

January 25, 2019

## **BILL INTRODUCTIONS COMPLETE-HEARINGS COMMENCE**

The time for new bill introductions has expired with a total of 739 bills and seven proposed constitutional amendments to be addressed by the Legislature this session. Committee hearings have commenced and the initial floor debate of the session was conducted on January 25, with the initial bills advancing from Committee ready for consideration.

## **NBA AFFIRMATIVE LEGISLATIVE AGENDA COMPLETE**

The final bill on the NBA affirmative legislative agenda was introduced during the past week.

**LB 622 – Public Funds Pooled Collateral:** LB 622, Introduced by Senator Matt Williams (Gothenburg) would authorize the use of a single bank pooled collateral method to collateralize public funds in excess of the FDIC insured amounts. Under current law, banks holding public funds in excess of the amount insured by the FDIC are required to furnish securities for each political subdivision and state agency placing deposits in the bank. Under LB 622, the bank would be allowed to furnish securities based upon the aggregate amount of public deposits of all political subdivision and state agencies with deposits in the bank.

Banks indicate that they tend to significantly “over-collateralize” public deposits under the current pledging system and being able to pledge to the aggregate amount of all public deposits should result in a bank being more efficient in pledging for public funds, freeing up assets for more productive uses in its community.

## **UPCOMING HEARINGS**

**LB 121 – Direct Borrowing By Cities and Villages:** The final bill on the NBA Affirmative Legislative Agenda (LB 121) will be heard by the Urban Affairs Committee on January 29. Introduced by Senator Sue Crawford (Bellevue), LB 121 would clarify provisions relating to direct borrowing from financial institutions by cities and villages to a) allow installment loans to be repaid over a term not to exceed seven years; b) extend the limitation on total amount of indebtedness from direct borrowing by a city of the second class to 20 percent of the municipal budget of the city; c) provide that the amount of any loan attributable in any year to the limitation on the total amount of outstanding indebtedness from direct borrowing is the total amount of the outstanding loan balance divided by the number of years over which the loan is to be repaid; and d) measure the permissible amount of the loan on the date the ordinance or resolution approving the direct borrowing, is approved.

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Restrictions under current law limiting the amount of direct borrowing by a city or village to a specified percentage (10 percent for cities and 20 percent for villages) of a single year's budget year has served to limit the ability of cities and villages to obtain loans that are to be repaid over a number of years. LB 121 will provide greater flexibility to allow banks to meet the direct borrowing needs of cities and villages.

## **NBA COMMITTEE ACTIVITY**

The NBA presented testimony before various Committees during the past week on a number of measures of interest to the banking industry.

### **REVENUE COMMITTEE**

**LB 50 – Income Taxation:** Introduced by Senator Tony Vargas (Omaha), LB 50 would, effective for taxable years beginning on or after January 1, 2019, establish an additional individual income tax rate bracket of 7.84 percent for incomes over \$100,000 for single individuals and incomes over \$200,000 for married filing jointly. The measure would also impose an additional tax of 1 percent on that portion of the taxpayers Nebraska taxable income in excess of \$1 million and an additional tax of two percent on that portion of the taxpayers Nebraska taxable income in excess of \$2 million. **(NBA Position – Oppose)**

### **JUDICIARY COMMITTEE**

**LB 55 – Acquisition or Conveyance of Title to Real Property by Persons 18 Years of Age:** Introduced by Senator John Lowe (Kearney), LB 55 would recognize the ability of an 18-year old to acquire or convey title to real property and be held legally responsible therefore. Currently, the law recognizes that a “contract” entered into by an 18-year-old is legally binding, but since deeds transferring title to real estate are only signed by one of the parties to the transaction, title companies have indicated that deeds do not constitute a “contract” and thus may be disavowed by the 18-year-old. As a result, title companies will not issue coverage in connection with real estate transactions involving 18-year-olds. **(NBA Position – Support)**

**LB 146 – Uniform Power of Attorney Act:** Introduced by Senator Matt Hansen (Lincoln), LB 146 would expand the damages associated with the refusal to accept an acknowledged power of attorney to include economic damages proximately caused by the refusal to comply with the instructions of the agent designated in the power of attorney; reasonable attorney fees and costs incurred by the prevailing party and prejudgment interest on actual damages from the date the person refused to accept the authority of the attorney in fact (under current law, only reasonable attorney fees and costs are allowed under these circumstances). **(NBA Position – Oppose)**

### **BANKING, COMMERCE AND BANKING COMMITTEE**

**LB 77 – Real Property Appraiser Act:** LB 77, also introduced by Senator Williams, would create alternatives to the existing extensive education and experience requirements for real property appraisers, which are designed to reduce barriers-to-entry into the real property appraiser profession. The measure was heard by the Banking, Commerce and Insurance Committee on

