

February 11, 2022

Things continue to move slowly as contentious legislation is debated on the floor of the Legislature. During the 14 hours of floor debate over the past week, a total of two bills were advanced from General File to Select File. The week started out with the culmination of debate on LB 986, a bill that would limit annual increases in the amount of property tax collected by public school districts. Supporters of the bill fell five votes short of the 33 votes required to invoke cloture to cease debate and vote on advancement of the bill. Bills regarding exemptions from mandatory vaccination requirements (LB 906) and public retirement plans (LB 700) advanced relatively quickly. Activities for the week concluded with extended debate on LB 890, a bill relating to state aid to education, which will be withdrawn from the agenda for a period of time.

Water issues and economic development took center stage this week in Committee hearings. The Natural Resources Committee heard testimony on Wednesday on LB 1015, a bill that would build a canal in Perkins County to secure Nebraska's water supply from the South Platte River under the 1923 South Platte Compact. The Appropriations Committee received testimony on Thursday on LB 1023, legislation for the construction of a proposed new lake between Lincoln and Omaha, marina construction projects at Lake McConaughy and Lewis and Clark State Recreation Area and construction of an event center and lodge at Niobrara State Park. The legislation is designed to lay the groundwork for a potential public – private partnership that would be necessary to complete the water development initiatives proposed by the Legislature's STAR WARS Committee.

INCOME TAX BILL DEBATE ON TAP

LB 939 - INDIVIDUAL INCOME TAX RATES/CORPORATE INCOME TAX RATES: The Revenue Committee has advanced LB 939 to General File. Introduced by Senator Lou Ann Linehan (Omaha), LB 939 would reduce the maximum individual income tax rate on incomes over \$58,000 for joint returns from 6.84% to 6.34% in 2023; to 6.14% in 2024; and to 5.84% in 2025. Pursuant to a proposed Committee amendment, the provisions of LB 938 (Corporate Income Tax Rates) would be integrated into the bill. The amendment would reduce the maximum corporate income tax rate, from 7.5% to 7% in 2023; to 6.5% in January 2024; to 6.14% in January 2025; and to 5.84% in January 2026. The bill is expected to be debated on the floor of the Legislature next Monday. **(NBA Position: Support)**

COMMITTEE HEARING TESTIMONY

The NBA presented testimony on each of the following bills of interest to the banking industry during the past week:

Appropriations Committee:

LB 1071 - RURAL WORKFORCE HOUSING FUNDING: Under LB 1071, sponsored by Senator Matt Williams (Gothenburg), \$30 million would be appropriated from the General Fund in fiscal year 2021/22 to the Department of Economic Development for purposes of the grant program described in the Rural Workforce Housing Investment Act. **(NBA Position: Support)**

Banking, Commerce and Insurance Committee:

LB 738 - LIBOR TRANSITION: Introduced by Senator Eliot Bostar (Lincoln), LB 738 addresses the legal effects of the discontinuance of LIBOR on contracts, securities, or instruments and provides for the replacement, by operation of law, of the United States Dollar Libor as the benchmark index for any contract, security, or instrument, with a recommended benchmark replacement that is based off a Secured Overnight Financing Rate (SOFR).

The bill specifies that the benchmark replacement applies with respect to a contract, security, or instrument that either: 1) contains no fallback provisions setting forth a methodology or procedure for determining a benchmark replacement; or 2) contains fallback provisions that result in a benchmark replacement that: a) is not a recommended benchmark replacement; and b) is based in any way on any LIBOR value.

The measure provides that the selection or use of a recommended benchmark replacement as a benchmark replacement for a contract, security, or instrument: 1) constitutes a reasonable replacement for and a commercially substantial equivalent LIBOR and 2) does not: a) impair or affect certain rights and performance obligations under; b) constitute a breach of; or c) void or nullify; the contract, security or instrument. The bill further provides that a person is not liable for damages and is not subject to any claim for equitable relief, in connection with: 1) the selection or use of a recommended benchmark replacement; or 2) the determination, implementation, or performance of benchmark replacement performing changes; with respect to any contract, security, or instrument. **(NBA Position: Support)**

LB 993 - NEBRASKA FINANCIAL INNOVATION ACT-DIGITAL ASSET AND CRYPTOCURRENCY CUSTODY SERVICES: Also introduced by Senator Bostar, LB 993 would prohibit a digital asset depository from providing digital asset and cryptocurrency custody services unless the digital asset or cryptocurrency was a) initially offered for public trade more than six months prior to the date of the custody services; b) created by a bank chartered in Nebraska; or c) created by a bank chartered by the United States. **(NBA Position: Support)**

Government, Military and Veterans Affairs Committee:

