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April 24, 2019

To: Members of the Revenue, Education, and Retirement Systems Committees  
From: Julia Tse, Policy Coordinator for Economic Stability and Health  
**RE: Opposition to AM 1381 to LB 289 - Change provisions relating to county assessor inspections of real property for property tax purposes**

All Nebraskans benefit when every child can reach their full potential in life. We all have an obligation to ensure that no matter the circumstances in which they were born, every Nebraska child is healthy, happy, and has access to opportunity. Voices for Children in Nebraska opposes LB 289 because it takes an approach to property tax reform that rests heavily on the backs of low-income children and families.

We appreciate the difficult task before members of the Legislature in accomplishing meaningful property tax reform and balancing the state budget this year. We are concerned, however, that the primary solution offered by AM 1381 disproportionately increases taxes on low-income families.

#### **A balanced approach to tax relief must include an increase to the state EITC.**

Nebraska children living in low-income families face multiple and complex barriers that prevent them from success. As a state, instead of postponing our response to child poverty, we can use our resources today to prevent child poverty from worsening. We are all better off in the long run if we take steps today to ensure that public policy doesn't push children further into intergenerational poverty and poor outcomes.

The Earned Income Tax Credit (EITC) is widely recognized as one of the most effective antipoverty programs in the nation, keeping an estimated 19,000 Nebraska children out of poverty annually.<sup>i</sup> The state EITC is refundable, and is credited from the first dollar earned, phasing out as family income increases.<sup>ii</sup> In total, over 126,000 Nebraska families claimed the state EITC in 2017, returning nearly \$30 million dollars to the pockets of Nebraska's working families and in turn, our local communities.<sup>iii</sup>

By putting money back into the pockets of working parents who need it most, the EITC ensures that children have what they need to survive and thrive. Research shows that the income boost provided by the EITC is linked to positive health outcomes for infants and mothers,<sup>iv</sup> improved student performance and long-term educational outcomes,<sup>v</sup> and even increased future earnings in adulthood.<sup>vi</sup> Moreover, the EITC has been shown to promote community revitalization because families often utilize their credits to pay off debt, invest in their children's education, and secure stable housing.<sup>vii</sup>

**Sales tax increases fall the hardest on low-income families and children.** The bottom quintile of Nebraska taxpayers—those earning less than \$24,000 annually—pay the most in sales and excise tax, at an estimated 6.1% of family income in

Nebraska, compared to just 0.8% for the top 1.0% of taxpayers.<sup>viii</sup> AM 1381 would intensify the regressive features of our state tax code and make it harder for low-income families to make ends meet.

While the sales tax increase proposed by AM 1381 may seem modest, without an appropriate offset, the costs will add up for low-income families. Approximately 17.0% of Nebraska households do not have enough savings to pay their expenses for 3 months in an emergency, 14.1% of Nebraska children live in poverty, and 22% of Nebraska children live in a family where housing eats up more than a third of their income.<sup>ix</sup>

**We urge the committees to lower the increase in sales tax from  $\frac{3}{4}$  of a cent to  $\frac{1}{2}$  of a cent, coupled with an increase in the state EITC from 10% to 15% of the federal EITC.** Year after year, we come before the Nebraska Legislature to ask for policy solutions that keep Nebraska families out of a cycle of poverty. The many solutions to child food insecurity, the skyrocketing costs of child care, and preventing child abuse and neglect that have been adopted by the Legislature over the years must be supported with a complementary tax code that fairly recognizes what each of us is able to reasonably contribute to our state's future.

We thank Senator Linehan for her work on this issue, and the members of the Revenue, Education, and Retirement Committees for their time and commitment to Nebraska children and would urge you to not advance AM 1381 to LB 289 as written. Thank you.

