
EPIC Option Basics

- Eliminates all Nebraska property, income, inheritance, and corporate taxes.
- Imposes a Consumption Tax rate on all services and new goods at a rate of below 8%.
- There will be no taxes on groceries.
- Eliminates double taxation.
 - Imposes a Consumption Tax only on services and new goods.
 - ◆ No taxes on used cars.
 - ◆ No taxes on previously owned homes.
 - No Consumption Tax on gas because gas is subject to an excise tax.
 - No Consumption Tax on insurance premiums because insurance premiums are subject to a premium tax.
 - No taxes on necessary business inputs.
 - ◆ No taxes on a farmer's combine.
 - ◆ No taxes on a plumbers pipe wrenches.
 - ◆ No taxes on food that a grocery store will resell.
- The Consumption Tax is a fair tax.
 - Currently 60% of Nebraskans pay 100% of the taxes.
 - ◆ Now all Nebraskans will contribute.
 - No special tax exceptions for Government agencies and non-profits.
- EPIC Option will be achieved in two steps.
 - Step 1: Vote of the people to amend the Nebraska State Constitution.
 - ◆ So Nebraska cannot collect property, income, inheritance or corporate taxes, and can only collect excise taxes and the consumption tax.
 - Ballet Language: "A Constitutional Amendment to restrict governmental entities in Nebraska to imposing only retail consumption taxes and excise taxes. This amendment will **eliminate Nebraska personal and real property taxes; personal and corporate income taxes; sales taxes and inheritance taxes.**"
 - ◆ So groceries cannot be taxed.
 - Ballet Language: "A Constitutional Amendment allowing the Legislature to authorize governmental entities to impose consumption taxes on services and new goods with the limitation that only **grocery items purchased for off-premises consumption may be exempted from the tax.**"
 - ◆ Once in the Nebraska State Constitution, it can only be changed by the vote of the people and cannot be changed by the Legislature.
 - Step 2: Vote of the Legislature.
 - ◆ On the implementation of the EPIC Option.
 - No tax on used items.
 - No tax on necessary business inputs.
 - Consumption rate percentage.
 - How the taxes collected are distributed.
 - ◆ This allows changes to be made which benefit Nebraskans.
 - As the economy increases and the revenue grows due to the EPIC Option, the Legislature can vote to decrease the consumption rate.

EPIC Option Benefits

The consumption tax rate will be under 8%. At the creation of this document, the final calculations have not been completed and the examples below used 7.8%.

- More spending money for all Nebraskans.
 - The money the State currently takes from you for property and income tax will be extra money in your pocket that you now have to purchase items for you and your family.
 - Since there is no property tax, your spending money will never decrease due to an increase in your property tax.
 - Since there is no state income tax, if you get a raise, the State of Nebraska will not take one penny of your raise.

- Housing rent will eventually decrease.
 - Currently if the amount of property tax raises on a rental property, then landlords will raise the rent so their profit does not decrease.
 - Initially there may be a consumption tax rate increase in rent. But to stay competitive with other landlords and to keep renters, when landlords decrease rent they will still have the same profit or even an increase in profit under the EPIC Option.

- Nebraska can keep prices of goods and services lower than border states, such as Iowa.
 - This will increase the amount of taxes collected in Nebraska as people shop in Nebraska.

- It will make it harder for large corporations to purchase Nebraska farmland.
 - There will be less land available for them to purchase.
 - ◆ Farmers and Ranchers will not have to sell their land due to the inability to afford the ever increasing property taxes.
 - ◆ Those that inherit land can afford to keep it because there will be no property tax or inheritance tax.
 - ◆ Nebraska residents will want to purchase more land because there is no property tax they have to continually pay once the land is paid for.

