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February 10, 2020

Senator Linehan, Chair – Revenue Committee  
Room 1524, Nebraska State Capitol, Lincoln, NE 68509

### **RE: Opposition to LR 300CA - Constitutional amendment to prohibit all forms of taxation other than a consumption tax**

Dear Chair Linehan and Members of the Revenue Committee,

We all benefit when every child in Nebraska can reach their full potential. No matter the circumstances in which they were born, every Nebraska child deserves the opportunity to be happy, healthy, and have access to opportunity. Voices for Children in Nebraska opposes LR 300CA because it takes an approach to tax reform that rests heavily on the backs of low- and moderate-income Nebraska children and families.

**The replacement of all forms of taxation with consumption taxes on new goods and services would dramatically increase taxes on lower-income Nebraska families.** As it stands, sales taxes currently fall the hardest on lower-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 percent of family income in Nebraska, compared to just 0.8 percent for the top 1 percent of Nebraska taxpayers.<sup>i</sup>

**The elimination of existing sales tax exemptions on groceries would exacerbate food insecurity among Nebraska children.** One recent study examining the application of state and local sales tax to groceries found a statistically significant relationship between grocery tax rates and levels of food insecurity. Even after controlling for demographic and socioeconomic variables, researchers found that each 1 percentage point increase in grocery taxes increases the probability of household food insecurity by 0.6 percent among low-income families.<sup>ii</sup>

**The Federal Poverty Level (FPL) is a flawed and outdated measure of financial well-being for Nebraska families.** We understand that Senator Erdman intends to offset the impact of LR 300CA on lower-income families by providing a monthly pre-bate to families living in poverty and providing a standard pre-bate to all other families. However, this federal definition of poverty should not be conflated with families who are struggling to make ends meet, or those who would be considered “low-income.” The current FPL is based on a crude calculation of a typical household budget from the 1960s and has only been updated with standard inflation measures in the nearly 60 years since its creation. The measure does not account for geographic variations or for significant changes in childcare and housing costs that have far outpaced inflation in recent years.<sup>iii</sup> Indeed, there is national consensus among experts that a new measure that more accurately reflects real family expenses must be developed.<sup>iv</sup> In recognition of the flawed nature of the measure, assistance programs for low-income Nebraska families is

generally higher than the FPL, including in the Supplemental Nutrition Assistance Program (130% of the FPL), the Child Care Subsidy program (130% of the FPL), and the Children’s Health Insurance Program (213% of the FPL). The provision of pre-bates would need to be better targeted to low-income families in order to appropriately offset the regressive impact of LR 300CA.

We appreciate the difficulty of the task before the Legislature in balancing the state budget and in accomplishing property tax reform, but our resolution cannot be one that places the greatest burden on children and families in low-income households. We thank Senator Erdman and appreciate his time and commitment to the state of Nebraska but are opposed to LR 300CA. We respectfully urge the committee to not advance LR 300CA. Thank you.

Sincerely,



Julia Isaacs Tse, Policy Coordinator

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<sup>i</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, 6<sup>th</sup> Edition, Institute on Taxation & Economic Policy, October 2018, <https://itep.org/wp-content/uploads/itep-whopays-Nebraska.pdf>.

<sup>ii</sup> Norbert L.W. Wilson et al., “Do Grocery Food Sales Taxes Cause Food Insecurity?” Presented at the 2016 Agricultural & Applied Economics Association Annual Meeting, 2016, [https://ageconsearch.umn.edu/record/235324/files/Wilson\\_%20Zheng\\_%20Burney\\_%20Kaiser%20-%20Do%20Grocery%20Taxes%20Cause%20Food%20Insecurity.pdf](https://ageconsearch.umn.edu/record/235324/files/Wilson_%20Zheng_%20Burney_%20Kaiser%20-%20Do%20Grocery%20Taxes%20Cause%20Food%20Insecurity.pdf).

<sup>iii</sup> National Research Council, *Measuring Poverty: A New Approach* (Washington,DC: The National Academies Press, 1995), 25.

<sup>iv</sup> *Ibid*, 50.