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**Capitol View  
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**The Coffers Are Full, Leave Them Alone**

Nebraska closed out its fiscal year on a record high note, with net tax revenues nearing $6.35 billion.

A state Department of Revenue report says the state collected $624 million more for the fiscal year that ended June 30 than predicted just four months earlier. That total is up 10.9% from those February projections, which in turn were $370 million higher than projections issued in October.

The director of the state's Legislative Fiscal Office, Tom Bergquist, said the revenue growth was a record-setting 22.1%, more than 7 percentage points higher than the previous record of 13.5% that was set last year.

Before last year, Nebraska's previous record-high revenue growth was logged in the late 1980s, at around 12%, Bergquist said. At the start of the fiscal year, he said, the state's forecasting board projected Nebraska would see about 10.6% revenue growth.

All that money has some policymakers talking about tax cuts while others say the money should be used as a hedge against an economic downturn. State Sen. Lou Ann Linehan of Elkhorn, the Revenue Committee chairwoman, said the increased revenues mean lawmakers should do more to reduce taxes next year, perhaps by cutting income tax rates more or faster or both.

Term-limited Gov. Pete Ricketts said, “It sets the next Legislature up with a prime opportunity to build on the historic tax relief we delivered to Nebraskans in 2022.” A few months ago, lawmakers passed a major tax relief package that is projected to be worth nearly $900 million when fully implemented in 2027.

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The controversial measure lowered the top income tax rates on corporations and individuals, ended income taxes on Social Security benefits and boosted property tax relief. The bill will be phased in over five years, meaning its impact on tax revenues will grow with time. Read that again. Its impact will grow with time. Pay attention.  
 State Sen. John Stinner of Gering, the outgoing Appropriations Committee chairman, said the increased tax collections will bolster the state’s cash reserve fund and leave Nebraska in a better position to weather economic uncertainties. He pointed to rising interest rates and growing talk about recession as worrisome signs. Not to mention the increasing impact on revenue I just mentioned.

Bergquist said the spike in revenues can be largely attributed to a jump in individual income taxes, which were up 87%, and corporate taxes, which were up more than 100%. State sales tax revenues dropped $46 million in February. A big reason for that, he said, were high sales tax refunds during the fiscal year, reaching about $213 million.

“That’s why I was adamant about leaving the reserve in a fairly robust and historic position” at the end of the legislative session, Stinner said. “Things have worked out even better.” Good for you Senator Stinner. The voice of reason. We’re gonna miss this guy.

By state law, the bulk of tax revenues above the certified forecast for the year just ended go automatically to the cash reserve. Ricketts said that would leave the cash reserve with “substantially more than what is needed to serve Nebraskans.” Sorry governor, a lot of us were brought up understanding the importance of saving for a rainy day.

Given national concerns about inflation and possibly recession, OpenSky Policy Institute Executive Director Rebecca Firestone urged caution with the increased revenue. “It’s certainly good news that our tax receipts were so strong over the past year, but signs of economic strain are increasing in Nebraska,” she said. “We continue to urge caution about talk of further tax cuts or enacting new spending programs until we can better understand the direction Nebraska’s economy is moving in.”

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Bergquist noted that state revenues typically fluctuate from year to year. About five years ago, he said, Nebraska saw back-to-back years where overall revenue growth was at a meager 0.3%. "When it's good, it's good," Bergquist said. "And when it's bad, it hurts."

Has the Covid-19 pandemic aid contributed to the increases? Bergquist said the federal government has contributed billions of dollars to Nebraska, but that aid recently has tapered off. That will be a big factor going forward.

Patience. Instead of throwing more money at the broken tax system, let’s encourage lawmakers to bite the bullet and revise the system. It’ll take courage and money in the bank. We’ve got the money. The courage? Not yet.

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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.*