

# THE EXECUTIVE

## THE STATE CHAMBER



Nebraska Chamber of Commerce & Industry  
September/October 2015

### Federal Legislative Summit Features Nebraska's Congressional Delegation, Governor, AG

On August 13, more than 400 business professionals heard from members of Nebraska's congressional delegation, as well as Governor Pete Ricketts and Attorney General Doug Peterson at the 2015 Federal Legislative Summit.

This was the seventh consecutive year for the popular event, held again at the Strategic Air and Space Museum near Ashland and co-hosted by the Nebraska Chamber, along with the Lincoln and Greater Omaha Chambers.

U.S. Senators Deb Fischer and Ben Sasse, along with U.S. Representatives Jeff Fortenberry and Brad Ashford, opened the summit by updating the audience on federal issues.

New regulations by the Environmental Protection Agency were a primary point of concern discussed by the delegation. Regulations impacting carbon emissions, water, and ozone emissions were often mentioned. Other key topics included long-term highway funding, trade agreements and federal spending.

Later in the morning, the governor and attorney general discussed federal-state relations, paying particular attention to legal actions taken by Nebraska and other states to counter the administration's climate plan, which would force Nebraska's public power producers to reduce carbon emissions by 40 percent.



The summit's keynote speaker was David Azerrad of The Heritage Foundation. Azerrad, who teaches the tenets of the American political tradition to policymakers and the public, touted the benefits of the free market economy and economic liberty.

Azerrad told attendees that in order for free enterprise to succeed in America, it must be unabashedly defended and promoted by businesses and business groups – and that competition in the private sector must be embraced. ■



*Top: More than 400 attended this year's Federal Legislative at the Strategic Air Command & Aerospace Museum near Ashland. Bottom: State Chamber President Barry Kennedy introduces the members of Nebraska's congressional delegation.*

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## State Chamber Views...

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# It's Time To Address Nebraska's Heavy Tax Burden

Nebraska is a high tax state by any objective measure.

While some have referred to a "three legged stool" when it comes to our tax structure, taxpayers in the real world understand Nebraska businesses and residents pay many forms of taxes – at the federal, state and local levels. From income taxes, to employment taxes, to payroll taxes, to property taxes, to excise taxes, to sales taxes, to cell phone taxes, to occupation taxes, to health care taxes – they all add up.

But for this analysis, we wanted to focus on the three key sources of Nebraska's state and local government revenue – income, sales and property taxes – and how Nebraska compares nationally in each category.

## INCOME TAXES

Nebraska's top rate for individual income taxes is 6.84%. This is a high rate – currently the 14th highest among the 50 states. It creates a hurdle not only for Nebraska families, but also employers who are recruiting skilled labor and professionals from other states. Most small businesses pay income taxes at the individual rate.

Also worrisome is the low threshold of \$29,460 at which the 6.84% rate takes effect (\$58,920 for married couples filing jointly).

For perspective, consider the individual who earns just over \$29,460. At that compensation level, only six states (Hawaii, Idaho, Maine, Minnesota, Oregon, South Carolina) impose a tax rate higher than Nebraska's.

Last session in the Nebraska Legislature, bills were introduced to raise income tax rates in an effort to lower locally imposed property taxes. This "tax shift" would not only fail to deliver tax relief for most Nebraskans, it would add to the heavy income tax burden already facing

our residents.

In tax year 2013, for example, the average Nebraska taxpayer paid nearly \$13,000 in combined federal and state personal income taxes, according to the Nebraska Department of Revenue. This illustrates why tax policy must not be made in a vacuum, and why state policymakers must consider the entire tax picture.

Meanwhile, Nebraska's corporate income tax levies a top rate of 7.81% on business income over \$100,000 – the 16th highest among states levying a corporate tax.

## SALES TAX

The State of Nebraska levies a 5.5% general sales or use tax on consumers, which is below the national median of 5.95%, according to the Tax Foundation – a widely respected, non-partisan think tank. Nebraska's average local sales tax rate is an additional 1.3%, the Foundation reports.

When the Tax Foundation compared the combined state and local sales tax rates of all 50 states, Nebraska was 26th highest – near the U.S. average.

## PROPERTY TAXES

Currently, property taxes comprise 39% of Nebraska's total state and local taxes paid, according to officials.

Keep in mind that property taxes in Nebraska are imposed and collected primarily by school districts, cities and counties. The Tax Foundation reports that Nebraska's local governments collected nearly \$1,600 per person in property taxes in 2012, which ranks 13th highest nationally.

Around 60% of the average property tax bill in Nebraska is spent for K-12 education costs. According to the Census Bureau, Nebraska led the nation in percentage of state and local government general spending for all education in the 2011-12

school year, the latest year available. In the 2013-14 school year, the state's average cost per pupil was around \$11,300 – although some K-12 school districts spent nearly \$20,000 per student, according to state officials.

