

THE EXECUTIVE

THE STATE CHAMBER

Nebraska Chamber of Commerce & Industry

February/March 2007

2007 Annual Meeting Highlights

On February 1, the State Chamber held its Annual Meeting and Legislative Caucus at The Cornhusker Marriott in Lincoln. Speaker of the Legislature Mike Flood addressed the Chamber Board during its morning meeting. The Speaker told board members that taxes, school boundaries, water and the death penalty would likely consume much of the Legislature's 90-day session.

Governor Dave Heineman spoke at the Chamber luncheon, which honored local chambers of commerce from across the state. The Governor issued a proclamation declaring February "Nebraska Chamber of Commerce Month." He also reported on successes of the Nebraska Advantage and outlined his plan for income tax reform, as well as other priorities.

The afternoon featured the traditional Legislative Panel, where state Senators Abbie Cornett, Deb Fischer, Rich Pahls and Speaker Mike Flood talked about some of the key issues facing the 2007 Legislature. The afternoon also featured lively discussions on the economic impact and future of Nebraska's renewable fuel industry, as well as an in-depth look at the state tax structure.

That evening, more than 30 Senators joined approximately 425 Chamber members and the Governor during the Annual Banquet and Business Hall of Fame induction ceremony. The banquet featured the traditional passing of the gavel from 2006 Chairman Rich Bailey to 2007 Chairman Tom L. Whalen.

Later in the evening, the 2007 Nebraska Business Hall of Fame class was inducted. New members are: **Robert and Gary Kelley, Scottsbluff, Kelley Bean Co.**; the late **George F. Russell, Omaha, Millard Lumber**; **Dr. Wayne Ryan, Omaha, Streck**; and **Dale Tinstman, Lincoln, First Nebraska Securities/IBP**.

Four \$2,000 scholarships were awarded. The Virgil Eihusen Scholarship was presented to Justin Feerhusen of Doane College. The Jack Swartz Scholarship was awarded to Kelly Norrie of the University of Nebraska-Lincoln. The Nebraska Chamber of Commerce & Industry Scholarships were awarded to Casey Carpenter of Hastings College and Ben Knowles of Creighton University.

Sponsors of this year's Annual Meeting included the following Platinum Sponsors: Bailey Lauerman; Blue Cross & Blue Shield of Nebraska; First National Bank; Mutual of Omaha – United of Omaha; and Nebraska Public Power District. Gold Sponsors included: Altria; Aquila; Behlen Mfg.; C&A Industries; ConAgra; First Data; Lincoln Plating Co.; PayPal; Pinnacle Bank; Smeal Fire Apparatus; and Windstream. ■



Dan Mauk (President-Norfolk Area Chamber), Gov. Heineman and Anne Anderson (Executive Director-Gothenburg Area Chamber) celebrate Chamber of Commerce Month.



State Senators Rich Pahls and Deb Fischer update Chamber members about key legislation in their committees, while Speaker Mike Flood gives his forecast for the session.



Tom Whalen, 2007 Nebraska Chamber Board Chairman, accepts the gavel from Rich Bailey, 2006 Chairman.

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State Chamber Views...

Guest Editorial by John Cederberg

Treasurer,

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"State Chamber Board Endorses Governor's Income Tax Package"

At the February 1 Annual Meeting, the Board of Directors of the Nebraska Chamber of Commerce & Industry voted unanimously to endorse Governor Dave Heineman's tax package, which is reflected in LB331.

The Governor's tax package has three major components, all of which are consistent with longstanding policy positions of the State Chamber:

- Material reductions in income tax rates;
- Repeal of the remaining sales tax on construction labor; and
- Repeal of the separate Nebraska estate and generation skipping tax.

Individual Income Taxes – Nebraska's relatively high marginal income tax rates are an economic development issue, which Governor Heineman addresses directly in his tax package. The Governor proposes four approaches to reducing the state individual income tax.

First, the Governor would reduce the maximum rate from the current 6.84 percent for 2006 and 2007 to 5.95 percent by 2010. Second, he would condense Nebraska's four tax brackets into three and increase the brackets. The maximum rate would apply to taxable incomes over \$45,000 for single taxpayers and \$90,000 for married taxpayers, up from \$27,000 and \$50,000 respectively. Third, the Governor would eliminate the "marriage penalty" in the Nebraska income tax by the simple expedients of (i) making the income brackets for married taxpayers filing joint returns exactly double the brackets for single taxpayers and (ii) changing the standard deduction for married taxpayers to match the federal standard deduction. Finally, the Governor would index the brackets for inflation

beginning in 2011, protecting individuals from inflationary increases in tax rates.

Sales Tax on Construction Labor – Governor Heineman proposes to repeal the remaining sales tax on construction labor. This tax was enacted in 2002 as part of a recession era tax increase to balance the budget. The construction labor tax has proved extraordinarily difficult for both taxpayers and the Department of Revenue to interpret and implement. A tax that neither the Department of Revenue nor the taxpayers can implement accurately is not a good tax.

