

THE EXECUTIVE

THE STATE CHAMBER



Nebraska Chamber of Commerce & Industry

September/October 2016

Federal Legislative Summit Features Nebraska's Congressional Delegation

The 2016 Federal Legislative Summit – hosted by the Nebraska Chamber, along with the Lincoln and Greater Omaha Chambers – was held August 4 at the Strategic Air Command & Aerospace Museum near Ashland. Nearly 400 chamber members and business leaders attended the eighth annual summit.

The event opened with comments from Nebraska Governor Pete Ricketts, who discussed his focus on reducing state spending, making government more efficient, and his plans to lower Nebraska's tax burden.

The main event was a congressional update by U.S. Senators Deb Fischer and Ben Sasse, along with U.S. Congressmen Jeff Fortenberry, Adrian Smith and Brad Ashford. Utilizing a format similar to the traditional Nebraska Breakfast held weekly on Capitol Hill in Washington, D.C., the congressional delegation provided briefings on key issues, including the federal debt, trade, long-term highway funding, and defense operations.

Later in the morning, David Drozd of UNO's Center for Public Affairs Research gave attendees an in-depth look at Nebraska's population trends and demographics, and how they will impact the state's work-

force trends. Drozd noted that -- aside from a short span in the 1990s -- Nebraska's current population growth rate is the highest it has been for 100 years. But he pointed out the state's population challenges, such as stopping "brain drain" and the loss of retirees. He also noted that Nebraska's rural areas now have fewer people than in the "frontier days" of the early 1890s.

Following Drozd's presentation was an update from Nebraska Department of Economic Development Director Courtney Dentlinger, who spoke about challenges and opportunities facing the state's communities and employers, including the areas of jobs and business incentives.

Greater Omaha Chamber President & CEO David Brown updated attendees on efforts to retain Offutt Air Force Base and grow its mission. Offutt's estimated economic impact to our state is \$1.3 billion and the base is one of the state's largest employers, with approximately 10,000 military and civilian personnel.

The keynote speaker was Jay Timmons, president & CEO of the National Association of Manufacturers (NAM), the country's largest manufacturing association. Timmons highlighted the critical issues in which his association has been involved. He noted that if American manufacturing were its own country, it would be the ninth-largest economy in the world.

In Nebraska, manufacturing adds almost \$14 billion to the state economy, which is 13% of gross state product, according to Timmons. For every dollar invested in manufacturing, another \$1.81 is added to the economy, he said. ■



Top: Nebraska's federal congressional delegation updated attendees about their Capitol Hill activities. **Middle:** NAM president and CEO Jay Timmons met with Behlen Manufacturing's A.F. "TR" and Phil Raimondo. TR has served on NAM's board of directors since 1998. **Bottom:** Jay Timmons discusses manufacturing in Nebraska with Governor Pete Ricketts during the Federal Legislative Summit on August 4.

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State Chamber Views...

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Move Income Tax Relief To The Top Of The Tax Reform Agenda

Last January, Governor Ricketts said that Nebraskans should expect a push for tax reform “every single session” the Legislature meets during his tenure.

At the Nebraska Chamber of Commerce and Industry, we hope this is the case. And for the sake of our business community and those it employs, income tax relief should be at the top of the agenda moving forward.

To achieve a fairer, more competitive tax structure, here are five simple truths Nebraska policymakers and residents must consider:

1. **Nebraska is a high tax state.** This year, financial website WalletHub.com named Nebraska the second-worst state for combined state-and-local tax burden, trailing only Illinois. High taxes repel job growth and investment.
2. **Local property taxes are too high.** In Nebraska, property taxes are collected by local units of government – mostly schools, counties and cities. This is

why only local government can provide meaningful property tax relief.

3. **State income taxes are too high.** Our state government collects income taxes (both personal and corporate) at top rates that are among the nation’s worst – ranked 16th highest in both categories, according to the Tax Foundation. Last year, Nebraska residents and businesses paid nearly \$2.3 billion in state income taxes, after credits and deductions. That’s far more than the \$1.2 billion for ag land property taxes or \$1.7 billion for residential property taxes, both of which are also too high.
4. **Nebraska’s property tax credit is a tax shift.** Since 2007, the state government’s property tax credit program has redistributed more than \$1 billion to offset locally collected property taxes. These state dollars were derived primarily from income and sales taxes.
5. **Tax shifts are not tax relief.** Shifting tax collections from local property taxes

to state sales and state income taxes fails to address Nebraska’s high tax burden; it merely clouds transparency and lessens local accountability.

More than two-thirds of all property taxes collected in Nebraska last year were from residential or business properties. Yet under the state’s property tax credit program, commercial and industrial taxpayers received fewer than 14% of the credits, while residential owners received 35%. Agriculture received 47% of the credits.

Based on current funding levels, Nebraska’s property tax credit, implemented in 2007, will have redistributed more than \$2 billion of state revenue by 2020 – again, taking from income and sales taxpayers and sending it to property owners.

Not only does this “relief” go mostly unnoticed, it makes state lawmakers less inclined to address Nebraska’s cumbersome income tax.