Property taxes impact Nebraska's business community. On average, around 44% of a Nebraska business' state and local tax bill is due to property taxes, according to the Council on State Taxation. But the State Chamber opposes proposals in the Legislature that claim to deliver property tax relief by simply shifting the mix of tax collections from local property taxes to state sales and income taxes.

Instead, school districts and local governments must reduce spending growth to provide Nebraskans with property tax relief. This means home owners, business owners and ag land owners must constantly monitor their local governments and school boards – the entities that set their property tax rates.

## CONCLUSION

Nebraska's high tax climate acts as a repellent to job growth and new investment.

If we want significant gains in our economy, Nebraska leaders must reduce the state and local tax burden. Elected officials must learn to just say no to constant spending hikes.

With a record surplus in the state's cash reserve and businesses awaiting a more favorable tax climate, now is the right time for lawmakers to cut Nebraska's tax burden in a substantive way. ■





## State Chamber Conducting Legislative Forums

The Nebraska Chamber of Commerce & Industry, in cooperation with local chambers of commerce across the state, is currently conducting its annual legislative forums. In total, State Chamber staff will visit 28 communities this fall.

The Chamber's hour-long forums are held every autumn to gather input from the business community on policy issues of concern. All chamber of commerce members, as well as members of the news media, are encouraged to attend. Elected leaders and candidates for the Nebraska Legislature are also invited.

This year's forums will focus on the Nebraska Legislature's 2015 session, including developments in the areas of taxation, labor law, and economic development programs. The forums will also provide an update on how Nebraska fares in several economic competitiveness rankings, including in the areas of taxes, cost of living, and state fiscal solvency.

For a full schedule, please contact the State Chamber at (402) 474-4422. Or go to <http://www.nechamber.net/state-chamber-announces-2015-legislative-forums-schedule>. ■

## Save the Date: Dec. 2 is Economic Development Forum in La Vista

On December 2, the Nebraska Chamber will host an economic development forum at the La Vista Embassy Suites Conference Center.

The half-day summit will be dedicated to infrastructure, housing and other economic development issues facing Nebraska's business community and residents.

While the schedule is still being developed, the event is slated to begin at noon and conclude no later than 4 p.m.

The event's keynote speaker will be Creighton University economist Dr. Ernie Goss. In addition to his many other duties, Dr. Goss oversees a monthly business conditions index for the nine state Mid-American region and the three state Mountain region. He also is co-founder of a survey of bank CEOs in rural portions of eight states.

More details on the State Chamber's December 2 economic development forum will be announced as they become available. ■

## At A Glance: State Government Spending

The Nebraska Chamber believes that elected leaders, at all levels, should look for sensible ways to improve government efficiency, while restraining or reducing government spending.

Under the State of Nebraska's current budget, nearly \$4.3 billion of General Fund dollars will be spent between now and June 30, 2016. (The General Fund is comprised of general tax dollars, primarily income and sales tax revenue.) Overall, Nebraska's state government will spend about \$8.9 billion this fiscal year when considering all funding sources, including federal government grants and contracts.

According to the Nebraska Treasurer's office, 40% (\$3.58 billion) of current state spending is for Health and Human Services Department (HHS) programs, including Medicaid. This figure has

increased from \$1.79 billion spent on HHS programs in 2000.

Other major state spending includes funding of the Nebraska Department of Education and its financial aid to public schools (\$1.61 billion this fiscal year, or 18.1% of current state spending -- up from \$953 million spent in 2000).

The Department of Roads will spend around \$850 million (9.6%) of the state budget, while the University of Nebraska will utilize \$613 million (6.92%).

For a more detailed examination of Nebraska's state government spending, visit [www.StateSpending.Nebraska.gov](http://www.StateSpending.Nebraska.gov). The website is a searchable, user-friendly resource that discloses in a simple and straightforward manner how the State of Nebraska spends and receives funds. ■

## October Is Manufacturing Month In Nebraska

The Nebraska Chamber of Commerce & Industry is working with the governor's office to recognize October as Manufacturing Month in Nebraska. State Chamber staff will participate with Governor Ricketts in a tour of several manufacturing facilities across the state on October 2.

While details are still being planned, manufacturers in Nebraska are encouraged to open their doors to the public, to share their story and spotlight the innovative and advanced operations that make modern manufacturing among the most rewarding careers in America today.

October 2 has been designated as National Manufacturing Day by the National Association of Manufacturers (NAM). If your business would like to host an open house, this would be an opportune time to expand the public's knowledge about manufacturing careers and the sector's contribution to our economy.

If you need guidance in hosting your "open house," visit [www.mfgday.com](http://www.mfgday.com). You are encouraged to invite elected officials as well.

The State Chamber is proud to be the primary trade association for manufacturing in Nebraska -- home of more than 2,000 manufacturers employing approximately 97,000 workers.

