

February 22, 2019

With the Nebraska Economic Advisory Forecasting Board scheduled to meet next week, the revenue forecast upon which the 2019-2020 state biennium budget is to be based, will be established. Based on revenue receipts from the past few months, the current estimated budget shortfall of \$95 million is expected to rise. The Appropriations Committee will submit its preliminary budget to the full legislature on March 4.

ACTION NEEDED – OPPOSE LB 407!

LB 407 will be heard by the Banking, Commerce and Insurance Committee on Tuesday, February 26. A “background paper” setting forth additional information and “talking points” accompanies this *NBA Legislative Update* for your assistance in contacting members of the Banking, Commerce and Insurance Committee to encourage opposition to the measure.

LB 407 – State-Chartered Credit Union Powers: Senator Brett Lindstrom (Omaha) has introduced legislation (LB 407) that would authorize a well-capitalized Nebraska state-chartered credit union, with approval of the Director of the Nebraska Department of Banking and Finance, to engage in any activity that a credit union chartered in another state and operating one or more branches in Nebraska may be authorized to engage. Under the bill, the Director would be required to find that the exercise of the power and authority serves the convenience and advantage of the members of the credit union and maintains the fairness of competition and parity between credit unions chartered under the Credit Union Act and credit unions chartered by any other state which operate one or more branches in this state.

FLOOR ACTION ON BILLS OF INTEREST

The following bill of interest to the NBA was advanced to Select File during the past week:

LB 145 – Nebraska Uniform Power of Attorney Act: Introduced by Senator Matt Hansen (Lincoln), LB 145 would authorize an agent under a power of attorney granting authority with respect to banks and other financial institutions to execute such powers of attorney as may be required and necessary for interacting with the bank or other financial institution, provided the terms and conditions in the financial institution’s power of attorney are similar to those in the power of attorney granting authority, including the identification of the acting agent and the agent’s successors.

NBA COMMITTEE ACTIVITY

The NBA submitted testimony on the following bills of interest which were heard by the Revenue Committee on Wednesday, February 20:

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. **(NBA Position – Support)**

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. **(NBA Position – Oppose)**

LB 664 – Federal Tax Conformity – Qualified Production Income: LB 644 also introduced by Senator Friesen, would amend Nebraska’s tax statutes to place manufacturing and other production businesses in the same relative tax position as they were prior to enactment of the federal Tax Cuts in Jobs Act by restoring Nebraska’s favorable tax treatment of income derived from manufacturing, mining, construction and certain other production businesses (deduction equal to 9 percent of qualified production income subject to certain limitations) with the deduction to be an “above-the-line” deduction included in computing adjusted gross income. **(NBA Position – Support)**

NBA BILLS SET FOR HEARING

Credit Union Field of Membership Notice

The following bill, on the NBA Affirmative Legislative Agenda, will be heard by the Banking, Commerce and Insurance committee on February 26:

LB 453 – Credit Union Field of Membership/Notification Requirements: Under legislation introduced by Senator Rob Clements (Elmwood), state-chartered credit unions would be required to provide notice to the state bankers associations’ (NBA and NICB) when making application to amend their bylaws or articles of association for the purpose of expanding their field of membership.

Under current law, when a credit union applies to the Nebraska Department of Banking to amend its bylaws to expand its field of membership, the Director is only required to publish notice in a

newspaper of general circulation in the county or counties in which the expansion is being sought. The mere filing of published notice does not provide sufficient notice for interested parties to challenge the expanded filed of membership if warranted. LB 453 will bring greater transparency to this process.

UPCOMING HEARINGS

The NBA will be providing testimony in opposition to each of the following bills that will be heard before the Revenue Committee on March 1:

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. **(NBA Position – Oppose)**

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. **(NBA Position – Oppose)**

LB 614 – Tax Shifts for Property Tax Relief: Senator Sue Crawford (Omaha) has 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. **(NBA Position – Oppose)**

BACKGROUND PAPER ON LB 407

ISSUE: LB 407 –STATE CHARTERED CREDIT UNIONS POWERS

NBA POSITION: OPPOSE

BACKGROUND:

Senator Brett Lindstrom (Omaha) has introduced LB 407 which would authorize a well-capitalized Nebraska state-chartered credit union, with approval of the Director of the Nebraska Department of Banking and Finance, to engage in any activity that a credit union chartered in another state and operating one or more branches in Nebraska may be authorized to engage. Under the bill, the Director would be required to find that the exercise of the power and authority serves the convenience and advantage of the members of the credit union and maintains the fairness of competition and parity between credit unions chartered under the Credit Union Act and credit unions chartered by any other state which operate one or more branches in this state.

Contacts in opposition to LB 407 should be made with the members of the Banking, Commerce and Insurance Committee set forth below which will hold a public hearing on the measure on Tuesday, February 26.

ARGUMENTS IN OPPOSITION TO LB 407:

1. The authority under LB 407 for expanded state-chartered credit union powers does not include any consideration of safety and soundness issues and could include approval of risky investments, higher lending limits than those allowed for Nebraska financial institutions or specific powers that have previously been sought by Nebraska state-chartered credit unions and expressly rejected by the Nebraska Legislature.
2. There are currently two Iowa state-chartered credit unions operating in Nebraska (Cobalt and Veridian). Nebraska law prohibits creation of a community-chartered credit union and the credit union “wildcard” bill only allows the credit union to establish a community credit union to the extent allowed by federal law, rules and regulations. By contrast, the state of Iowa allows credit unions to create a community credit union limited only by a “geographic boundary.” Legislation to authorize these powers for Nebraska state-chartered credit unions was considered and rejected by the Legislature in the 2017-18 biennium session.
3. Nebraska credit unions have frequently requested the Legislature to authorize them to be able to accept public funds. Iowa law authorizes its state-chartered credit unions to accept public funds. LB 407 would allow the Department of Banking, by administrative fiat, to allow well-capitalized credit unions to accept these deposits, notwithstanding rejection of this authority by the Legislature on numerous occasions.

Please contact the members of the Banking, Commerce and Insurance Committee set forth below to encourage them to oppose LB 407.

BANKING, COMMERCE AND INSURANCE COMMITTEE MEMBERS:

Matt Williams (District 36), Chairperson, mwilliams@leg.ne.gov	(402) 471-2642
Tim Gragert (District 40) tgragert@leg.ne.gov	(402) 471-2801
Sara Howard (District 9) showard@leg.ne.gov	(402) 471-2723
Mark Kolterman (District 24) mkolterman@leg.ne.gov	(402) 471-2756
Andrew La Grone (District 49) alagrone@leg.ne.gov	(402) 471-2725
Brett Lindstrom (District 18) blindstrom@leg.ne.gov	(402) 471-2618
John McCollister (District 20) jmccollister@leg.ne.gov	(402) 471-2622
Dan Quick (District 35) dquick@leg.ne.gov	(402) 471-2617