Of course, part of the tax on construction labor was repealed last year, and the Governor proposes to complete the process this year. Repealing the tax is consistent with the Governor's emphasis on tax simplification and with the State Chamber's longstanding opposition to sales taxes on services.

Estate and Generation Skipping Tax – The Nebraska estate and generation skipping tax was also a recession era provision to prevent Nebraska from losing about \$20 million in tax revenue as a result of changes in the federal estate tax. Historically, the federal government had "shared" the federal estate tax with states through a credit mechanism. Persons subject to the federal estate tax were allowed a credit for state estate taxes up to a maximum amount. Most of the states, including Nebraska, had a state estate tax which was directly referenced to the allowable federal credit. Nebraskans paid no additional tax as a result of the state estate tax; they just split their estate tax between the federal and state governments.

Beginning in 2002, the federal credit was repealed as part of the phase-out of the federal estate tax.

Unless Nebraska changed its law, the federal change would have effectively repealed the Nebraska estate tax. Again, as part of the effort to balance the budget during the recession, the Legislature in 2002 decoupled the Nebraska estate tax from the federal tax and continued to collect it as a separate, added tax.

According to testimony at the hearing on LB331, Nebraska is one of only three states that continues to have a separate estate tax. Again, this has become a serious economic development issue for retaining the leadership and economic resources of retired individuals in Nebraska. The Chamber's Board of Directors supports repealing the state estate and generation skipping tax now that the recession is over. It should be noted that repealing the estate and generation skipping tax would not impact the separate inheritance tax which is paid to the counties.

Property Tax – The Governor's plan does not ignore property taxes. Because all property taxes are levied locally, state property tax "relief" is delivered through budget appropriations rather than legislation before the Revenue Committee. State aid to local governments already exceeds \$1.2 billion per year, of which about \$850 million goes to public schools. Just over 40% of the State budget is distributed each year to local government units.

The Governor's proposed budget includes a record \$2.4 billion (of \$6.7 billion total) in biennium budget for local government units. The largest single increase in the Governor's proposed budget for the biennium is \$186.7 million to fully fund the state aid formula for schools and to provide additional funding for special education.

In his State of the State Address, Governor Heineman highlighted two key concepts about property tax relief. First, state property tax assistance is a tax shift, not a tax cut. Second, real property tax relief comes from controlling spending at the local level. These are two messages that the Governor will likely reiterate frequently in the coming weeks as the budget debate enters its later rounds.

Business Hall Of Fame Nominations Due April 13

April 13, 2007, is the deadline for nominations for next year's class of inductees to the Nebraska Business Hall of Fame. Nominations of outstanding Nebraska business leaders should be sent to the State Chamber office.

Nominees can be living or deceased individuals who have added to the prestige and growth of business in Nebraska. In addition, a recipient can be from large or small businesses and corporations. The main criterion is that the individual has made a significant contribution to the private enterprise system.

This year, the Nebraska Business Hall of Fame inducted five members: Robert and Gary Kelley, Scottsbluff, Kelley Bean Co.; the late George F. Russell, Omaha, Millard Lumber; Dr. Wayne Ryan, Omaha, Streck; and Dale Tinstman, Lincoln, First Nebraska Securities/IBP.

A nomination form is enclosed with this month's *Executive*. ■

Survey Looks at Nebraska/Iowa Health Insurance Costs

Health insurance costs continue to rise, and both employers and employees are feeling the pinch. According to a new survey conducted in Nebraska and Iowa, 43.1 percent of families who participate in their company's health insurance plan can expect to pay more than \$250 for their monthly health insurance premiums in both states. The study performed by Compdata Surveys found that 78 percent of employees contribute more than \$1,800 a year when they elect to use their companies' health insurance plans. In comparison, the majority of employers, 82.3 percent, pay more than \$450 per participating family in monthly health insurance premiums, or \$5,400 annually. Of the plans offered, 59.1 percent provide an annual deductible of \$900 or more. After deductibles are satisfied, 53.2 percent of employees on PPO plans are responsible for 16 to 20 percent of co-insurance or basic services, while 40.6 percent of those on HMO plans spend the same percentage on those services. For further information about the compensation and benefits surveys, contact Compdata Surveys at (800)300-9570, or visit www.compdatasurveys.com. ■

Ready For Extended Daylight Savings?

In August 2005, Congress lengthened daylight saving time by four weeks with the goal of saving energy. The change takes effect this year. Now, daylight saving time will begin three weeks earlier – on March 11 – and end a week later, on the first Sunday in November. The *Washington Post* reports that the change has sent thousands of technicians scrambling, since many computer systems will remain programmed to start daylight saving time on its old date in April. The report states that "large swaths of private and corporate America seem oblivious to the approaching change." Microsoft cautions that some of its older products – including Windows XP SP1 and Windows NT4 – will require manual updates. The company's website provides detailed instructions on how to update various products. Advocates of the extended daylight savings say the nation could save about 100,000 barrels of oil a day with the change, since more human activity will occur during sunlight hours, thereby reducing the use of light bulbs. ■

Nebraska Tax Facts

Where does your
Nebraska tax dollar go?