According to the NAM, Nebraska's average annual compensation in manufacturing is \$55,802, compared to an average compensation of \$42,633 in other private, non-farm sectors. That's a \$13,169 pay premium for employees in the manufacturing sector. Moreover, manufacturing accounts for \$13.96 billion of Nebraska's total output, so skilled manufacturing employees are always needed. ■



*Lincoln's Kawasaki Motors Mfg. Corp. was visited by more than 550 local students during a recent Manufacturing Day open house.*

# 'Leadership Nebraska Heads West'

In August, the State Chamber's current Leadership Nebraska class traveled to several communities in western and west-central Nebraska to learn more about agriculture, health care, education and economic development.

Governor Pete Ricketts and State Senator John Stinner of Gering joined the group to share comments while in Scottsbluff. The group toured Western Sugar and the Scotts Bluff National Monument in Scottsbluff; New Alliance/Westco in Bridgeport; Cabala's in Sidney; and Great Plains Health in North Platte.

The issue of water management was highlighted at the Monsanto Water Utilization Center in Gothenburg and at Lake McConaughy near Ogallala. The group heard about economic development in rural Nebraska from experts in Dawson County, Twin Cities Development, and Sidney. Gothenburg Senator Matt Williams shared his thoughts on leadership and core values with the class at the Golden Spike Tower in North Platte. The group also toured Union Pacific's Bailey Yard.

See more on Leadership Nebraska by visiting [www.nechamber.net/leadership-nebraska](http://www.nechamber.net/leadership-nebraska). ■



*This year's Leadership Nebraska class visited many sites during their tour through western and west central Nebraska, including Union Pacific's Bailey Yard.*

## Over 90% of Nebraska Businesses File Income Taxes at Individual Level

This week, the Tax Foundation released a study that found Nebraska tax climate competitive for select corporations. Due to its business incentives, Nebraska has a competitive tax environment for mature and new R&D firms, new corporate headquarters operations, new capital-intensive manufacturers, new and mature labor-intensive manufacturers, and new and mature call centers. Nebraska's incentives and credits "offset the state's relatively high 7.81% corporate tax rate," the Foundation reports. However, it should be noted that in 2013 -- the latest year of data available -- more than 90% of Nebraska businesses filed their taxes at the individual income tax level, not as corporations, according to the Nebraska Department of Revenue. This includes more than 187,000 s-corporations, partnerships, and non-farm sole proprietorships. (The percentage is even higher if ag operations are included.) Nebraska's top individual income tax rate (6.84%) is currently 14th highest among the 50 states. This means the vast majority of businesses in Nebraska pay one of the highest income tax rates in the region, and it kicks in at a threshold of just over \$29,000 of earnings -- compared to Iowa's top-bracket threshold of around \$70,000. Nebraska's high personal income tax has been a disadvantage when trying to recruit businesses or attract more skilled and professional employees to our state. ■

## EPA Ozone Regs Would Impact Majority Of Nebraska Counties

The EPA's proposed rule to lower the current ozone standard has been called "the most expensive EPA regulation ever proposed," according to experts and economists. And the regulation could significantly harm Nebraska's economy.

Ground-level ozone occurs both naturally and forms due to chemical reactions. In November 2014, the EPA proposed to reduce the allowable concentration of ground-level ozone from the current standard of 75 parts per billion (ppb) to between 65 and 70 ppb. The existing standard of 75 ppb for ground-level ozone, a primary component of smog, was set in 2008. An ozone standard of 65 ppb would put much of the U.S. -- including the Omaha metro and some northeast Nebraska counties -- in "non-attainment," making economic development and new job creation difficult.

Up to 57 Nebraska counties could be affected, and it is estimated that Nebraska would experience a \$5 billion gross state product loss (2017 to 2040) and nearly 4,500 lost jobs annually. This regulation will make it harder to get the necessary permits to manufacture goods and build critical infrastructure like roads and highways in Nebraska, while increasing the cost of energy for every business and household in the state.

More details are at: [www.uschamber.com/ozone](http://www.uschamber.com/ozone) and [www.nam.org/ozone](http://www.nam.org/ozone). ■

## 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.

### FIRTH

Rosene Machine, Inc.  
Dennis Rosene

### LAUREL

Laurel BioComposite, LLC  
Tim Bearnes

### LINCOLN

Brooks, Pansing Brooks,  
PC, LLO  
Lowell Brooks

Bruning Law Group  
Holley Bolen

Eric Gerrard LLC  
Eric Gerrard

O'Neill Heinrich Damkroger  
Bergmeyer Shultz PC, LLO  
Chris Heinrich

Talent Plus, Inc.  
Cydney Koukol

Zulkoski Weber  
Katie Zulkoski

Wood-Stieper Capital Group  
Bob & Cynthia Milligan

### OMAHA

bcdm Architects  
John Sullivan