

THE EXECUTIVE

THE STATE CHAMBER



Nebraska Chamber of Commerce & Industry

November/December 2018

Governor, State Chamber Recognize Nebraska's Manufacturing Sector

To highlight the importance of Nebraska's largest industry according to GDP, Nebraska Chamber President Bryan Slone joined Governor Pete Ricketts on October 5 to visit manufacturing facilities in the state. The tours coincided with national Manufacturing Day.

During the tour, Governor Ricketts highlighted career opportunities currently available in manufacturing sector. Stops on this year's Manufacturing Day tour included Bruckman Rubber in Hastings, where the governor and Slone were greeted by Nebraska Chamber Board member Jack Schreiner, Bruckman's president emeritus. The two also visited Brehmer Manufacturing's facility in Lyons.

According to the governor's office, manufacturing is one of Nebraska's fastest-growing industries. From 2010-2015, the state added more than 11,000 manufacturing jobs, with an annual industry output of nearly \$14 billion in products and equipment. Manufacturing employment increased 4.5 percent year-over-year in July 2018 – the biggest growth rate since August 1995. It was the largest driver for the state's 1.7 percent year-over-year job growth recorded the same month.

According to the U.S. Census Bureau, Nebraska has roughly 1,600 manufacturing businesses statewide. As of 2016, manufacturers employed 97,300 workers in Nebraska, with employees earning an average annual compensation of \$59,867 – roughly \$17,000 a year more than average non-farm



During the Manufacturing Month fly-around in early October, Nebraska Chamber President Bryan Slone accompanied Governor Pete Ricketts in his visits to Bruckman Rubber Co. in Hastings and Brehmer Manufacturing in Lyons. Pictured are (from left) State Senator John Lowe of Kearney, Bryan Slone, Bruckman Rubber Co. President/General Manager Travis Turek, Bruckman President Emeritus Jack Schreiner, State Senator Steve Halloran of Hastings, and Governor Ricketts.

workers in our state.

Free trade agreements are important to Nebraska's manufacturers, as nearly \$5.4 billion of Nebraska's manufactured goods were shipped abroad in 2016.

The top manufacturing sectors in the state are: food and beverages; chemical products;

machinery; fabricated metal products; motor vehicles and parts; plastic and rubber products; computer and electronic products; mineral products; and electrical equipment and appliances. ■

Nebraska Chamber of Commerce & Industry

PO Box 95128, Lincoln, NE 68509-5128

Tel: (402) 474-4422 Fax: (402) 474-5681

<http://www.nechamber.com>

nechamber@nechamber.com

Editor: Jamie Karl

Economic Development Summit Set For Dec. 4 In Lincoln

On December 4, the Nebraska Chamber will host its annual economic development summit at the Embassy Suites Conference Center in Lincoln (1040 P St.) to spotlight key issues facing Nebraska's business community. The summit will begin at 10 a.m. and conclude at 3:15 p.m. Lunch will be provided.

In addition to remarks from Governor Pete Ricketts, the event will feature experts to discuss important challenges that are currently impacting

Nebraska's economy and communities, as well as success stories from across the state.

Cost to attend is \$95 for State Chamber members or \$125 for non-Chamber members. Lunch will be provided.

Register online at <https://www.nechamber.net/event/2018-economic-development-summit> or by calling (402) 474-4422 or e-mailing Charlie Volnek at cvolnek@nechamber.com. ■



State Chamber Views...
Editorial by Bryan Slone
President
Nebraska Chamber of Commerce & Industry

Sustaining “The Good Life”: Tax Reform And Business Incentives

The State Chamber’s mission is to be the “voice of Nebraska’s business community” with a constant goal of improving our business climate from a competitive standpoint. This advocacy role has our staff working hard to enhance in our economic future. Our efforts have and will continue to be important in ensuring Nebraska’s ability to attract increased capital investment, and to connect it to entrepreneurs, innovators and the necessary workforce to keep our economy and communities growing.

We can’t thank you enough for your support in this endeavor.

