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**Capitol View
*Commentary by J.L. Schmidt***

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**The Nebraska Press Association**

**Committee Wants to Tackle Tax Reform in an Election Year**

A panel of Nebraska lawmakers wants to tackle changes to the state’s tax system next year.

Normally I would pooh-pooh such an idea in an election year. But given that veteran lawmaker and Revenue Committee Chair Sen. Lou Ann Linehan of Elkhorn is leading the charge, it might stand a chance. She is fresh off assignment as co-chair of the redistricting committee, which provided maps and guidance for the 10-year process during a recent special session.

Likewise, she shepherded changes to the property tax system during the last regular session and has brought a world of experience back to her Elkhorn legislative district and shared it with her colleagues in Lincoln.

The Johnson native who grew up on a dairy farm that’s still in the family managed Chuck Hagel’s 1966 U.S. Senate campaign and became his chief of staff. After President George W. Bush was elected in 2000, she was appointed to serve as deputy assistant secretary for legislative affairs at the State Department under Colin Powell. She was there on September 11, 2001, and the harrowing and historic days and months that followed. She went back to Hagel’s office in 2002.

She rejoined the Bush Administration in 2007 and was assigned to Provincial Reconstruction Team Baghdad as part of President Bush’s Iraq surge under the leadership of Ambassador Ryan Crocker and General David Petraeus. She worked in Iraq and at the State Department until the end of 2012 serving the last six months in Basra overseeing 1,500 personnel.

I think she has the chops to fight whatever battles a special tax rewrite committee might face. Besides, she said it’s time to "bring about meaningful change" in the state tax system. The current system has been patched multiple times over the years to address various problems

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and concerns but has not undergone a major overhaul since Nebraska established its sales and income taxes in the 1960s.

Remember, it was that solution in 1967 that ultimately cost Republican Governor Norbert Tiemann a second term but saved state government by providing the necessary revenue streams to operate. He said years later that it was a wise sacrifice for the benefit of the state.

Nebraska currently ranks as the 14th highest property tax of the 50 states based on a percentage of the median income of $59, 730 in Nebraska. Sales tax is lower than 50 percent of the states at 5.5 percent before local options are added which take it up to 7.5 percent in some parts of the state.

Corporate income tax in Nebraska is 19th out of the 50 states while personal income tax at 6.84 percent is the highest in the country, according to the Tax Foundation, a national nonprofit.

Linehan said the current state tax policy is “not transparent, it's difficult to administer and comply with, and we're still left with a high tax burden." She admits that with state tax revenue coming in above projections, it may be more politically doable to simply cut some taxes. She said it would be difficult to raise taxes in that situation, even as part of revamping the tax system.

Some early suggestions might include: lowering the top income tax rate for both individual and corporate taxpayers; exempting the first $50,000 of income from taxes; completely eliminating income tax on Social Security benefits and setting new limits on local government spending.

Linehan's position would rule out proposals for broadening the sales tax base, no matter how the new revenue would be used.

An immediate challenge might come from Blueprint Nebraska, an economic development initiative, which has called for a major reduction in income taxes by applying the sales tax to a wider array of goods and services.

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"The issue of tax modernization is indeed decades old. The battle lines have been drawn for many years now," said Bryan Slone, president of the Nebraska Chamber of Commerce and Industry. "But the urgency of tax modernization is probably more important today than it's ever been."

Linehan said she expects the Revenue Committee to start work on a 2021 tax plan in a few weeks, after the state forecasting board meets to revise its projection for state revenue. The board will meet at the end of October to update its forecast for the rest of the two-year budget period, which ends June 30, 2023.

Stay tuned. This could be an intriguing fight the likes of which most of us haven’t seen since the late 60s.

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*J.L. Schmidt has been covering Nebraska government and politics since 1979. He has been a registered Independent for more than 20 years.*