

Nebraska Chamber of Commerce & Industry

Results For Business



2013 Nebraska Legislature

What passed. What didn't.
And what it means to your bottom line.

— 2013 LEGISLATURE —

When the Nebraska Legislature meets every year, the actions of state lawmakers can profoundly impact the business community and its ability to grow. That is why the Nebraska Chamber of Commerce & Industry works hard to represent the interests of your business at the State Capitol.

The State Chamber is one of the most effective lobbying teams in Nebraska. Located only half a block from the Capitol, the Chamber's staff stays in close contact with Nebraska's 49 state senators, as well as the governor and his administration. This ensures that businesses of every type and size have a powerful and respected voice in the legislative and rule-making process.

Here is what passed, what did not, and what it means to your bottom line.



During this year's session, the State Chamber **SUPPORTED** pro-business, growth-oriented legislation.



The State Chamber **OPPOSED** legislation that threatened the success of Nebraska businesses and the state's economy.

— TAXATION —

AMT Repeal
LB308



Repeals Nebraska's alternative minimum tax (AMT) for individual income tax purposes. The AMT, established decades ago to target very wealthy taxpayers utilizing various shelters, has begun to threaten a growing number of middle class taxpayers, especially those with high medical bills, mortgages and other tax-deductible expenses. An estimated 17,000 Nebraska taxpayers paid the state's AMT in recent tax years, as Nebraska was one of only nine states still imposing the tax. LB308 was introduced at the request of the State Chamber. **State Chamber Supported.**

PASSED

**Carry-Forward
for Operating
Losses**
LB457



LB457 was amended into LB308. As enacted, the provision gives businesses and agriculture producers 15 additional years to spread out their net operating losses on state tax returns – allowing 20 years instead of the current five. Nebraska had been one of only five states with a five-year limit. This change ensures that state law is consistent with federal law on carry-forward deductions. It will be especially helpful to startups and cyclical businesses. LB457 was introduced at the State Chamber's request. **State Chamber Supported.**

PASSED

**Employee
Stock
Ownership**
LB573



Declares employee stock ownership plans (ESOPs) as qualified corporations, allowing individual shareholders to exclude dividends and capital gains from their taxable incomes. The measure is considered pro-business legislation since ESOPs give employees partial ownership in a business over time. A growing number of businesses are utilizing ESOPs as an incentive to retain employees and keep the business going years after the start-up phase or following the owner's retirement. **State Chamber Supported.**

PASSED

**Repeal of
Sales Tax
Exemptions**
LB405
LB406



LB405 would have eliminated individual and corporate income taxes, along with \$2.4 billion in sales tax exemptions. LB406 would have repealed about \$395 million in sales tax exemptions to offset the cost of eliminating the corporate tax, while exempting the first \$12,000 of retirement income for married couples and \$6,000 for individuals. Critics of the plan – particularly those in manufactur-

KILLED

— TAXATION —

<p>Income Tax Increase LB532</p>		<p>ing, agriculture, health care, transportation and technology – said the repeal of sales tax exemptions would have seriously threatened the competitiveness and even the viability of sectors that employ a large percentage of Nebraskans. Nebraska would have been one of only three states to tax manufacturing materials and one of ten states to tax manufacturing equipment. Also, the bills would have potentially reversed Nebraska’s recent progress in several pro-business rankings and economic comparisons. State Chamber Opposed.</p> <p>Would raise state income taxes on high income earners by creating a fifth tax bracket of 7.74% for individuals earning \$400,000 in taxable income and couples earning \$450,000 – the same benchmarks used in the recent federal tax law changes. It is estimated the tax hike would impact more than 4,000 taxpayers in Nebraska. Under LB532, high income earners would pay a combined rate of nearly 53% in federal and state income taxes. If LB532 were enacted, Nebraska would have one of the nation’s highest state income tax rates. State Chamber Opposed.</p>	<p>HELD OVER</p>
<p>Corporate Tax Restructure LB328</p>		<p>Would harmonize Nebraska’s corporate income tax rates (currently 5.58% and 7.81%) with the rates applied to single individual taxpayers. The Tax Foundation reports that Nebraska’s maximum corporate tax rate ranks No. 32 out of 50 – worse than any neighboring states, except for Iowa. State Chamber Supported.</p>	<p>HELD OVER</p>

