

**Testimony on LB 1
Public Hearing Before the Revenue Committee
July 30, 2024**

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**LB 1 – Adopt the Property Tax Growth Limitation Act, the School District Property Tax Relief Act,
and the Advertising Services Tax Act and change revenue and taxation provisions
(Sen. Lou Ann Linehan at the request of the Governor)**

Good afternoon, Chairman Linehan and members of the Revenue Committee. For the record, my name is Ryan Burger – R-Y-A-N B-U-R-G-E-R. I am a partner and investment advisor representative at Gabriel Burger & Else and am a past chairman of the board of the Nebraska Society of Certified Public Accountants (the “Society”), representing about 2,500 member CPAs.

I am here today to voice the Society’s opposition to LB 1 for the following reasons.

LB 1 would have a negative impact on Nebraska’s economic development and competitive climate, creating unintended and unwanted consequences within our state.

- 1) LB 1 would make Nebraska businesses less competitive.** A significant share of professional services are business inputs. When business inputs are taxed, taxes pile up on one another, with taxes becoming embedded in the purchase price – this is known as “tax pyramiding.” The Council On State Taxation (COST) estimates that 44% of existing Nebraska sales tax revenues are already derived from taxing business inputs. Taxing professional services such as accounting will only exacerbate this problem.
- 2) Taxing professional services punishes small businesses.** Small businesses are often forced to use outside vendors to perform audit, tax, and business advisory services. The compliance costs for these items can be substantial and taxing these services will further increase financial pressure on these businesses, essentially limiting the growth of small businesses. Larger organizations can internalize certain costs, putting small businesses at a significant cost disadvantage purely because of a distortive tax policy.
- 3) Physical location is of decreasing importance in today’s world.** States that decide to tax professional services are at a competitive disadvantage compared to states that do not impose such taxes. Not only would this bill discourage the use of accounting services in Nebraska to help with complicated issues of taxation, it also discourages companies seeking to relocate or expand into Nebraska. Our tax system should not provide incentives to take business and jobs out of our state.
- 4) Because professional services can be performed in multiple locations and received in completely different locations, it creates a difficult dichotomy for tax compliance.** Moreover, such a tax would pose implementation challenges undermining efforts to gain meaningful revenue for the state.

The Society respects the Governor’s efforts to provide property tax relief; however, we do not believe taxing professional services such as accounting is an effective solution.