

January 20, 2023

BILL INTRODUCTIONS COMPLETE

As the curtain closed on the time allowed for new bill introductions on Wednesday, a total of 812 bills and 17 proposed constitutional amendments had been introduced. The Legislature adopted a modest slate of non-controversial amendments to the rules that will govern the legislative activities for the balance of the session, avoiding extensive debate as contentious issues such as secret ballots for election of Committee chairs and revisions to the filibuster rules were not advanced by the Rules Committee for consideration by the full Legislature.

Committee hearings will begin on Monday, with Speaker of the Legislature John Arch (La Vista), having announced that committee hearings will be held in both the mornings and afternoons from January 30 through February 7. As a result, floor debate on bills advancing from Committee may not occur until February 10.

GOVERNOR UNVEILS TAX RELIEF/EDUCATION REFORM PROPOSALS

Tax Relief Measures

Calling his tax relief plan “the largest tax cuts in the history of Nebraska,” Governor Jim Pillen has proposed a series of measures that would provide \$78 million in income tax reductions yet this year and more than \$720 million by 2027. The tax relief measures would slash maximum individual and corporate tax rates to 3.99% by 2027. In addition, elimination of income taxation of social security benefits would be completed by 2024. Another measure would change the way agricultural and horticultural land is valued in Nebraska for tax purposes by basing the valuation on productivity and income potential.

Education Reform Measures

Governor Pillen has also proposed sweeping changes to the manner in which state funds are used for public education. The legislative package would provide school districts with \$1,500 for every student enrolled, increase special education funding and establish a special fund to ensure the sustainability of these programs. An Education Future Fund will appropriate \$1 billion in fiscal year 2023-24 and \$250 million in each of the following six years to fund the increase in state funding of public schools. In addition, the total amount in additional property taxes that could be requested by schools would be limited to 3% based on their total revenue, with additional flexibility provided based on a school’s needs.

NBA AFFIRMATIVE LEGISLATIVE AGENDA

On Monday, January 23, the following NBA Affirmative Legislative bills will be heard by the Banking, Commerce and Insurance Committee:

LB 94 - UCC ARTICLE 12: Introduced by Senator Julie Slama (Dunbar), LB 94 would adopt Uniform Commercial Code, Article 12, relating to controllable electronic records.

LB 207 - TRUST DEEDS - LOCATION OF TRUSTEE'S SALE: Senator Brad von Gillern (Elkhorn) has introduced LB 207, which would clarify that the sale of property pursuant to a power of sale under a trust deed may be conducted on the premises, at the county courthouse, or in any public building in which county offices are located within the county in which the property to be sold is situated.

LB 279 - EXECUTIVE OFFICERS' REPORTING REQUIREMENTS: Introduced by Senator Kathleen Kauth (Omaha), LB 279 would eliminate the requirement for executive officers to make annual reports regarding the amount of loans or indebtedness on which he or she is a borrower, cosigner, or guarantor, the security therefor, and the purpose for which the proceeds have been or are to be used.

OTHER BILLS OF INTEREST

A number of other bills affecting the banking industry were introduced during the past week, including the following:

LB 476 - PUBLIC ENTITIES INVESTMENT TRUST ACT: Introduced by Senator Justin Wayne (Omaha), LB 476 would authorize the creation of trusts to provide an investment pool into which all public entities (excluding the state of Nebraska and any agency thereof) may deposit funds.

LB 483 - PUBLIC FUNDS/CREDIT UNIONS: Introduced by Senator Jane Raybould (Lincoln), LB 483 would authorize a state or federal credit union to hold public deposits of the state or any political subdivision of the state.

LB 496 SALES TAX EXEMPTION – BUSINESS INPUTS: Senator Lou Ann Linehan (Omaha) is the sponsor of legislation (LB 496) which would exempt the sale, lease, or rental of and the storage, use, or other consumption of business inputs (a product or service that (a) is purchased by a business entity from a retailer; and (b) is used by the business entity, in the regular course of its business, in a way that is directly related to the production of a product or the provision of a service). In order for a product or service to be considered a business input (a) the business entity must pass on the cost of such product or service to the entity's customer; and (b) the business entities customer can reasonably be considered as the ultimate consumer of such product or service.

LB 497 - ITEMIZED DEDUCTIONS: Senator Linehan has also introduced LB 497 which would, effective January 1, 2023, allow every individual who itemizes deductions on their federal return to subtract from federal adjusted gross income, the greater of either the standard deduction; or the sum of a) federal itemized deductions except for the amount for state or local income taxes included in federal itemized deductions before any federal disallowance; and b) the total amount of state and local property taxes reported on the federal return before any federal disallowance, less the amount of state and local property taxes actually included in federal itemized deductions.

LB 504 - RURAL WORKFORCE HOUSING INVESTMENT FUND APPROPRIATIONS: Introduced by Senator Ray Aguilar (Grand Island), LB 504 would also transfer \$25 million in fiscal year 2023-24 and fiscal year 2024-25 to the Rural Workforce Housing Investment Fund. Would also transfer \$25 million dollars for fiscal year 2023-24 and fiscal year 2024-25 to the Affordable Housing Trust Fund.

LB 641 – TAXATION - SOCIAL SECURITY BENEFITS: Introduced by Senator Kathleen Kauth (Omaha) LB 641 would exclude 70% of Social Security benefits included in federal adjusted gross income from state taxation beginning January 1, 2023, and 100% of such benefits beginning January 1, 2024.