— ECONOMIC DEVELOPMENT —

<p>Renewable Energy LB104</p>		<p>Promises to bring more wind energy – and possibly other renewable generation – to Nebraska. Specifically, LB104 extends sales tax refunds for significant investments in renewable energy projects by amending Tier 5 of the Nebraska Advantage Act. Under the bill, the investment threshold is \$20 million to qualify for the incentives. Nebraska currently ranks fourth in the nation in wind resources, according to wind energy experts, but lags behind neighboring states like Iowa in wind energy development. State Chamber Supported.</p>	<p>PASSED</p>
<p>Nebraska Advantage Update LB34</p>		<p>Refines the Nebraska Advantage Act, the state’s most important economic development tool, by clarifying definitions under the Act. The measure is expected to assist cities in meeting financial obligations without placing undue stress on their cash flows, while also permitting flow-through entities and cooperatives to qualify as taxpayers. LB34 makes several business-friendly changes. State Chamber Supported.</p>	<p>PASSED</p>
<p>Nebraska Advantage Repeal LB627</p>		<p>Would completely repeal the Nebraska Advantage Act, as well as the Nebraska Advantage Rural Development Act, on July 1, 2018. Under the bill, if the Legislature chose to reauthorize both the Nebraska Advantage and its rural component, the programs would be terminated automatically five years later unless the Legislature voted once again to reauthorize them. A five-year sunset could be a deterring factor for businesses considering long-term projects in Nebraska. State Chamber Opposed.</p>	<p>HELD OVER</p>

— ECONOMIC DEVELOPMENT —

<p>Angel Credit Expansion LB281</p>		<p>Would amend the Angel Investment Tax Credit Act of 2011 to increase the annual cap for credits from \$3 million to \$5 million for qualified investors. The angel credit is designed to stimulate investment in small, Nebraska-based startup companies by providing refundable tax credits to qualifying investors who provide capital to eligible businesses. State Chamber Supported.</p>	<p>HELD OVER</p>
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— LABOR & WORKFORCE —

<p>Internship Program Enhancement LB476</p>		<p>Improves Nebraska's internship grant program by allowing more flexibility for businesses, educational institutions and students. First- and second-year students are now eligible for the internships, as opposed to only juniors and seniors under previous law. Other changes including replacing minimum weekly and hourly requirements with a focus on quality internships in technical and professional areas to ensure the student gains significant, valuable work experience and knowledge. Since the program's inception, nearly 230 businesses and 400 interns have participated in InternNE, according to DED data. More than half of those interns were offered full-time positions with the companies for which they interned. State Chamber Supported.</p>	<p>PASSED</p>
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— ROADS & INFRASTRUCTURE —

<p>Roads Funding Repeal LB531</p>		<p>Would repeal Nebraska's 2011 roads funding law, LB84 – the most significant roads funding law enacted in years. LB84 will utilize a small portion (one-quarter of one cent) of the state's 5.5 cent sales tax to fund the construction of high-priority capital improvements and reconstruction projects throughout Nebraska. Over the next 20 years, it is estimated Nebraska will need nearly \$10 billion for highway construction and upkeep. LB84 is estimated to generate \$60-\$70 million a year over the next two decades, including funds for local roads projects. State Chamber Opposed.</p>	<p>HELD OVER</p>
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— EDUCATION —

<p>Early Childhood Education LB495</p>		<p>Provides funds from the Education Innovation Fund to support early childhood education programs operated by school districts or educational service units for children between the ages of three and kindergarten eligibility. State Chamber Supported.</p>	<p>PASSED</p>
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— REGULATIONS —

<p>Impact of Environmental Regulations LB637</p>		<p>Would require additional duties for the Department of Environmental Quality (DEQ) when proposing regulations. If DEQ intended to adopt a rule to impose requirements different than federal regulations, or increase costs on regulated entities, DEQ would be required to prepare a statement on the annual economic impact of the rule. If DEQ determined not to implement an alternative method, the agency would need to explain its reasoning. State Chamber Supported.</p>	<p>HELD OVER</p>
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THE STATE CHAMBER

Nebraska Chamber of Commerce & Industry

Dear State Chamber Member:

The first session of the 103rd Legislature adjourned *sine die* on June 5. This year, 661 bills – in addition to dozens of constitutional amendments and resolutions – were introduced. In total, your Nebraska Chamber monitored or had positions on more than 250 of the measures due to their potential impact on business. Once again, the State Chamber worked diligently to ensure passage of bills that would be beneficial for our economy and job creation, while we worked just as hard to defeat or amend harmful legislative proposals.