- The EPIC Option will not cause medical insurance rates to increase and out-of-pocket medical expense changes will be minimal.
 - Health insurance premiums will not be assessed the consumption tax because there is already an excise tax on insurance premiums and the EPIC Option eliminates double taxation.
 - The portion the insurance company pays of medical bills will not be assessed the consumption tax because there are no taxes on business to business transactions. So, the consumption tax will not be a factor for insurance premiums being increased.
 - The only portion that will be assessed the consumption tax is the out-of-pocket expenses. So if the maximum out of pocket per year for an individual is \$3,600.00 currently, they will pay \$3,880.80, once the consumption tax is added. With the amount of extra spending money individuals will have, due to not having to pay property tax or income tax, this is a great trade-off.
 - For someone on Medicaid, the copays are \$1.00, \$2.00 or \$3.00 with the exception of inpatient admission which is \$15.00. So, the copay would be \$16.17 for inpatient hospital admission once the consumption tax is added, which is a very minimal amount.



EPIC Option Made Simple

EPIC Option Calculations

The consumption tax rate will be under 8%. At the creation of this document, the final calculations have not been completed and the examples below used 7.8%.

- If your current property tax is \$3,000.00 and your income tax is \$1,200.00 annually, you will have an extra \$4,200.00. That would be 350.00 monthly of extra spending money. As you spend that at an 7.8% consumption rate, you will be taxed 27.30. Which means you will have 327.60 worth of goods and services to show for your money and currently you have nothing the state just steals it away from you.
- If your current property tax is \$3,000.00 and your income tax is \$1,200.00, you would need to spend \$53,846.15 on new goods and service to pay \$4,200.00 of taxes at a rate of 7.8% under the EPIC Option.. Under the current tax system, the State just takes the \$4,200.00 and you have no goods or services to show for it.
- If a refrigerator that wholesales for \$1,500.00 and is sold in an appliance store in both Iowa and Nebraska.
 - The stores in each state will add 10% for profit.
 - Iowa will add another percentage to hide property taxes, income taxes and business input taxes; for this example we will only increase by 10%. Then Iowa will charge another 7% in sales tax. The final price paid in Iowa is $(\$1,500.00 + \$150.00 + \$150.00 = \$1,800.00) \times 7\% = \$1,926.00$.
 - Nebraska will not add an extra percentage to hide property taxes, income taxes and business inputs because there are none under the EPIC Tax. Nebraska will only charge the 7.8% consumption tax and the 10% for their profit. $(\$1,500.00 + \$150.00 = \$1,650.00) \times 7.8\% = \$1,778.70$.
 - That makes the refrigerator \$147.30 cheaper in Nebraska than it is in Iowa.
 - The same thing will happen with groceries, clothes, new cars, and restaurants; now imagine the amount of savings this will be for a family. Definitely worth a drive to Nebraska.



EPIC Option Made Simple

EPIC Option Consumption Rate

The proposed consumption tax rate is based on the a study completed by Beacon Hill Institute. The entire Beacon Hill Study can be found at www.EPICoption.org.

The Beacon Hill Institute Nebraska State Tax Analysis Modeling Program (NESTAMP) is a dynamic model that captures the effects on economic activity from tax rate changes. NE-STAMP allows the Beacon Hill Institute (BHI) to provide estimates of the fiscal and economic effects of the proposed tax change.

In this study, BHI evaluates the replacement of all state taxes on income, the state sales use tax, and all local property taxes with a revenue-neutral, broad-based consumption tax in Nebraska. The revenue-neutral consumption tax rates required to replace existing revenue while exempting groceries starts at **7.23** percent in Calendar Year (CY) 2026 and falls to **6.52** percent in CY 2030. NESTAMP generated the following results:

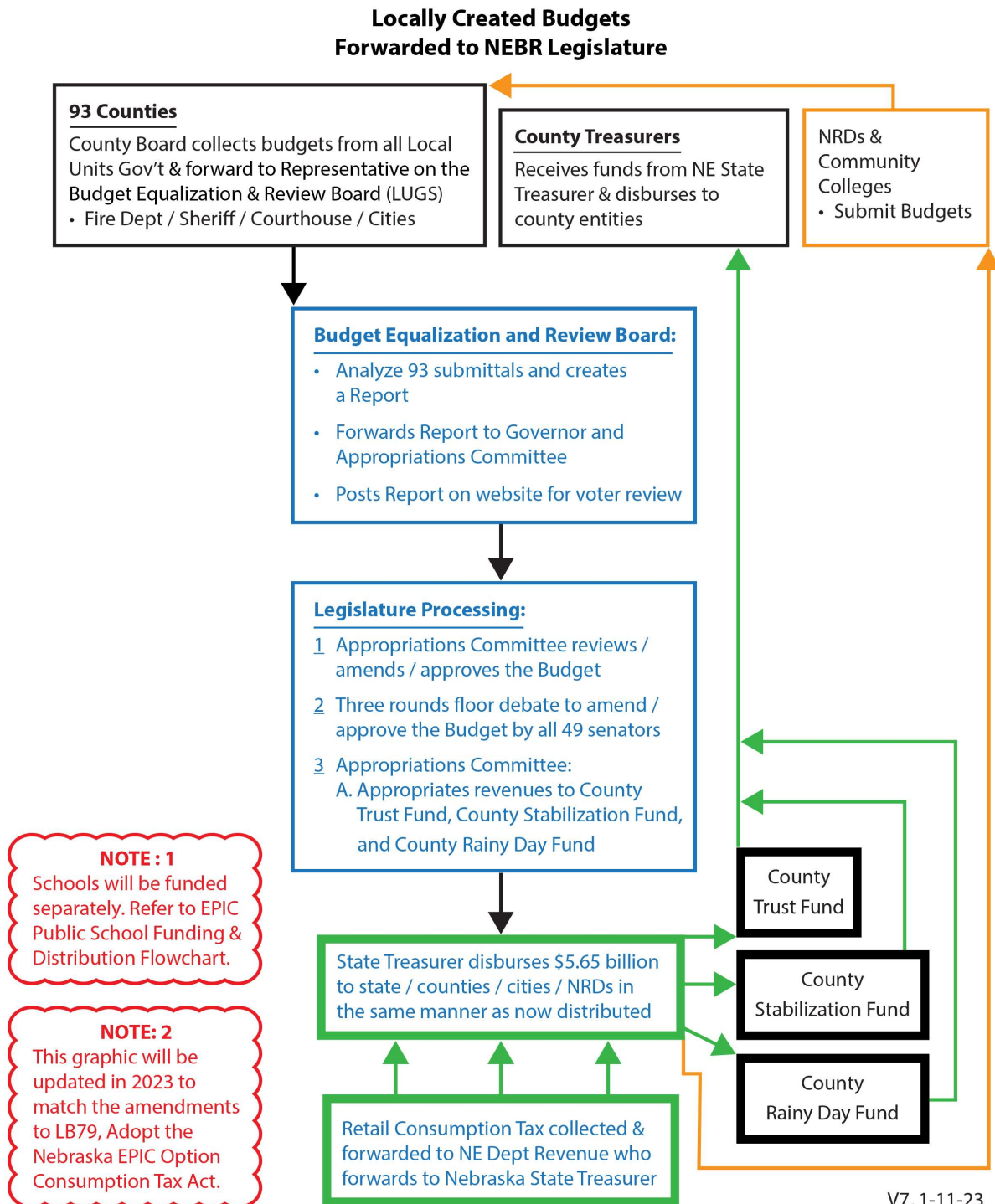
- The state population would increase by 1.9 percent in CY 2026 and by 2.3 percent in CY 2030;
- Personal consumption would increase by 3.8 percent in CY 2026 and by 7.2 percent in CY 2030;
- Net employment (the increase in private sector jobs less the decrease in public sector jobs) would increase by 47,154 jobs in CY 2026 and by 58,065 jobs in CY 2030;
- Investment would increase by \$8.6 billion in CY 2026 and \$10.2 billion in CY 2030;
- Real (inflation-adjusted) disposable income would increase by \$9.6 billion in CY 2026 and by \$12.7 billion in CY 2030; and
- State real (inflation-adjusted) Gross Domestic Product would increase by \$23.3 billion in CY 2026 and by \$32.2 billion in CY 2030.

EPIC Option Distributions

The proposed process for collecting and distributing the consumption tax is in Legislative Bill LB79. LB79 can be read in its entirety at www.nebraskalegislature.gov or www.EPICoption.org.