The truth is that while property taxes receive much attention, income and sales taxes – combined – pose a much larger financial burden for the average Nebraskan. State income and sales taxes collected roughly \$4.13 billion in 2015, compared to about \$3.78 billion in local property taxes.

Every Nebraskan making more than \$29,590 pays the state’s top income tax rate of nearly 7%, which is woefully uncompetitive. This high income tax rate hurts families, as well as employers who are recruiting skilled labor and professionals. It acts as a disincentive to economic growth and hinders population growth.

To make Nebraska’s tax structure more competitive, the State Chamber recommends four steps:

- Reduce income tax rates, particularly the maximum rates, as advocated by State Senator Jim Smith.
- Raise the income thresholds at which the top tax rates take effect.
- For meaningful property tax relief, groups and individuals must hold local government more accountable on taxing and spending decisions. Local control means local responsibility.
- End the practice of shifting tax burdens.

If Nebraska wants economic growth – if we want to attract and retain young talent and keep our retirees – state leaders must find a way to let individuals and businesses keep more of their own money.

We suggest they start by lessening Nebraska’s income tax burden. After all, it’s one tax that state policymakers can actually do something about. ■

Individual Income Tax



1.	AK, FL, NV, SD, TX, WA, WY	NONE	
18.	Kansas	4.6%	(Income >\$15,000)
19.	Colorado	4.63%	(Flat*)
26.	Iowa	5.42%	(>\$69,930**)
31.	Missouri	6.0%	(>\$9,000)
36.	Nebraska	6.84%	(>\$29,590)
50.	California	13.3%	(>\$1M)

* Colorado taxes only federal taxable income.

** Iowa permits deduction for federal income taxes.

(Small Business & Entrepreneurship Council, June 2016)

Nebraska Slips Out Of CNBC's Top 10 Top States For Business

While it's still a strong performer, Nebraska has dropped four spots in the latest edition of CNBC's "Top States for Business" study, falling to No. 11 overall.

Last year, the Cornhusker State finished seventh best. In 2014, Nebraska was No. 4. This year marks the first time in six years that Nebraska has finished outside the financial network's top 10.

One key reason for Nebraska's drop is CNBC's shift in methodology. While the study still considers more than 60 areas of competitiveness, the 2016 study placed a much heavier emphasis on workforce – a category in which Nebraska is ranked No. 19, eight spots lower than last year.

Despite Nebraska's decline in CNBC's overall ranking, the state actually improved its standing in five of the study's 10 categories – including in education (No. 9) and access to capital (No. 31).

Since 2014, the state has slipped considerably in the heavily-weighted categories of cost of doing business (No. 10 to 15) and economic performance (No. 11 to 19).

Overall, Utah was No. 1 in CNBC's 2016 study, followed by Texas and Colorado. Coming in last was Rhode Island, followed by Hawaii and West Virginia. ■

Study: Nebraska Has 11th Highest State-Local Gov't. Spending Per Capita

Several studies have demonstrated that Nebraska is both a business-friendly and high-tax state. But is Nebraska also a high-spending state? Yes, according to the Small Business & Entrepreneurship Council (SBEC) and its 2016 Small Business Policy Index.

The SBEC examined, among other things, state and local government spending on a per-capita basis. According to data from the U.S. Census Bureau and Department of Commerce, Nebraska had the 11th highest level of per-capita spending by state and local governments in 2012-13, the most recent years available.

Compared to neighboring states, only No. 48 Wyoming's state and local governments spent more per-capita. Missouri's state-local spending is ranked second lowest in the nation, while South Dakota's is tenth lowest.

Nationwide, Idaho's state-local government spending was lowest, while Alaska's was highest.

It is worth noting that Nebraska's state government, alone, this fiscal year plans to spend over \$9 billion, when including federal funds received by the state. That is compared to \$4.4 billion in state spending 20 years ago, and \$1.3 billion 50 years ago. ■

Study: Nebraska Has Real Per-Capita Income Advantage

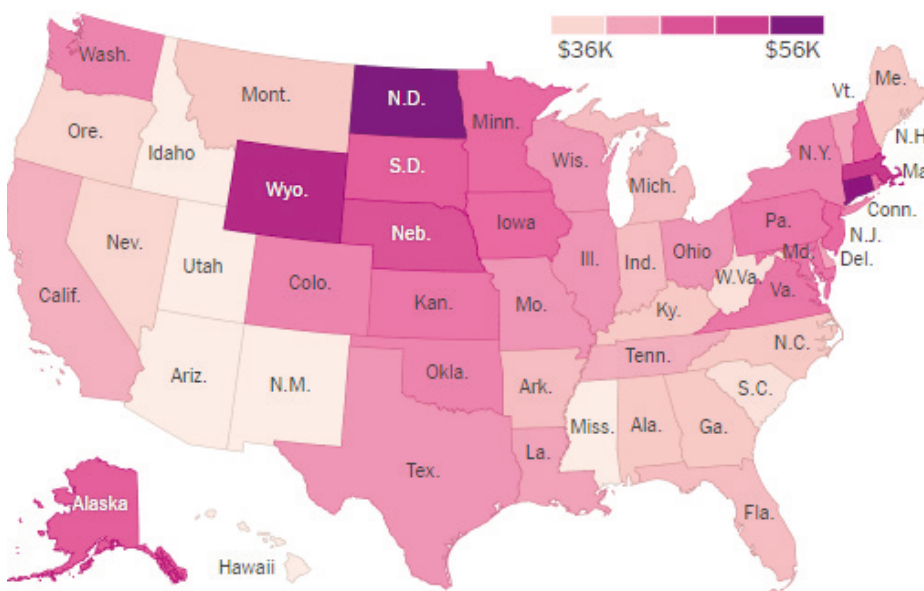
The Tax Foundation recently released a study of purchasing power in all 50 states and D.C., using data from the Consumer Price Index – a measure of inflation. North Dakota emerged as the state where per-capita incomes have the most purchasing power. North Dakota's "real per-capita personal income" is roughly \$56,000.

