

January 30, 2024

To: Members of the Nebraska Senate
From: Americans for Tax Reform
Re: Oppose New Taxes

Dear Senator,

On behalf of Americans for Tax Reform and our supporters across Nebraska, **I urge you to oppose proposals that would impose new and higher taxes on Nebraska families, individuals, and businesses.** Certain proposals, while claiming to advance property tax relief, would in fact undermine Nebraska's ability to maintain a flourishing business environment, working instead to subsidize local government budgets through a myriad of new and higher state taxes.

Above all, ATR rejects the notion that a 1% or 2% increase in the state sales tax is a necessary component of property tax relief. Although Governor Pillen's proposal is well-intended, adopting one of the highest sales tax rates in the nation would cause severe economic damage to Nebraskans and their economy. The state currently topping that list of highest state sales tax rates – California, at 7.25%– has many cities within its borders that impose sales tax rates well above 10%. It is no surprise that residents and businesses are fleeing California in droves.

Achieving consistent population growth in the state of Nebraska requires a more competitive tax environment – not a harsh new levy on every transaction made across the state.

The Legislature enacted smart income tax relief last year. However, **adding a tax on professional services, such as accounting and legal services, would add another layer of harmful, targeted taxes that add to Nebraskans' tax burden.** Such taxes also constitute a double tax on professionals who already pay licensing fees and corporate income taxes. Meanwhile, consumers would ultimately foot the bill for yet another tax on the many small business owners who provide these crucial services.

There are many good reasons why 44 states do not impose this tax at all. Nebraska should not become an outlier by imposing this punitive tax. If enacted, this proposal risks driving out entrepreneurs who would rather do business in a more friendly economic environment.

I also urge you to avoid increasing tobacco taxes or adding another tax on vaping products. Economists and tax policy experts consider nicotine taxes to be unsound policies because they are a volatile revenue stream, making the proposed cigarette and vape tax package demonstrably unreliable over the long term.

The most practical impact of nicotine tax hikes is their tendency to drive customers to neighboring states to purchase equivalent products. After Massachusetts passed a sweeping ban on flavors, including menthol cigarettes, the state saw a decrease of \$17 million in tax revenue. During the same period, next-door New Hampshire, with no prohibitions and a much lower tax rate, saw a gain of around \$18 million in tobacco taxes. Though the nicotine tax hike is intended to offset property tax relief, Nebraska will undoubtedly experience a reduction in revenue as thousands of customers choose to instead make their purchases in nearby Iowa or Kansas.

It is important to remember that meaningful property tax relief does not require new or higher taxes. **Lawmakers can support restrictions on local government spending to solve the problem at its root.** California's popular Proposition 13, for example, has significantly restrained

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local governments by capping assessment valuations and imposing levy limits, in addition to requiring voter approval of new municipal taxes.

Nebraska has a golden opportunity to slow the growth in property taxes without raising new taxes. By implementing an automatic levy adjustment to correspond with increases in valuation of property, cities would be restricted from taking advantage of a booming housing market that drives up valuations, while avoiding the distortive effects of assessment caps such as Proposition 13. **Moreover, a hard cap on revenue for all property tax levying entities would restrain local governments from collecting more revenue than necessary to fund their budgets.** The current lack of a revenue growth restriction has contributed significantly to the property tax issue in Nebraska, allowing cities to spend all the money they take in on wasteful new programs, rather than limit themselves to a reasonable level of budgetary growth.

For these reasons, ATR strongly urges you to reject the above tax increases, and to pursue property tax relief through local government revenue restraint.

Sincerely,



Grover Norquist
President, Americans for Tax Reform