## Appendix

Table 1. Adjusted Gross Income (AGI) Limit and Credit Amount for Federal EITC in Tax Year 2019

Filing	Qualifying Children Claimed			
	Zero	One	Two	Three+
<b>Single, Head of Household, or Widowed</b>	\$15,570	\$41,094	\$46,703	\$50,162
<b>Married Filing Jointly</b>	\$21,370	\$46,884	\$52,493	\$55,952

Table 2. Federal EITC Returns in TY 2015 and Estimated State EITC at 10% and 15%

LD	Senator	Federal EITC		Estimated State EITC		
		Returns	Amount (\$)	Current - 10%	Proposed - 15%	Additional - 5%
1	Slama	2,165	\$5,173,672	\$517,367	\$776,051	\$258,684
2	Clements	2,022	\$4,531,422	\$453,142	\$679,713	\$226,571
3	Blood	2,458	\$5,700,173	\$570,017	\$855,026	\$285,009
4	Hilkemann	1,290	\$2,623,375	\$262,338	\$393,506	\$131,169
5	McDonnell	3,778	\$9,799,954	\$979,995	\$1,469,993	\$489,998
6	Cavanaugh	2,020	\$4,286,505	\$428,651	\$642,976	\$214,325
7	Vargas	4,056	\$10,555,765	\$1,055,577	\$1,583,365	\$527,788
8	Hunt	3,963	\$10,284,971	\$1,028,497	\$1,542,746	\$514,249
9	Howard	2,850	\$6,419,683	\$641,968	\$962,952	\$320,984
10	DeBoer	2,901	\$7,025,914	\$702,591	\$1,053,887	\$351,296
11	Chambers	6,118	\$17,755,932	\$1,775,593	\$2,663,390	\$887,797
12	Lathrop	2,722	\$5,907,924	\$590,792	\$886,189	\$295,396
13	Wayne	4,263	\$11,664,066	\$1,166,407	\$1,749,610	\$583,203
14	Arch	2,037	\$4,555,359	\$455,536	\$683,304	\$227,768
15	Walz	2,661	\$6,131,430	\$613,143	\$919,715	\$306,572
16	Hansen	1,968	\$4,345,123	\$434,512	\$651,768	\$217,256
17	Albrecht	3,717	\$9,729,138	\$972,914	\$1,459,371	\$486,457
18	Lindstrom	2,221	\$4,975,624	\$497,562	\$746,344	\$248,781
19	Scheer	2,732	\$6,434,018	\$643,402	\$965,103	\$321,701
20	McCollister	1,964	\$4,133,700	\$413,370	\$620,055	\$206,685
21	Hilgers	3,041	\$7,621,451	\$762,145	\$1,143,218	\$381,073
22	Moser	2,535	\$5,788,301	\$578,830	\$868,245	\$289,415
23	Bostelman	2,358	\$5,663,030	\$566,303	\$849,455	\$283,152
24	Kolterman	1,890	\$4,396,136	\$439,614	\$659,420	\$219,807
25	Geist	1,698	\$3,597,186	\$359,719	\$539,578	\$179,859
26	Hansen	3,195	\$7,169,297	\$716,930	\$1,075,395	\$358,465
27	Wishart	2,583	\$5,802,387	\$580,239	\$870,358	\$290,119
28	Pansing Brooks	2,895	\$6,361,318	\$636,132	\$954,198	\$318,066
29	Bolz	1,809	\$3,834,711	\$383,471	\$575,207	\$191,736
30	Dorn	2,195	\$4,859,602	\$485,960	\$728,940	\$242,980
31	Kolowski	1,237	\$2,514,031	\$251,403	\$377,105	\$125,702
32	Brandt	2,114	\$5,008,177	\$500,818	\$751,227	\$250,409
33	Halloran	2,714	\$6,463,037	\$646,304	\$969,456	\$323,152
34	Friesen	2,850	\$6,864,948	\$686,495	\$1,029,742	\$343,247

