



October 18, 2013

Dear Chairman Hadley and Members of the Tax Modernization Committee,

Thank you for the opportunity to offer our thoughts on Nebraska's current tax structure and the initial proposals offered by the Tax Modernization Committee. The structure of our tax system has a critical and foundational impact on all that makes Nebraska the good life. As a result, we are grateful for the thoughtful and deliberative approach this Committee has taken with this important issue.

Nebraska Appleseed is a non-profit organization that fights for justice and opportunity for all Nebraskans. As advocates for low-income and working families, access to health care, children in foster care, and immigrants, our specific focus is on the effect the current proposals might have on those communities.

But our larger focus is on the strength of the state as a whole which has a significant impact on the opportunities available to any Nebraskan. We believe that together Nebraskans have built a great state, with a good quality of life, a culture of pride in our communities and a commitment to helping our neighbors. This sense of community and shared responsibility should continue to inform and serve as the foundation for tax policy in Nebraska.

Our tax system should ensure that we can continue to invest in things that boost our economy and on which our families rely like safe neighborhoods, good schools, a strong health care system, a functioning safety net, and infrastructure. During the economic downturn, we saw cuts to social service programs, health care services, and education. As a member of the Rebuild Nebraska Coalition, Appleseed shares the view that we need to maintain our revenue to avoid further cuts in these important areas and to allow us to reinvest in the programs and infrastructure that support the good life.

In addition, our tax system should share the responsibility equitably. Low-income families already pay a higher percentage of their income in state and local taxes compared to wealthier Nebraskans. This should not be exacerbated by any changes in tax policy that would rely on lower and middle-income families to shoulder more of the tax responsibility in order to decrease the taxes for specific constituencies.

With those principles in mind, we have some comments on the specific proposals. We agree that increasing state aid is a reasonable means for reducing property taxes and supporting schools. We support the idea of a circuit breaker program as the best means for reducing

property taxes. However, we would request that renters be included in any circuit breaker program so that low-wage earners who pay property taxes indirectly through rent might also benefit.

Appleseed also agrees that Nebraska's sales tax exemptions must be reexamined and that including services within the sales tax system more accurately reflects our current economy. Our concern is which services are included and whether those would disproportionately affect lower income families, such as a tax on food or basic health care services. As a result, we would encourage this Committee and the Legislature to examine the range of services included in a sales tax system with this in mind to ensure, again, that the responsibility is shared across the income spectrum.

Finally, we have serious concerns about reducing the personal income tax rate or corporate income tax rate and the effect it will have on the state's revenues and its ability to maintain the building blocks of a strong economy like schools, health care, and infrastructure. For families being paid a low wage, a decrease in their income tax may not amount to much in terms of real dollars. But the aggregate decrease in state revenue could amount to significant losses in real and intangible ways for those families if we can no longer support the shared public assets that make our communities strong.

In other words, a few dollars in a tax break would not make up for the potential loss of a good neighborhood school or assistance paying for child care so that parents can continue to work. There is much to be gained by leveraging our dollars collectively as we currently do and very little to be gained for the vast majority of Nebraskans by a personal or corporate income tax cut.

For all these reasons we would ask the Committee to avoid any major shifts in Nebraska's tax policy and hold any changes you do consider to the standards of revenue neutrality, stability, and progressivity so that we can maintain the building blocks of our strong economy and the life that we love in Nebraska.

Thank you again for your work on this issue and the opportunity to share our thoughts.

Sincerely,

Jennifer A. Carter
Director of Public Policy