

**Testimony on LB 1308  
Public Hearing Before the Revenue Committee  
February 1, 2024**

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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 Stacy Watson – S-T-A-C-Y W-A-T-S-O-N. I am a tax shareholder at Lutz and serve on the Taxation Committee for the Nebraska Society of Certified Public Accountants (the “Society”), representing about 2,600 member CPAs. I also sit on the Nebraska Chamber Board of Directors, as chairman of the Taxation Council.

I am here today to voice the Society’s opposition to LB 1308, which would eliminate the sales tax exemption for accounting services to businesses, 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 concur that taxing business inputs, like accounting services, under sales and use tax, 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 CPA buys computers, software, and paper and pays sales tax on the purchases. These items are used to provide a service that is then taxed, creating a tax on the previously taxed “raw materials” used to create the service. In addition to pyramiding, this is effectively a tax on production, not consumption, and is inconsistent with a sales tax.

Multiple taxation also affects business choices of input purchases, location of jobs and investments, and organization of business structures. It favors larger organizations over smaller businesses because larger organizations can internalize certain costs, putting small businesses at a significant cost disadvantage purely because of a distortive tax policy.

- **In addition, when services consumed by businesses are taxed, the principle of “tax law transparency” is violated.** The additional tax is included in the price of the final product and is effectively hidden from the ultimate consumer.

**2) It is unreasonable to tax an activity that the government requires in the first place.** It would be paradoxical to target for sales taxation 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 three states—New Mexico, South Dakota, and

Hawaii—tax business and professional services and each have unique tax systems and state economies. According to the American Institute of CPAs, over the last several years, 32 states have introduced 106 pieces of legislation that propose taxing professional services, and none passed. Policymakers in these states recognized the negative impact of these proposals on their state's economic growth. Minnesota, Michigan, Florida, and Massachusetts passed service taxes, and all were quickly repealed, oftentimes before enactment. In Florida, for example, the measure was repealed because it put in-state businesses at a competitive disadvantage to out-of-state counterparts.

While we respect efforts to provide property tax relief, we urge you to indefinitely postpone LB 1308 and set aside 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.