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**All Things Nebraska Press**

*By Paul Hammel, Retired Senior Reporter for Nebraska Examiner*

**Many have tried; few have succeeded in eliminating tax exemptions**

Many have tried, and few have succeeded in expanding the state’s sales tax base by taxing things now exempt from taxation.

But that is where Gov. Jim Pillen is venturing in his pursuit of property tax relief.

His initial plan, which failed to win approval in the State Legislature this spring, would have imposed new taxes on a host of items that could be labeled “low-hanging fruit.”

I mean who’s going to get upset if we start imposing taxes on edibles infused with hemp, those slot machine-like “skill games,” or pop and candy? How many folks will cry if we raise taxes on vaping products and cigarettes?

It reminded me of the old philosophy about taxation: “Don’t tax you, don’t tax me, tax that guy behind the tree.”

But when it comes to eliminating tax breaks, you’re going to face a gauntlet of lobbyists and special interests that worked hard to get a tax exemption in the first place. They don’t want to give it up.

A decade ago, Gov. Dave Heineman proposed eliminating more than $2 billion worth of sales tax exemptions to eliminate state income taxes, so we could be like neighboring Wyoming and South Dakota. No state income tax.

But at a public hearing on the idea, the line of lobbyists opposing the idea stretched into the hallway, and criticism of the proposal continued until midnight. The bill was eventually withdrawn.

This time around, Pillen is hoping to enlist taxpayers to rise up, and urge their state senators to ignore the phalanx of hired guns – the folks that wine and dine legislators, and organize their fundraisers – and rescind some exemptions.

The list of exemptions is over 100 items long, leaving about $6.5 million of potential tax revenue uncollected, according to a recent story by Zach Wendling in the Nebraska Examiner.

The list is long, and includes such things as bull semen (used to artificially impregnate cows), biochips, repairs of cars and farm machinery, equipment used in manufacturing and data centers, groceries and (gulp) newspaper subscriptions.

There’s a story behind every exemption – the biochip one was passed to help a Lincoln business grow and prevent it from moving out of state; bull semen is a business “input” for beef producers, as is equipment in factories and data centers; farm repairs were

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exempt to prevent “border bleed” of farmers buying parts from other states, where such parts were exempt.

Some exemptions seem to be a stretch. Why, for instance, is admission to a political event exempt, or a single-day ticket to visit the Henry Doorly Zoo in Omaha?

There's also some that are nearly untouchable, such as the tax breaks for churches and nonprofits, and the sales tax exemption on groceries.

Tax studies, such as the 2021 Blueprint Nebraska Plan devised by state business leaders, have called for broadening the sales tax base by taxing more services. Under one option, even tax breaks on bills from doctors, lawyers, dentists, financial advisors and accountants would go away.

For a long time, the influential, business-oriented Tax Foundation has called for updating state tax systems by taxing more services. It points out that people now spend more money on services (like car and home repairs, dry cleaning and haircuts) than on “goods” like refrigerators and boats, so our current tax system is outdated and poorly focused.

But here’s the kicker – major tax changes in Nebraska typically happen in response to a crisis. Is the state in a “crisis” right now over property taxes?

Yes, we all complain about high property taxes in the Husker State, and our eyes bug out when we see our new, much higher, valuations on our homes and farm ground.

Property taxes, overall, have risen 53% over the past decade (which translates into about 5% a year), so no one’s very happy about that.

But a crisis?

I don’t see pitchforks in the street at this point. Sure, there's that petition drive for the EPIC Option tax, which would impose a consumption tax and eliminate nearly all other state taxes, but that has been labeled as a radical solution, and seems like a long-shot to make the ballot.

Meanwhile, the veterinarian governor is out doing town halls, pitching his ideas.

Best of luck. Getting 33 legislators to agree on any specific idea is a tall hill to climb (and Pillen says he wants a special session as early as July). Getting rid of state tax exemptions is like climbing Mount Everest.

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