Three related policy areas are particularly important to our members: workforce, taxation and community economic development. While we often talk about workforce and economic development, I wanted to take this opportunity to talk briefly about the equally important role of tax reform and business incentives.

Three related policy areas are particularly important to our members: workforce, taxation and community economic development.

Both tax reform and business incentives must be included in any discussion about how to keep our state competitive with others that are aggressively competing with Nebraska for economic growth and workforce.

Currently, our relative business tax burdens are a mixed bag. From a sales tax standpoint, we enjoy one of lower overall business sales tax burdens among the states. But in the case of income and property taxes, we are in the in the highest half of the nation in terms of tax burden.

Despite our quality of life and other advantages, our income and property tax burdens are an important factor that restricts our ability to attract and retain capital, innovators, entrepreneurs, jobs and workforce. As an example, with a maximum 6.84% individual income tax rate, which kicks in at relatively low levels of income, we likely miss out every year on attracting new job-creating businesses, as well as retaining and attracting the workforce

talent that is critical to our businesses and communities.

As the Nebraska Legislature’s 2019 legislative session approaches, policymakers must take meaningful steps to make our state tax code more competitive. My personal view is that the state’s goal should be to ultimately reduce our top income tax rate to something at or below 5% to be competitive with faster growing states and communities. Current state revenues and budget considerations may or may not make that possible in a single comprehensive tax reform bill this year. But having had no meaningful tax reform over the last several years, it is time that Nebraska sends a signal and begins to make progress in the 2019 session with a meaningful reduction in corporate and income tax rates, in addition to ongoing efforts to provide more property tax relief at the local level.

When the Legislature begins its 2019 session on January 9, lawmakers will also need to choose between reauthorizing or rewriting Nebraska’s business incentives – whether under the Nebraska Advantage Act or a new title. That is because Nebraska’s major business incentives are currently set to expire December 31, 2020. This sunset is creating uncertainty for not only for Nebraska job creators, but also for the state’s economy.

Without question, lower income tax rates are generally a more effective economic incentive than targeted incentives. But as long as Nebraska remains in a high income tax environment, competitive incentives for businesses that are investing and creating well-paying jobs will be a necessary part of the overall strategy to grow Nebraska’s economy.

Since its enactment in 2005 and implementation in 2006, the Nebraska Advantage Act has been the primary job creation and investment tool at the state level. It has encouraged the creation of tens of thousands of private-sector jobs, as well as billions of dollars in investments statewide. Without the Nebraska Advantage Act, our state would have likely lost some important employers to other states. The bottom line: Our incentives have been an effective tool to level the playing field for Nebraska.

This coming legislative session, state lawmakers will have the rare opportunity to draft and enact a new, more effective package of

incentives to take Nebraska’s competitiveness to the next level. In this regard, the State Chamber will work with local chambers, legislators and the administration in the shaping of any new incentives plan.

This coming legislative session, state lawmakers will have the rare opportunity to draft and enact a new, more effective package of incentives to take Nebraska’s competitiveness to the next level.

Here are some of the areas in which we want to see continued improvements in Nebraska’s major business incentives:

- Incentive qualification requirements must be easily understood and administered. Taxpayers should know where they stand without years of protracted administrative processes to resolve related tax administration disputes.

- While the Nebraska Advantage Act has earned good marks for its transparency, any new legislation should continue to provide full transparency to the beneficiaries of the incentives, as well as to the public, regarding program costs and benefits.

- The incentives package should, to the furthest extent possible, avoid picking economic winners and losers among industries. At the same time, it should be performance based. It should also create appropriate thresholds to ensure incentives are provided only for substantial new investment, appropriately higher wages and employment growth that provide adequate returns on investment for the state.

- The Nebraska Chamber will also be focused on the impact that incentives may have on the state’s workforce challenge. This could include providing incentives for companies to relocate and train new employees.

The agenda for the 2019 legislative agenda is daunting and complex. But tax reform and business incentives will be two important difference-makers for our state’s economic competitiveness. Your Nebraska Chamber staff has already been working to assist policymakers as they consider options in advance of the session.