LB 1096 – POLITICAL SUBDIVISION INVESTMENT POOL: Introduced by Senator Steve Halloran (Hastings), LB 1096 would authorize any political subdivision vested with taxing authority including quasi-public entities, joint public agencies created pursuant to the Joint Public Agency Act and joint entities created pursuant to the Interlocal Cooperation Act located in Nebraska to participate in a trust or investment pool established within the office of the State Treasurer. **(NBA Position: Oppose)**

Revenue Committee:

LB 729 - QUICK ACTION CLOSING FUND ACT: Introduced by Senator Brett Lindstrom (Omaha), LB 729 would establish the Quick Action Closing Fund to authorize expenditures by the Governor for the purposes of economic development and related infrastructure development if expenditures of such funds would likely be a determining factor in locating a high-impact business project or facility in the state or in retaining such project or facility within the state. **(NBA Position: Support)**

LB 730 - GROWING OUR WORKFORCE NOW INVESTMENT ACT: LB 730, also introduced by Senator Lindstrom, would authorize a non-refundable credit against income tax for an employer that employs a qualified apprentice or qualified trainee for at least seven months of the taxable year, with the credit to be equal to \$1,000 for each qualified apprentice or qualified trainee employed by the employer and limited to no more than four credits with respect to the same qualified apprentice or qualified trainee. **(NBA Position: Support)**

LB 1030 – REPEAL PERSONAL PROPERTY TAX: Introduced by Senator Curt Friesen (Henderson), would exempt all tangible personal property from property taxation. **(NBA Position: Support)**

UPCOMING HEARINGS

Business and Labor:

LB 1069 - RURAL WORKFORCE HOUSING INVESTMENT ACT: Introduced and prioritized by Senator Williams, on behalf of the NBA, the bill would a) extend the definition of workforce housing to include owner-occupied housing units that cost not more than \$325,000 (currently \$275,000) and rental housing units that cost not more than \$250,000 (currently \$200,000); b) replace the \$2 million cumulative grant limitation with provisions allowing for the Department, in its discretion, to determine the cumulative amount of grants for any single grantee; c) reduce the matching requirement for grants from 100% to 50%; and d) extend the sunset date for provisions of the Act from July 1, 2022, to July 1, 2027. **(NBA Position: Support)**

Education:

LB 902 - NEBRASKA CAREER SCHOLARSHIP ACT: Introduced by Senator Ray Aguilar (Grand Island), LB 902 would authorize the board of trustees of the Nebraska State Colleges to award a Nebraska Career Scholarship not exceeding a maximum of \$15,000 per year to any eligible state college student who achieved a composite score on a standard college admission test equivalent to a score of at least 18 out of a maximum score of 36 and who is enrolled in an eligible program of study (rangeland management, industrial technology, criminal justice, business administration, education, communication, or computer information systems). Under the measure each scholarship recipient would be required to register to obtain a Nebraska-based internship, apprenticeship, clinical position or employment in a major-related field prior to completion of the student's eligible program of study. The bill also provides similar scholarship and internship opportunities for University of Nebraska eligible students. **(NBA Position: Support)**

Appropriations:

LB 940 - RURAL WORKFORCE HOUSING: Introduced by Senator Matt Hansen (Lincoln), LB 940 would appropriate: \$50 million in ARPA funds to the Rural Workforce Housing Investment Fund; \$50 million in ARPA funds for the Middle-Income Workforce Housing Investment Fund; \$50 million for the Nebraska Investment Finance Authority for housing projects; and \$50 million for the Affordable Housing Trust Fund. **(NBA Position: Support)**

LB 1070 - RURAL WORKFORCE HOUSING FUNDING/INFRASTRUCTURE: Also introduced by Senator Williams, LB 1070 would appropriate \$20 million in ARPA funds to the Department of Economic Development to award grants for infrastructure related to rural workforce housing, authorize pursuant to the Rural Workforce Housing Investment Act. **(NBA Position: Support)**

LB 1252 - MIDDLE-INCOME WORKFORCE HOUSING INVESTMENT ACT: LB 1252, introduced by Senator Tony Vargas (Omaha), would appropriate \$20 million in ARPA funds to the Department of Economic Development to award grants for the development of middle-income housing and urban areas authorized by the Middle-Income Workforce Housing Investment Act. **(NBA Position: Support)**

Judiciary Committee:

LB 1132 - NEBRASKA UNIFORM REAL PROPERTY TRANSFER ON DEATH ACT: LB 1132, introduced by Senator Adam Morfeld (Lincoln), would require a transfer on death deed to contain a WARNING that following the death of the transferor, the transferor's insurance policy covering the property transferred is only effective for 60 days thereafter. The bill would also provide that upon a transfer of real estate pursuant to a recorded transfer on death deed, the beneficiary of the transfer on death deed becomes the named insured under any policy insuring the property for a period of 60 calendar days immediately following the death of the insured. **(NBA Position: Support)**