- **52.4 cents** of your state tax dollar goes to **income tax and sales tax**. (27.4 cents goes to income tax. 25 cents goes to sales tax.)
- **33.7 cents** of your tax dollar goes to **property tax**.
- The remaining **13.9 cents** goes to vehicle taxes, fuel tax and miscellaneous fees.

The **state** collects the vast majority (about 75%) of sales tax revenue. Income tax is a **state** tax whose proceeds are spent away from the local level, lessening the accountability of the tax to taxpayer. The property tax is levied only by **local governments** in Nebraska, with school districts receiving about 60% of the revenue, and county and city governments receiving another 26%. ■

Source: http://uniweb.legislature.ne.gov/app_rev/source/index.htm

State Chamber Heads To The Hill

The annual State Chamber congressional visit to Washington, D.C. will be May 8-10, 2007. As in past years, there will be a luncheon for visiting Nebraskans in the Hart Senate Office Building on Wednesday, May 9, where the Nebraska congressional delegation and their chiefs of staff typically join us. Attendees may go to the Nebraska Breakfast on May 9. There will also be an evening reception for attendees and the Nebraska congressional members. Those attending will receive issue briefings at the National Association of Manufacturers (NAM) and the headquarters of the U.S. Chamber of Commerce. With a new agenda on Capitol Hill, contacts with your congressional representatives is as important as ever. See the enclosed flier for more details, or contact Don Mihovk at the State Chamber at (402) 474-4422. ■

Sign Up To Receive The State Chamber News Update

The Nebraska Chamber of Commerce & Industry's *News Update* is a new service offered by the State Chamber. Delivered via e-mail, the *News Update* includes to-the-point summaries of state and national news articles on a variety of topics affecting Nebraska business and industry. The

News Update will often include important Web links, contact information for lawmakers, facts and figures, as well as occasional "Action Alerts" to inform Chamber members how they can weigh in on important legislation making its way through the Legislature. If you would like to receive the

News Update – or others in your organization wish to receive it – simply e-mail jkarl@nechamber.com and ask to be added to the *News Update* e-mail list. Members may request to have their e-mail address removed from the mailing list at anytime. ■

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 and encourages members to consider doing business with fellow Chamber members.

COLUMBUS

Industrial Engineering Company
Alois Kosch

GERING

Kovarik, Ellison, Mathis & Weimer
P.C.
Deb Rider

Valley Bank and Trust Company

John Stinner

GRAND ISLAND

Associated Staffing, Inc.

Brian McMahon

*Sponsor: Brian Hamilton, Beardmore
Chevrolet, Inc.*

AXIS Capital, Inc.

Gordon Glade

*Sponsor: Tim White, Central Bio-
Energy, LLC*

Charter Communications

Chuck D. Haase

HOLDREGE

McClymont Feed Yard

Dan Powers

KEARNEY

Ag Development Inc.

John R. Hanson

Fairbanks International, Inc.

Jim Fairbanks

LINCOLN

General Dynamics

Diane Forst

National Student Loan Program, Inc.

Kent Londre

Nebraska Grain and Feed Association

Pat Ptacek

*Sponsor: Jeffrey Scherer, Smeal Fire
Apparatus Co.*

Nebraska Tax Research Council

Greg Lemon

Nebraska Title Company

Kent Radke

Prairie Life Center

Terry Seymour

NORFOLK

The Granary Rice, Inc.

Roland Voecks

NORTH PLATTE

Keenan Management, L.L.C.

J. Patrick Keenan

North Platte Telegraph

Job Vigil

OMAHA

Abboud Law Firm

Chris Abboud

Acura of Omaha

Rod Rhoden

Community Health Charities of

Nebraska

Michelle Grossman

Distefano Tool & Manufacturing Co.

Bob Distefano

General Service Bureau, Inc.

Robert Leavitt

Heartland Center For Reproductive

Medicine, PC

Dr. Jacques Ramey

McGladrey & Pullen

Jean C. Bartman

Milko Tool & Die, Inc.

Doug Miller

Millard Drywall Services, Inc.

Rich Buckingham

Omaha Surgical Consultants, P.C.

Alta Sharp

RBC Dain Rauscher

Bob Kenny

Regal Printing Co.

Dave Brown

PAPILLION

Sarpy County

Fred Uhe

PENDER

Logan Valley Sales Company

Lon Chaney

SCOTTSBLUFF

Embarq

Karen Ellis

SIDNEY

First National Bank

Bruce Batt