We look forward to working with all state senators and the administration on these and other key business matters. ■

Chamber Discusses Business Incentives With Lawmakers

On October 12, the Nebraska Chamber participated in a meeting of the Nebraska Legislature’s Economic Development Task Force. The meeting, held at the State Capitol in Lincoln, was focused on how to enhance and modernize the Nebraska Advantage Act and other economic development tools.

Presenting on behalf of the Nebraska Chamber, as well as the Lincoln and Omaha Chambers, was Joseph Young, the Nebraska Chamber’s executive vice president. Young informed state senators of the job-creation success stories that have occurred in the years following the implementation of the Nebraska Advantage Act. In addition, he outlined the core principles that should be included in incentive legislation in 2019.

Specifically, Young told lawmakers that future incentive packages must be based on:

- Simplicity – that is, incentives must be clear and flexible to encourage the expenditure of capital and the creation of quality jobs
- Transparency – meaning all stakeholders know who receives what and why.
- Integrity – meaning the State of Nebraska should be providing incentives to the right industries and for the right wage levels.
- Competitiveness – that is, Nebraska’s performance-based incentives must ensure economic growth for our state.

The upcoming 2019 legislative session will be important to businesses that currently use, or are considering applying for, Nebraska Advantage Act incentives. Nebraska’s business incentives are set to expire December 31, 2020. This deadline is creating uncertainty for Nebraska’s business community.

The State Chamber has long supported the retention and enhancement of the Nebraska Advantage Act’s economic development incentives. According to state data, the Nebraska Advantage Act has spurred private-sector commitments of roughly 25,000 new jobs and tens of billion of dollars in investments across the state since 2006.

Without these incentives, the Cornhusker State would often miss out on jobs and investment due to its high tax climate. A recent audit found that employees at Nebraska’s incentivized businesses received higher-than-average wages in 12 of 15 economic sectors. A 2015 State Chamber analysis found that of 535 businesses that had applied for Nebraska Advantage incentives, approximately 75 percent had fewer than 100 employees – with many of those businesses being in rural counties. ■

Nebraska Chamber Takes Top Award For Most New Members

In mid-September, during the annual meeting of the Council of State Chambers (COSC), the Nebraska Chamber of Commerce and Industry was awarded the nation’s top state chamber honor for having the most new members.

Sponsored by the Association of State Chamber Professionals (ASCP), the award was accepted by James Berringer, the Nebraska Chamber’s longtime senior vice president of membership and marketing.

Also this fall, Berringer was elected president of the ASCP, which consists of the top membership, marketing, communications, and non-dues professionals from state chambers from across the country. This marks the second time since 2010 that Berringer has served as

ASCP’s leader.

Berringer has been with the staff of the Nebraska Chamber for 27 years. He earned his Institute of Organization Management designation from the U.S. Chamber of Commerce in 2010, and he is a past president of the Nebraska Society of Association Executives. ■

Right: At the national meeting of the Council of State Chambers in September, James Berringer with the Nebraska Chamber accepts the award for most new state chamber members. Also pictured are Fred Morgan (left), COSC president, and Aaron Miller (right), president of Association of State Chamber Professionals.



Nebraska Gets Average Grade For Business Tax Climate

For 16 years, the Tax Foundation has published its “State Business Tax Climate Index” – a comprehensive analysis of each state’s tax code and how it could be improved. This fall, the Tax Foundation released its 2019 index, which considers key state and local taxes paid by businesses, specifically the corporate tax, individual income tax, sales tax, property tax, and unemployment insurance tax.

Overall, Nebraska was ranked at No. 24 out of 50, as determined by the Foundation’s complex methodology. (Note: Nebraska’s ranking has improved from No. 34 in 2014.)

The Cornhusker State performed best in unemployment insurance taxes (No. 9 out of 50), as well as sales and use taxes that are applied to businesses. Nebraska’s worst showing was in property taxes (No. 40), and the state is also ranked in the bottom half for both individual and corporate income taxes. In the overall index, Nebraska was outperformed by each of its neighboring states, with the exception of Iowa.