LB 669 - DEPARTMENT OF BANKING CONDITIONAL ORDERS: Introduced by Senator Beau Ballard (Lincoln), LB 669 would authorize, the director of the Department of Banking to prescribe conditions on banks, trust companies, credit unions, building and loan associations, savings and loan associations, and digital asset depositories, and their holding companies, if any, as part of any written order, decision, or determination required to be made pursuant to the Nebraska Banking Act, Chapter 8, Article 3, the Credit Union Act, and the Nebraska Financial Innovation Act.

LB 674 - NEBRASKA FINANCIAL INNOVATION ACT: Introduced by Senator Mike Jacobson (North Platte), LB 674 would make technical corrections to the Nebraska Financial Innovation Act regarding digital asset depositories.

LB 710 - CREDIT UNION ACT: Introduced by Senator George Dungan (Lincoln), LB 710 would eliminate requirements for the Director of Banking to provide notices of an application for establishment of a branch of a credit union and remove discretion from the Director to hold a public hearing on amendments to the Credit Unions Association’s bylaws which are brought before the Department. The bill would also allow a credit union with a main chartered office approved branch in the state, upon notification to the Department, to establish savings account programs in any elementary or secondary school, whether public or private, that has students who reside in the same city or village as the main chartered office or branch of the credit union, or, if the main office of the credit union is located in an unincorporated area of the county, at any school that have students who reside in the same unincorporated area. The legislation would expand the field of membership of a credit union to include persons or organizations within a geographically defined community, neighborhood, or rural district; authorize a credit union to conduct annual or special meetings by virtual conferencing platform; and authorize credit unions to invest in shares, stocks, or member units of financial technology companies in a total amount not exceeding 5% of the net worth of the credit union.

LB 730 - FAIR ACCESS TO FINANCIAL SERVICES ACT: Introduced by Senator Rick Holdcroft (Bellevue) LB 730 would restrict financial institutions (banks, savings and loans, trust companies, credit unions, money transmitters, non-depository service providers and insurance companies) from limiting access to financial services (financial product or service) for any reason other than objective financial criteria. The bill would prohibit a financial institution from a) denying any person a financial service offered by the financial institution unless justified by such person’s documented failure to meet quantitative, impartial, and risk-based financial standards established in advance by the financial institution; and b) denying any person a financial service offered by the financial institution when the effect of the denial is to prevent, limit, or otherwise disadvantage the person 1) from entering or competing in a market or business segment; or 2) in such a way that benefits another person or business activity in which the financial institution has a financial interest or 3) deny, in coordination with another person, any person a financial service the financial institution offers.

LB 743 - INVESTMENT NEUTRALITY IN PUBLIC FUNDS ACT: Introduced by Senator Kathleen Kauth (Omaha) would require any investment manager, fiduciary, governing body or financial institution in making and supervising investments of any public fund to discharge its duties solely in the financial interest of the beneficiaries for the exclusive purposes of a) providing financial benefit to the beneficiaries and b) defraying reasonable expenses related to administration of the benefits. The bill would require a fiduciary to take into account only financial (having a material effect on the financial risk of the financial return of an investment) factors when discharging its duties with respect to investments of public funds (financial does not include any action taken, or factor considered, by a fiduciary with any purpose whatsoever to further social, political, or ideological interests). The bill would deem a fiduciary to have taken an action, or consider the factor, with a purpose to further social, political, or ideological interests based upon evidence indicating

such a purpose any of the following: 1) eliminating, reducing, offsetting, or disclosing greenhouse gas emissions; 2) instituting or assessing corporate board, or employment, composition, compensation, or disclosure criteria that incorporates characteristics protected in the state under the Nebraska Fair Employment Practices Act; 3) divesting from, limiting investment in, or limiting the activities or investments, any company, for failing, or not committing, to meet environmental standards or disclosures; 4) access to abortion, sex or gender change, or transgender surgery; or 5) divesting from, limiting investment in, or limiting the activities or investments of, any company, for engaging in, facilitating, or supporting the manufacture, distribution, sale, or use of firearms.

LB 754 - TAXATION - INDIVIDUAL AND CORPORATE INCOME TAX REDUCTIONS: Senator Linehan has introduced legislation that would reduce the maximum individual income tax rate from 6.84% to 3.99% and also reduce the maximum corporate income tax rate from 7.25% to 3.99% over the next five years.

LB 804 – TAXATION - INDIVIDUAL AND CORPORATE INCOME TAX REDUCTIONS: Senator Brad von Gillern (Omaha) is the sponsor of LB 804 which would reduce the maximum corporate income tax rate from 7.25% to 5.84% and would decrease the maximum individual income tax rate from 6.84% to 5.84% on January 1, 2023.

LB 806 - TAXATION – INDIVIDUAL INCOME TAX REDUCTION: Senator von Gillern (Omaha) has also introduced LB 806 which would reduce the maximum individual income tax rate from 6.84% to 5.84% on January 1, 2023.

LAST CHANCE TO REGISTER FOR THE 2023 STATE GOVERNMENT RELATIONS FORUM

You are encouraged to sign up for the annual NBA State Government Relations Forum which will be held on January 26, 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. Director of the Department of Banking and Finance Kelly Lammers and Attorney General Mike Hilgers will make presentations at the Forum along with a senator panel consisting of Senators Mike Jacobson and Rob Clements.

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 26!

[Register Here](#)