

## Embrace Tech Transformation

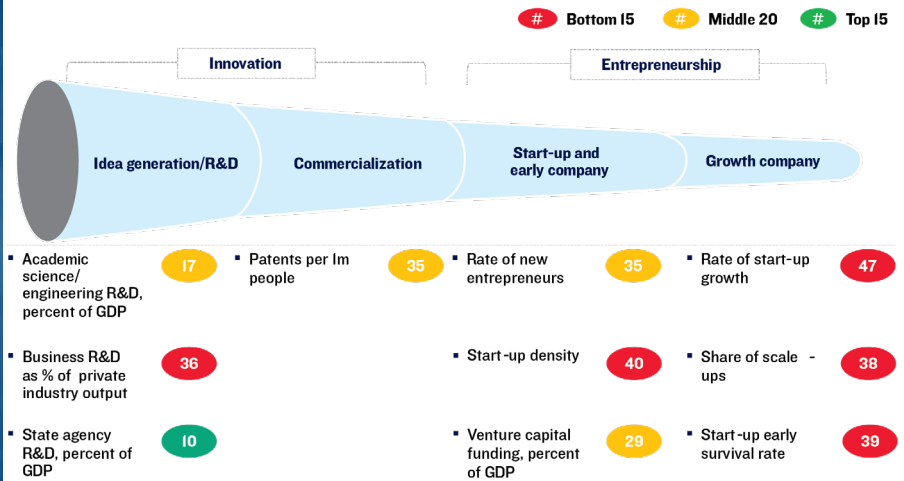
### CHALLENGE

Nebraska was already lagging behind other states in innovation initiatives in 2019, leading Blueprint Nebraska to call for **\$200 million in R&D growth** annually. That plan builds a pathway to not only greater productivity and GDP, but new **tech-enabled careers** for all Nebraskans.

The pandemic underscored Blueprint Nebraska's call – embracing tech and innovation builds economic resilience and helps address the shortage of available talent.

Upgrades once considered nice-to-have are now must-haves. And, Nebraska's top economic sectors have the most to gain.

### Nebraska Innovation Rankings



Nebraska ranks low compared to other states in key indicators of healthy innovation and entrepreneurship ecosystems.

Source: Blueprint Nebraska 2019

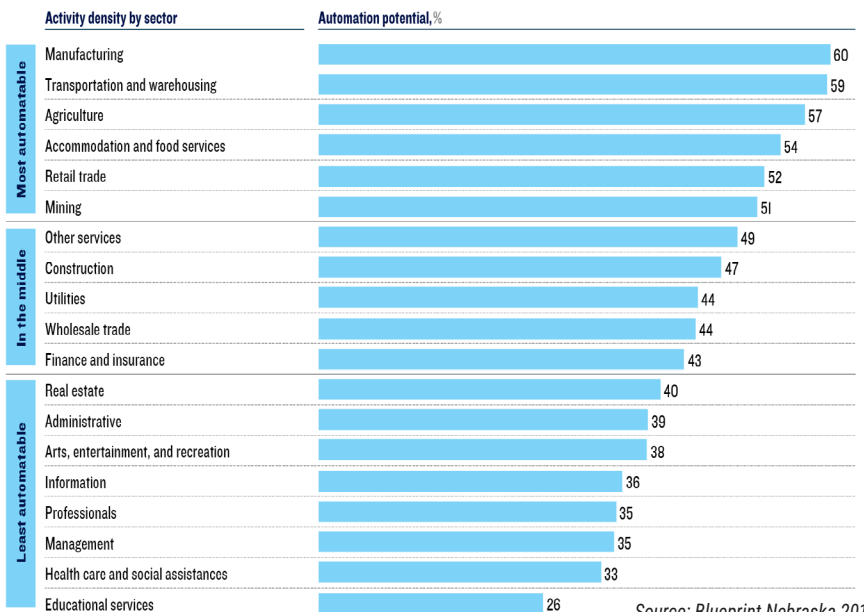
### OPPORTUNITY

Nebraska's ability to innovate will **drive growth** and **personal advancement** for years to come. Career opportunities will expand with thoughtful integration strategies and statewide access to upskilling and training resources.