Nebraska came in at No. 6 out of 51, with a real per-capita personal income of \$48,000.

The states where incomes fell shortest were Utah, New Mexico, Arizona, Idaho and Hawaii – all with real per-capita personal incomes of around \$36,000.

The Tax Foundation noted that adjusting incomes for price level can substantially change our perceptions of which states are truly poor or rich. For example, Nebraskans and Californians earn approximately the same amount in dollars per capita, but after adjusting for regional price parity, Nebraskan incomes can buy more.

In a follow-up study, the foundation analyzed purchasing power within the states, themselves. The study concluded that "cities are almost uniformly more expensive than rural



areas due to the higher price of land."

In most of rural Nebraska, a \$100 bill is essentially worth \$116.30, according to the foundation. Compare that to Denver, where \$100 is worth \$95, or to Miami or Chicago, where it is worth \$94. In New York City, your \$100 bill is worth only \$80. These are significant differences when you consider the effect on \$50,000, \$100,000 or more. ■

Save The Date: Chamber's Economic Outlook Summit Is Nov. 30

On November 30, the Nebraska Chamber will host an economic outlook summit at the La Vista Embassy Suites Conference Center (12520 Westport Parkway in La Vista). The summit will begin at 11:45 a.m. and conclude by 3 p.m. Cost to attend is \$95 for State Chamber members or \$125 for non-Chamber members. Lunch will be provided.

In addition to a general update on the state's economy, the event will examine Nebraska's opportunities and challenges in the areas of workforce, economic development programs and incentives. It will also look at how technology can create more high-paying jobs.

The event is open to the public. More details will be released as speakers are confirmed.

To register early and reserve your spot, call (402) 474-4422 or e-mail Charlie Volnek at cvolnek@nechamber.com. ■

State Chamber's Legislative Forums Now Underway

Nebraska Chamber staff members are traveling throughout the state for the Chamber's fall legislative forums.

For more than three decades, the Nebraska Chamber – in coordination with local chambers – has held its community forums to inform chamber members on state legislative activities and to gather input from the business community on issues of concern.

Members of the State Chamber, as well as members of local chambers, are invited to participate. Also, state senators and candidates for the Legislature have been invited to the forums.

Included in this issue is the 2016 schedule of the Nebraska Chamber's fall forum tour. If you have questions regarding the forums, please contact the individual listed for the legislative forum nearest you. ■

State Chamber Welcomes New Investors

Membership in the Nebraska Chamber of Commerce & Industry is an investment in Nebraska's economic well-being. This month, the State Chamber welcomes the following new members. We encourage you to consider doing business with fellow Chamber members.

BEATRICE

NGage - Gage Area Growth Enterprise
Walker Zulkoski

CORNING, IA

CHI Health Mercy Corning
Deb Goldsmith

COUNCIL BLUFFS, IA

CHI Health Mercy Council Bluffs
Marie Knedler

COZAD

Hunt Cleaners
Mike Neill

ELKHORN

Village Pointe Toyota
Steve Kurtz

GRAND ISLAND

CHI Health St. Francis
Dan McElligott

KEARNEY

CHI Health Good Samaritan
Michael Schnieders

CHI Health Richard Young Behavioral Health
Michael Schnieders

LINCOLN

CHI Health Nebraska Heart
Jacqueline Mendoza

CHI Health St. Elizabeth
Kim Moore

Hampton Inn South
Lynn Sangster

Sensory Effects Cereal Systems
Greg Russell

Service Master/PBM of Lincoln
Jon Paolini

LITTLETON, CO

Invenergy LLC
Nichole Goodman

MINDEN

KAAPA ETHANOL LLC
Chuck Woodside

MISSOURI VALLEY, IA

CHI Health Missouri Valley
Bob Valentine

NEBRASKA CITY

CHI Health St. Mary's
Dan Kelly

OMAHA

CHI Health Bergan Mercy
Marie Knedler

CHI Health Creighton University Medical Center
Kevin Nokels

CHI Health Immanuel
Ann Schumacher

CHI Health Lakeside
Cindy Alloway

PAPILLION

CHI Health Midlands
Cindy Alloway

PLAINVIEW

CHI Health Plainview
Rick Gamel

SCHUYLER

CHI Health Schuyler
Connie Peters