Taxpayers Union, the nation's oldest taxpayer advocacy group.

We'd like to express our strong opposition to the proposed tax swap plan that seeks to reduce property taxes by 50% at the cost of significantly increasing sales taxes on a range of goods, including tobacco harm reduction products and digital advertising. While reducing the burden on Nebraska's property taxpayers is admirable, this proposal is fundamentally flawed.

At its core, this legislation is simply a tax exchange, shifting the burden from one group of taxpayers to another without addressing the underlying issues in our tax system. Nebraskans deserve a legislature and governor committed to finding wasteful spending and growing the economy to provide genuine tax relief. True reform requires a comprehensive approach that includes fiscal discipline, efficient resource use, and policies that stimulate economic growth.

Governor Pillen has emphasized the importance of good faith ideas in the legislative process, aiming for property tax reform that benefits all Nebraskans. However, the proposed legislation contradicts his own principles, specifically by increasing sales taxes on tobacco harm-reduction products and digital advertising.

The inclusion of cigarettes and tobacco harm-reduction products in the increased sales tax category is particularly troubling. Tobacco harm reduction products, such as e-cigarettes and vaping devices, have been shown to help smokers transition away from traditional cigarettes, thereby improving public health outcomes. Increasing the taxes on these products more heavily could discourage their use and push individuals back towards more harmful tobacco products, contradicting public health goals.

Another concerning aspect of this proposal is the increased sales tax on digital advertising. Digital advertising is a crucial tool for small businesses to reach new customers and grow their operations. By increasing the tax burden on digital ads, you will not just hit out-of-state Big Tech companies. But these costs will get passed on, indirectly imposing a heavier financial strain on local small businesses, the backbone of Nebraska's local economy. The additional costs will inevitably be passed on to these businesses, making it harder for them to compete and thrive.

Furthermore, relying on increased sales taxes on specific goods and services can provide an unreliable revenue stream. Sales tax revenues can fluctuate significantly based on economic conditions and consumer behavior. In times of economic downturn or shifts in market trends, the expected revenue may fall short, leading to budget shortfalls and fiscal instability. This unpredictability can complicate long-term planning and funding for essential public services, such as Nebraska's school system.

Increasing sales taxes on specific goods can lead to broader economic distortions. Consumers may reduce their spending on taxed items, decreasing overall economic activity and potentially causing job losses in affected industries. This is especially problematic during times of economic uncertainty when consumer confidence is already fragile.

The proposed tax increases come at a time when many Nebraskans are already struggling to afford basic needs. The cost of living, including essentials such as housing, healthcare, and food, has been rising, placing additional financial pressure on families. Increasing sales taxes on goods and services that people rely on daily exacerbates this burden, making it harder for low- and middle-income families to make ends meet.

While reducing property taxes is a laudable goal, it should not come at the expense of other sectors of the economy and ultimately the taxpayers it is intended to help. A 50% reduction in property taxes is significant, but the benefits will be unevenly distributed.

In conclusion, while the proposed tax swap legislation is well intended, the entire approach taken is fundamentally flawed and we would warn legislators against focusing on exempting certain preferred industries that have a loud voice in Lincoln and toward looking out for the best deal for all taxpayers. The current plan contradicts the principles outlined by Governor Pillen, places undue burdens on small businesses, jeopardizes public health efforts, and could lead to broader economic consequences. Moreover, the reliance on unstable revenue sources during a period when Nebraskans are struggling to afford basic necessities only adds to the bill's shortcomings. We urge the committee to reconsider this proposal and seek alternative solutions that provide equitable tax savings to all Nebraskans.

Thank you for your time and consideration. Please reach out with any further questions.

Respectfully submitted,

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