Tuesday, January 22, advanced by the Committee to General File on a vote of 8-0 and moved from General File to Select File during floor debate on Friday morning. **(NBA Position – Support)**

## **GOVERNMENT, MILITARY AND VETERANS AFFAIRS**

**LB 186 – Remote Electronic Notarial Acts:** Senator Brett Lindstrom (Omaha) has introduced LB 186, which would authorize the performance of an electronic notarial act if the signer of the electronic document is not in the physical presence of the electronic notary public at the time of notarization, provided the signer and electronic notary use video and audio conference technology meeting specified requirements and permitting the electronic notary to communicate and identify the signer at the time of the Electronic Notarial Act. **(NBA Position – Support)**

## **OTHER BILLS OF INTEREST**

### **General Banking**

**LB 424 – Nebraska Municipal Land Bank Act:** Introduced by Senator Dan Quick (Grand Island), LB 424 would authorize the establishment of municipal land banks in any city or village in the state (was previously limited to Douglas and Sarpy Counties).

**LB 463 – Treasurer’s Tax Deeds:** Senator Williams has introduced legislation (LB 463) that would revise notice requirements for the issuance of treasurers tax deeds in connection with tax sale certificates by requiring personal or residence's service for both the owner of the property and any person in actual possession or occupancy of the real property.

**LB 536 – Nebraska Uniform Directed Trust Act:** Introduced by Senator Patty Pansing Brooks (Lincoln), LB 536 would allow a person granted a power of direction by the terms of a trust to the extent the power is exercisable while the person is not serving as a trustee to include power over the investment, management, or distribution of trust property or other matters of trust administration, including, but not to do, amendment, reform, or termination of the trust.

**LB 603 – Automatic Teller Machine Fees:** Senator Lindstrom, is the sponsor of LB 603, which would eliminate the requirement that a switch implement the same ATM usage fee for all user financial institutions for essentially the same service.

### **Taxation**

**LB 507 – Tax Shifts for Property Tax Relief:** LB 507, introduced by Senator Tom Briese (Albion), would expand the sales tax on services to include, among many other services, the following: labor for repair or maintenance services performed on motor vehicles; pet-related services; cleaning of tangible personal property; storage and moving services; investment advice; personal care services including haircare, nail services, spa services, and tattoo services; limousine, taxi, ridesharing and other transportation services; lawncare, gardening, and landscaping services; parking services; legal services other than services performed for a for-profit business enterprise; accounting and tax preparation services, other than for a for-profit business enterprise; labor of a contractor for any major addition, remodeling, restoration, repair, or renovation of owner-occupied residential housing; and interior design services.

The bill would also eliminate several sales tax exemptions and impose a tax on soft drinks, candy, and bottled water. Net revenues resulting from the taxes imposed by the bill would be credited to the Property Tax Credit Cash Fund.

**LB 508 – Tax Shifts for Property Tax Relief:** LB 508, also introduced by Senator Briese, would impose the sales tax on certain services, eliminate sales tax exemptions and use the increased revenue for property tax relief. Among the services for which sales tax would be imposed, include the following: investment advice; hair care services; maintenance, painting, and repair services for single-family housing; limousine, taxi, and other transportation services; plumbing services; and lawn care, gardening, and landscaping services. The legislation would also impose a tax on soft drinks and candy.

**LB 614 – Tax Shifts for Property Tax Relief:** Senator Crawford has also sponsored LB 614 which would increase the alcohol tax and cigarette tax; impose sales and use taxes on candy, soft drinks and bottled water; increase the state’s earned income tax credit; eliminate exemptions provided under the Personal Property Tax Relief Act; change provisions relating to certain extraordinary dividends and capital gains, certain S Corporation and limited liability company income and itemized deductions; provide for a property tax relief allowance and increase allocated income tax funds under the school aid formula.

**LB 615 – Income and Property Tax Relief:** Senator Mike Hilgers (Lincoln) has introduced legislation (LB 615), which is designed to provide guaranteed, fiscally responsible income tax and property tax relief on an annual basis. The bill would establish a minimum balance of \$500 million for the state’s Cash Reserve Fund at the end of each fiscal year. Upon establishing and maintaining a strong cash reserve position, the bill would authorize 1-to-1 tax relief for income taxpayers and property taxpayers. Under the bill, income tax relief would result from rate reductions with property tax relief delivered through additional funding of the Property Tax Credit Cash Fund. The bill establishes a goal of gradually reducing the top rates for both Nebraska’s individual income tax and corporate income tax to 5.99 percent.

