

**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 Lorraine Egger – L-O-R-R-A-I-N-E E-G-G-E-R. I am the chief financial officer at CyncHealth in La Vista and am past chairman of the Nebraska Society of Certified Public Accountants (the “Society”), representing about 2,500 member CPAs throughout the state.

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

**1) Imposing sales tax on services violates the principles of “good tax policy.”**

- **Accounting is a business service and doesn’t belong in the sales tax base.** Experts across the political spectrum agree that taxing business inputs like accounting services leads to undesirable “tax pyramiding.” Pyramiding occurs when an input is taxed when purchased and effectively taxed again when its cost is passed through into the price of a taxable good or service. For example, a company producing widgets hires an accounting firm to handle its finances. Under LB 1, the widget-making company would pay tax on the accounting services. The company then includes the accounting tax in the production cost of its widgets, which are subsequently taxed when sold. So, the sales tax on widgets includes an element of the tax on accounting services, which is effectively hidden from the ultimate consumer. This “pyramiding” results in higher overall tax costs, increases the costs of goods and services, and creates inefficiencies in the market.
- In addition to pyramiding, **a tax on accounting services is effectively a tax on production, not consumption, and is inconsistent with a sales tax.**

**2) It is unreasonable to tax an activity that the government requires in the first place.** Filing individual and business tax returns is not a choice, it is required to comply with the tax laws. It is conflicting to charge a sales tax on a service that is only purchased in order to comply with other tax laws.

**3) Should this bill pass, Nebraska would be at a great disadvantage in its ability to compete with other states for business and investment.** Only one bordering state – South Dakota – taxes business and professional services. According to the American Institute of CPAs, over the last several years, 32 states have introduced 106 bills taxing professional services, and none passed. Policymakers in these states recognized the negative impact of these proposals on their state’s economic growth and quickly repealed the measures.

In conclusion, while we respect the Governor’s desire to provide property tax relief to Nebraskans, we urge you to reject the idea of imposing sales tax on accounting and other professional services, as it would in fact undermine Nebraska’s ability to maintain a flourishing business environment.