35	Quick	4,256	\$10,707,852	\$1,070,785	\$1,606,178	\$535,393
36	Williams	3,563	\$8,927,604	\$892,760	\$1,339,141	\$446,380
37	Lowe	2,556	\$5,654,468	\$565,447	\$848,170	\$282,723
38	Murman	2,352	\$5,540,313	\$554,031	\$831,047	\$277,016
39	Linehan	1,251	\$2,507,603	\$250,760	\$376,140	\$125,380
40	Gragert	2,207	\$5,455,565	\$545,557	\$818,335	\$272,778
41	Briese	2,304	\$5,444,935	\$544,494	\$816,740	\$272,247
42	Groene	2,534	\$5,928,489	\$592,849	\$889,273	\$296,424
43	Brewer	2,422	\$6,108,201	\$610,820	\$916,230	\$305,410
44	Hughes	2,148	\$5,131,258	\$513,126	\$769,689	\$256,563
45	Crawford	3,167	\$7,656,799	\$765,680	\$1,148,520	\$382,840
46	Morfeld	3,351	\$7,801,776	\$780,178	\$1,170,266	\$390,089
47	Erdman	2,416	\$5,661,288	\$566,129	\$849,193	\$283,064
48	Stinner	3,170	\$7,926,906	\$792,691	\$1,189,036	\$396,345
49	La Grone	1,480	\$3,084,866	\$308,487	\$462,730	\$154,243
<b>Statewide</b>		<b>130,707</b>	<b>\$312,682,452</b>	<b>\$31,268,245</b>	<b>\$46,902,368</b>	<b>\$15,634,123</b>

<sup>i</sup> “Working Families Kept out of Poverty by the EITC and CTC, 2009-2011,” Tax Credits for Working Families, <http://www.taxcreditsforworkersandfamilies.org/working-families-kept-out-of-poverty-by-the-eitc-and-ctc-2009-2011/>.

<sup>ii</sup> See Appendix for income limits and credit amounts.

<sup>iii</sup> See Appendix for EITC returns by Legislative District.

<sup>iv</sup> William N. Evans and Craig L. Garthwaite, “Giving Mom a Break: The Impact of Higher EITC Payments on Maternal Health,” *American Economic Journal: Economic Policy* 6, no. 2 (2014):258-290, <https://www.aeaweb.org/articles?id=10.1257/pol.6.2.258>.

<sup>v</sup> Michell Maxfield, *The Effects of the Earned Income Tax Credit on Child Achievement and Long-Term Educational Attainment*, Institute for Child Success, September 2015, [https://www.instituteforchildsuccess.org/themencode-pdf-viewer/?file=https://www.instituteforchildsuccess.org/wp-content/uploads/2016/07/ics\\_4654\\_maxwell\\_paper\\_6x9\\_web.pdf](https://www.instituteforchildsuccess.org/themencode-pdf-viewer/?file=https://www.instituteforchildsuccess.org/wp-content/uploads/2016/07/ics_4654_maxwell_paper_6x9_web.pdf).

<sup>vi</sup> Raj Chetty, John N. Friedman, and Jonah Rockoff, “New Evidence on the Long-Term Impact of Tax Credits,” *Statistics of Income Paper Series*, November 2011, <https://www.irs.gov/pub/irs-soi/11rpchettyfriedmanrockoff.pdf>.

<sup>vii</sup> Ruby Mendenhall et al., “The Role of Earned Income Tax Credit in the Budgets of Low-Income Families,” *Social Service Review* 86, no. 3 (2012):367-400, <https://www.jstor.org/stable/10.1086/667972>.

<sup>viii</sup> “Nebraska: State and Local Tax Shares of Family Income for Non-elderly Taxpayers,” *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, 6th Edition, Institute on Taxation & Economic Policy, October 2018, <https://itep.org/wp-content/uploads/itep-whopays-Nebraska.pdf>.

<sup>ix</sup> Voices for Children in Nebraska, *Kids Count in Nebraska 2018 Report*.