

**Testimony on LB 1308
Public Hearing Before the Revenue Committee
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**LB 1308 – Eliminate certain sales and use tax exemptions
and impose sales and use taxes on certain services (Sen. Brad Von Gillern)**

Good afternoon, Chairman Linehan and members of the Revenue Committee. For the record, my name is Brian Klintworth – B-R-I-A-N K-L-I-N-T-W-O-R-T-H. I am a tax partner at HBE and serve as vice chairman of the board of the Nebraska Society of Certified Public Accountants (the “Society”), representing about 2,600 member CPAs. Our firm is also a member of the Lincoln Chamber of Commerce (the “Chamber”).

I am here today to voice the Society’s and the Chamber’s opposition to LB 1308, which would eliminate the sales tax exemption for accounting services to businesses.

LB 1308 would have a negative impact on Nebraska’s economic development and competitive climate. Since taxes and economic development are inextricably linked, Nebraska may suffer unintended and unwanted consequences after imposition of a sales tax on accounting services, and other professional services.

- 1) Business expansion would be impeded.** Expanding the sales tax to accounting services is the same as a tax on capital investment of business expansion in that it increases the front-end costs of doing business.
- 2) Jobs may be shifted outside the state or outsourced to other countries.** Sales tax on services might provide a “hidden” market for accounting services offered by out-of-state providers. If the service provider does not have “nexus” in the purchaser’s state, no sales tax is collected. In order to collect tax on the service, Nebraska would have to rely on use tax collection efforts. In addition, a tax on accounting services could further increase outsourcing to other countries, where the U.S. and its states would have no authority to collect sales tax.
- 3) Discrimination would occur against small and emerging businesses that CPAs represent.** 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.
- 4) Physical location is of decreasing importance in today’s world.** States that decide to tax accounting 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.

- 5) **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 recognizes that raising revenue to support government programs and provide property tax relief is an important process that requires the reassessment of current taxing structures; however, we do not believe taxing accounting services on businesses is an effective solution. We urge the committee to indefinitely postpone LB 1308.