Among the reasons that the Tax Foundation was critical of Nebraska were:

- Nebraska’s failure to index its corporate tax.
- Applying the top individual income tax bracket rate to previous taxable income after the taxpayer crosses the top bracket threshold.

Reasons for which the Cornhusker State received praise from the Tax Foundation included:

- A sales tax base that avoids “tax pyramiding.”
- Low excise tax rates.
- Placing a cap on the maximum capital stock tax payment.
- Having a minimum Unemployment Insurance tax rate of 0% during the most recent year, and a maximum rate of 5.4% (compared to the nation’s top rate of 14.3%).

To see the full study, visit <https://statetaxindex.org>. ■

More Than 1,300 Attend Chamber's Fall Forums

The Nebraska Chamber has concluded its 2018 legislative forums. Among some of this year's legislative forum highlights include the following:

- More than 1,300 attended the 30 State Chamber fall forum presentations held in 30 communities across the state from late August through late October.
- More than 45 state senators and announced legislative candidates attended.
- The forums received news coverage from more than 40 media outlets, including 21 newspapers or online sites; 11 radio stations; and nine TV stations.

The 2019 forums highlighted pro-business accomplishments from the Nebraska Legislature's 2018 session. Among the accomplishments included in the forum presentations were the passage of Chamber-supported legislation to prevent a \$226 million income tax increase, as well as new laws to modernize the Workers' Comp program and provide more incentives to build new workforce housing in rural Nebraska.

State Chamber President Bryan Slone provided an overview of key challenges, such as stagnant population growth, workforce shortages and rural population loss. He reminded attendees of Nebraska's important advantages, including its educational system, quality of life, and

abundant natural resources – all of which will help Nebraskans overcome current obstacles and prosper well into the future.

Every forum included a discussion on Blueprint Nebraska – the new, business-led initiative to develop a long-term economic strategy for the state. Blueprint Nebraska Executive Director briefed forum attendees on the process being used to create a unified state strategy that will allow Nebraska to compete and win economically.

For 35 years, the State Chamber's annual legislative forums have been a joint effort between the Nebraska Chamber and the local chambers of commerce. ■



The State Chamber's legislative forum in Alliance was attended by two state lawmakers, as well as Blueprint Nebraska officials. Pictured are (from left) State Chamber President Bryan Slone, State Senator Brett Lindstrom of Omaha, Blueprint Nebraska Executive Director Jim Smith, Blueprint Nebraska Co-Chair Owen Palm, and State Senator Tom Brewer of Gordon.

State Chamber Annual Meeting, Business Hall Of Fame Ceremony Will Be Feb. 7

The Nebraska Chamber's Annual Meeting and Legislative Caucus will be held Thursday, February 7, 2019, at The Cornhusker Marriott Hotel in Lincoln. This is one of Nebraska's most recognized business events of the year.

Those attending will have an opportunity to hear from key state lawmakers and policy experts, as well as attend briefings on issues of concern to the business community. Afternoon discussion panels will include the traditional Legislative Leaders panel.

The evening banquet will feature the traditional passing of the gavel

to the new State Chamber chairman and an extra special tribute to the newest members of the Nebraska Business Hall of Fame.

For more information about the State Chamber Annual Meeting, call (402) 474-4422 or e-mail Charlie Volnek at cvolnek@nechamber.com. Please see the insert in this issue of The Executive to register.

This special event also presents sponsorship opportunities to get your business recognized before a large target audience. Those interested in sponsoring the Chamber's Annual Meeting should contact James Berringer at (402) 474-4422 or jberringer@nechamber.com. ■

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.

FREMONT
Nye Health Services
Russell V. Peterson

LINCOLN
Bryant, Katt & Associates, P.C.
Bob Bryant, CPA

Project Control
Adam Hoebelheinrich

OMAHA
University of Nebraska
Medical Center
Doug Ewald

GRAND ISLAND
JBS Swift & Company
Zachary Ireland

BVH Architecture
Jessica Spitsen

Tabitha Health Care Services, Inc.
Christie Hinrichs