**LB 661 – Income Tax Increases for Property Tax Relief:** LB 661, introduced by Senator Curt Friesen (Henderson), would eliminate the existing inflation adjustment for income tax brackets, change provisions relating to personal exemptions and provide for additional income tax liability. Net revenues derived from the income tax increases would be credited to the Property Tax Credit Cash Fund for property tax relief.

## **Economic Development**

**LB 413 – Nebraska Advantage Act-Termination Date:** Introduced by Senator Tom Brandt (Plymouth), LB 413 would establish the termination date for the Nebraska Advantage Act as December 31, 2019 (was December 31, 2020).

**LB 417 – Economic Development-Termination Dates:** LB 417, introduced by Senator Friesen, would accelerate the termination dates for a number of economic development programs, including the New Markets Job Growth Investment Act, the Nebraska Advantage Rural Development Act, the Nebraska Job Creation and MainStreet Revitalization Act, the Beginning Farmer Tax Credit Act, and the Nebraska Advantage Act.

**LB 419 – Nebraska Advantage Act:** Senator Kate Bolz (Lincoln), has introduced legislation that would require companies qualifying for tax incentive credits under the Nebraska Advantage Act to offer healthcare benefits to qualifying employees and to pay wages at a rate equal to at least 130 percent of the Nebraska average weekly wage for the year of application. The bill would limit the maximum tax credits under the Nebraska Advantage Act to \$60 million per year and would extend the termination date of the Nebraska Advantage Act to December 31, 2026. The legislation would also create the Nebraska Advantage Deal–Closing Fund to provide grants to businesses who have met the required levels of employment and investment needed to qualify for incentives for site and building development, customized job training, and capital investments related to the taxpayer's project. Would appropriate \$40 million annually to the Nebraska Advantage Deal–Closing Fund.

**LB 527 – Customized Job Training Act:** Also introduced by Senator Bolz, LB 527 would provide funds in the form of job training reimbursement grants for job-training programs that result in net new jobs. The grants would be funded by diverting the first 0.06 of 1 percent of all state unemployment insurance taxes (paid solely by Nebraska’s Employers) into the Custom Job Training Fund.

The legislation would authorize the Department of Economic Development to determine the amount of grants awarded in proportion to the committed number of new net jobs created. The jobs being trained for would be required to be paid at least 100 percent of the state’s average wage, with training to be provided by the community college system or any accredited postsecondary educational institution or any qualified training provider.

**LB 604 – High Wage Jobs and Capital Investment Creation Fund Entities:** LB 604, introduced by Senator Lindstrom, would establish the High-Wage Jobs and Capital Investment Creation Fund and to provide grants, loans, and economic assistance. Employers would be eligible for incentives under the bill if they created the requisite number of jobs with hourly wage rates of at least 150 percent, 175 percent, and 200 percent of the Nebraska minimum wage.

**LB 613 – Economic Development-Termination Dates:** Senator Crawford introduced LB 613 that would accelerate the termination dates under the New Markets Job Growth Investment Act, the Nebraska Job Creation and MainStreet Revitalization Act, and the Beginning Farmer Tax Credit Act to July 1, 2019, and transfer the estimated savings of \$30 million annually to the Site and Building Development Fund.

**LB 720 – Economic Development-Business Incentives:** Senator Mark Kolterman (Seward) is proposing legislation (LB 720) to establish the ImagiNE Nebraska Act, which would revise and improve Nebraska’s business incentives. The bill is designed to attract more high-paying jobs and investment from business located in Nebraska, as well as out-of-state companies. The bill would replace the Nebraska Advantage Act, which is set to expire at the end of 2020. LB 720, which is co-sponsored by 22 senators, would: a) encourage better investments, better jobs, enhanced reporting and greater transparency; b) accelerate the distribution of incentives by simplifying the application process; c) increase the “new present value” of tax credits helping Nebraska to win more projects and career opportunities for residents; d) allow the state to build stronger relationships with businesses to encourage greater levels of investments.

## **2019 STATE GOVERNMENT RELATIONS FORUM**

You are encouraged to sign up for the annual NBA State Government Relations Forum which will be held on January 31, at the Cornhusker Marriott Hotel in Lincoln, with registration beginning at 11:00 a.m. A legislative briefing will be provided by NBA General Counsel, Bob Hallstrom. Governor Pete Ricketts, Director of the Department of Banking and Finance Mark Quandahl, and UNL President Hank Bounds will make presentations at the Forum.

The State Government Relations Forum presents an opportunity to meet personally with your state senator and to discuss issues of importance to the banking industry and to your institution and community. We look forward to seeing you on January 31.