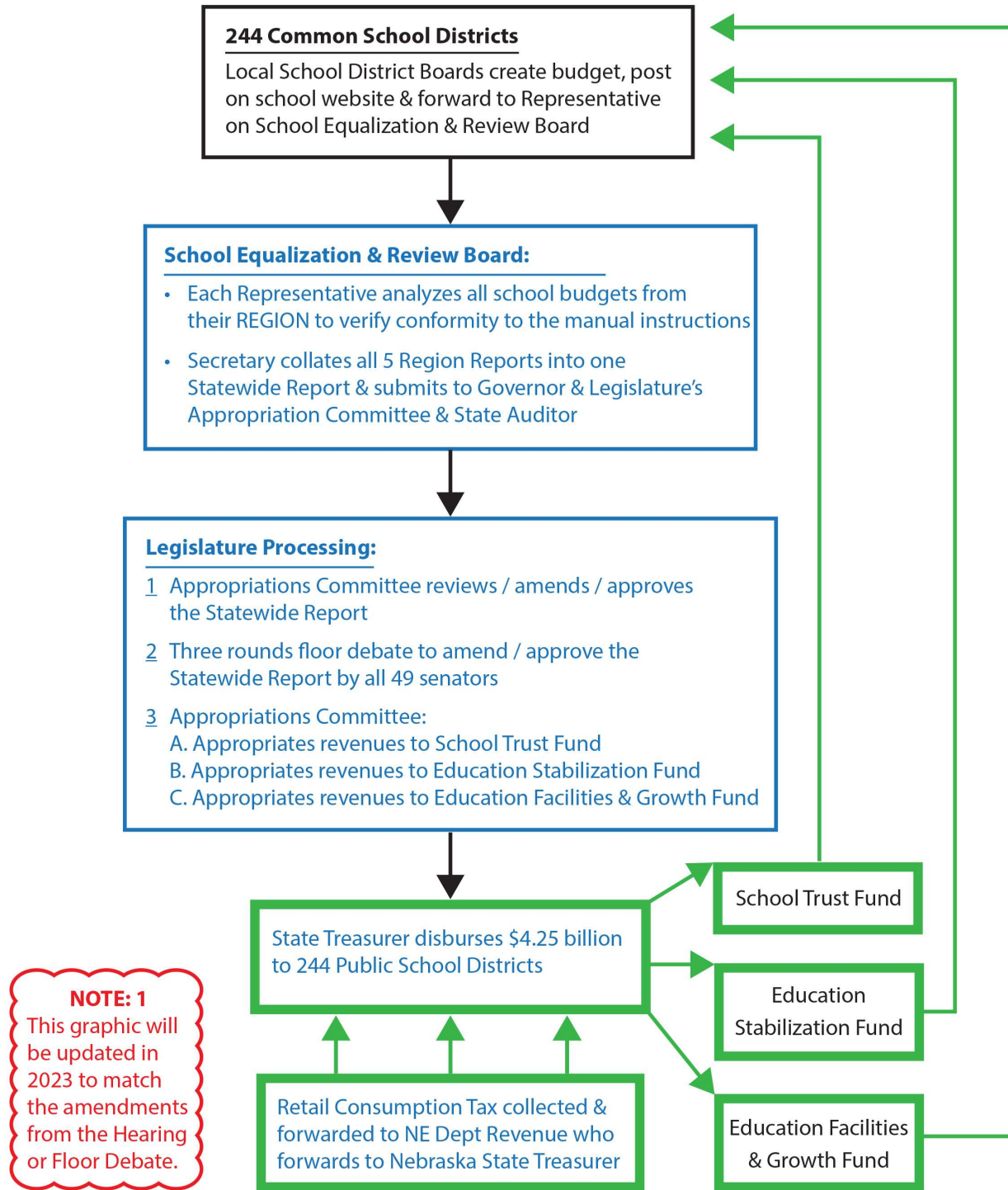
Below are two diagrams to help explain this process.

The EPIC County Funding & Distribution Flowchart



The EPIC Public School Funding & Distribution Flowchart

Locally Created School Budgets Forwarded to NEBR Legislature



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