### ACTION PLAN



### Automation potential in US industries



Source: Blueprint Nebraska 2019



Nebraska's top sectors have the most to gain in additional productivity and growth by applying smart technology and equipment.

# LEGISLATIVE SOLUTION

## POLICY OBJECTIVES

Invigorate Nebraska's tech transformation and accelerate investment that grows Nebraska's statewide economy.

- ✓ Simplify and renew Nebraska's Research and Development Tax Credit for another 10 years
- ✓ Establish modernization and technology incentives for the GDP-driving manufacturing sector
- ✓ Retain pro-innovation provisions of federal tax code for Nebraska businesses
- ✓ Close the gap on mega-site investment compared to other states

This commitment, when combined with investments in a high-tech workforce, will bring a new economic renaissance to our great state.

1. Drive high-wage job growth and skill development for all Nebraskans
2. Spur higher GDP growth to lessen state and local tax burden
3. Future-proof Nebraska's key sectors
4. Encourage and attract entrepreneurial and innovative talent
5. Fuel U.S. innovation with Nebraska products and ideas
6. Be competitive in the global innovation race



## Why do tax credits work?

A tax credit is a form of tax relief that offers community benefit. It allows individuals and employers to put dollars otherwise contributed in taxes toward longer-term community and economic needs, such as growing innovation potential. A taxpayer's financial contributions to public-benefit causes result in dollar-for-dollar reductions in tax liability.



Tax credits offer a market-based solution to local community challenges, a pathway for solving problems without increasing government costs. They work best when business and community needs are aligned.

LB491

## I. Extend Nebraska's R&D Tax Credit

Continue to spur private investment growth in research and experimental activities that expand the innovation capacity in local communities and higher learning institutions. Extend the Nebraska Advantage Research and Development Act through 2033.

Nebraska Advantage R&D Act  
Tax Credits Claimed (2006 - 2022)





LB582

## II. Accelerate NE Manufacturing's Tech Transformation

Ensure the global competitiveness of Nebraska-made goods by stimulating private investment in virtual and augmented reality applications, automation, tech-enabled production, efficiency and R&D.

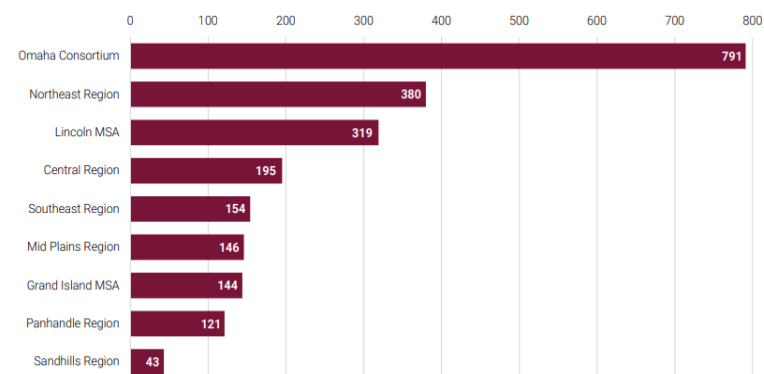
Create a targeted, investment tax credit program that aids the smallest to the largest manufacturing employers across the state and unleashes growth in Nebraska's largest GDP-driving sector.



Sector	GDP	Growth 2022 (%)	Annualized Growth 2017-22
Manufacturing	15,105,031,250	5.8%	6.5%
Finance and Insurance	14,581,951,171	4.1%	2.5%
Agriculture, Forestry, Fishing and Hunting	12,139,210,937	-20.1%	9.5%
Real Estate and Rental and Leasing	11,064,701,171	0.4%	1.0%
Healthcare and Social Assistance	9,223,317,382	2.6%	2.3%

Source: IBISWorld

Nebraska Manufacturing Establishments by Economic Region, August 2022



Source: Nebraska Department of Labor. Employer information is provided by Data Axle®, Omaha, NE, 800/555-5211. 2022. networks.nebraska.gov

## NE Manufacturing Modernization Pilot Investment Act

Funding	Award	Eligibility	Acceptable Uses
One-time grant program	≤\$250K	<ul style="list-style-type: none"> <li>Eligible Manufacturer (NAICS Code 33-35)</li> <li>1:1 match</li> <li>Future investment -not retroactive</li> <li>Small and large NE manufacturers</li> </ul>	Smart technology enhancements, including hardware, software or equipment to improve productivity, efficiency and competitiveness



LB492

## III. Retain Pro-innovation Provisions of Federal Tax Code

Avoid a tax increase on innovative investment in Nebraska. Stimulate private investment in business equipment, machinery, and technology upgrades, as well as research and experimentation, by decoupling from federal tax code changes as the Tax Cuts and Jobs Act (TCJA) expires.

- ✓ Make permanent in Nebraska TCJA provisions that allow employers to either fully deduct facility upgrades (20-year lifespan or less) in the tax year incurred or amortize the costs over five years.
- ✓ Restore and retain federal tax provisions in Nebraska that allow employers to either fully deduct research and experimentation costs in the tax year incurred or amortize the costs over five years.

### Before TCJA

- Facility upgrades were amortized at 50% bonus depreciation
- Research & experimentation costs were only fully deductible in tax year incurred

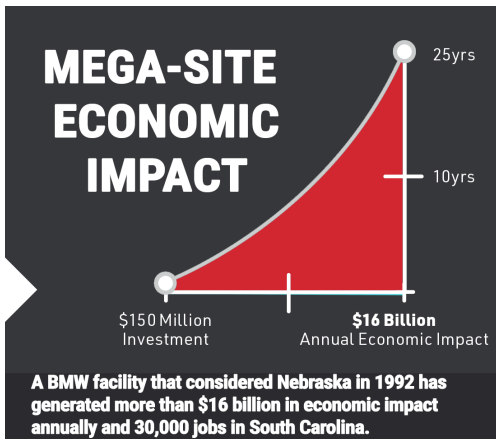
### After TCJA (Without Action)

- Facility upgrades in service after 2025 are fully deductible in tax year incurred or amortized at 20% bonus depreciation
- Research & experimentation can only be amortized over five years

## IV. Attract Next-Generation, High-Tech Industry & Jobs

Close the gap between Nebraska and neighboring states by investing in development of 500 to 1,000-acre sites for large employers to locate manufacturing, processing, trade and logistics hubs. Shovel-ready sites, in addition to strong workforce development programs, are instrumental in attracting significant investment.

Such projects would attract the high-tech manufacturing facilities looking to relocate or expand supply chains domestically to increase reliability. These shovel-ready sites support regional inland ports or existing business expansion.



Compared to neighboring states, Nebraska is lagging in development of 500 - 1,000+ acre sites to locate large employers or regional manufacturing, processing, trade and logistics hubs.

Nebraska does not have a controlled, developed mega-site available or in process.

### 2022 Survey Businesses Studying New Locations

**96%**

Open a new facility within two years

**72%**

Relocate a facility within two years

**66%**

Geographically diversifying operations post pandemic

**64%**

Expanding operations post pandemic

Source: 2022 Site Selection Consultants Survey

## Top Factors in Site Selection

1. Proximity to major markets
2. Availability of skilled labor
3. Highway accessibility
4. Incentives and available land; proximity to suppliers
5. Availability and cost of energy

## Accelerate Our State

Last year's **game-changing investments** in community, workforce and infrastructure, plus historic tax cuts, cleared the way for a **new era of growth and prosperity** in Nebraska – an era of new families, growing communities, enhanced quality of life, and global market leadership.

We can't afford to let our foot off the gas pedal in 2023. We can't lose our lead in economic recovery and global competitiveness.

We can't let up. We won't. **We must accelerate our state.**