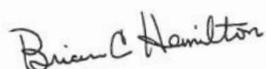
This year's 90-day session brought numerous actions on a wide range of issues, including key accomplishments in the area of taxation, workforce and economic development. We were extremely pleased to see the enactment of State Chamber-supported bills to repeal the state's alternative minimum tax and extend the carry-forward period for net operating losses (LB308 and LB457). Both the AMT repeal and the carry-forward extension were introduced at the request of the Nebraska Chamber – and we are proud to play a role in continuing to make Nebraska's tax climate friendlier to businesses and individual residents. As a result of these initiatives, Nebraska's ranking in national tax comparatives should improve.

Other important economic development bills enacted this session include a plan to offer sales tax refunds to renewable energy developers (LB104), improvements and clarifications to the Nebraska Advantage Act (LB34), and legislation that promises to continue to enhance Nebraska's unique and successful internship program (LB476). We also worked to ensure the enactment of a measure (LB573) that will provide for friendlier tax treatment of businesses that give employees partial ownership in the company over time.

No bills were passed this session that would adversely affect Nebraska's labor law, economic development or tax climate. Early in the session, the State Chamber helped lead a coalition to oppose LB405 and LB406, bills that would have repealed key competitiveness incentives for Nebraska businesses. Although the bills were offered with good intentions – to lower or eliminate Nebraska's individual and corporate income tax – imposing new sales taxes on the state's employers, especially taxing business inputs, would have been devastating over the long term. The bills would have terminated competitive advantages for key industries such as manufacturing, agriculture, health care, transportation and technology.

Because of the Legislature's plan to study Nebraska's tax climate, and an expectation that the tax system might be modernized next year, some suggested waiting until 2014 to improve the state's tax code and enhance our economic development tools. Your Nebraska Chamber recognized that our state cannot afford to take such a time-out. Failing to make common-sense improvements to our job-creation incentive programs and tax policies would have resulted in missed opportunities, lost jobs, fewer investments and a weakened economy. We commend those state policymakers who share our commitment to continuously better conditions for Nebraska's business community.

Thanks to all of you who were involved and took time to contact your state senators during the session. Your vigilance helped produce some very successful results for Nebraska. We look forward to your continued support and involvement.


Brian C. Hamilton
Chairman of the Board


Barry L. Kennedy, CAE, IOM
President



(Upper Left) Governor Dave Heineman signs LB308, the bill to end Nebraska's alternative minimum tax, as well as LB573, legislation to provide for friendlier tax treatment of businesses that give employees partial ownership in the company over time. Both bills were supported by the Nebraska Chamber.



(Lower left) The 2013 legislative session brought the enactment of two important tax-related measures supported by the Nebraska Chamber: repeal of the state's alternative minimum tax (AMT) and extension of the carry-forward period for net operating losses incurred by businesses and ag producers. These measures were led by Columbus Senator Paul Schumacher, Omaha Senator Bob Krist and Syracuse Senator Dan Watermeier – pictured here with the Chamber's Barry Kennedy and Richard Baier.



(Top left) Cedar Rapids Senator Kate Sullivan speaks to one of the Nebraska Chamber's legislative forums, which are held in more than 30 communities across the state every autumn. (Middle left) Omaha Senator Steve Lathrop discusses legislation with the State Chamber's Barry Kennedy and Ron Sedlacek. (Lower left) State Chamber Chairman-Elect Chris Roth, President & CEO of Reinke Manufacturing Co. in Deshler, and his wife, Kim, meet with Governor Heineman and First Lady Sally Ganem during the Nebraska Chamber's Cornerstone Dinner held at the governor's residence. (LowerMiddle)



Speaker of the Nebraska Legislature Greg Adams discusses education reform with Jaimie Matthews of the U.S. Chamber of Commerce. Speaker Adams and Matthews participated in the Nebraska Chamber's recent economic forums held in LaVista and Kearney. (Lower Right) At the State Chamber's 2013 Annual Meeting, several of the Legislature's key committee chairs spoke to Chamber members from across Nebraska. Appearing on the "Legislative Leaders" panel were Grand Island Senator Mike Gloor, Nebraska Chamber Chairman Brian Hamilton of Bellevue, Holdrege Senator Tom Carlson, Omaha Senator Steve Lathrop, Omaha Senator Heath Mello, and Fullerton Senator Annette Dubas.



The Membership & Mission Of The State Chamber

For one century, the State Chamber has proudly served as the voice of Nebraska's business community. Today, it is the State's only broad-based business association, representing a grassroots membership of more than 100,000 people in 400 different categories of businesses located in more than 150 communities.

The State Chamber works hard to promote the interests of employers of all sizes, as well as self-employed individuals, other Nebraska associations and local chambers of commerce. What links our members is the shared goal to improve Nebraska's business climate.

The State Chamber staff works effectively with members of the Legislature and other government officials, with three full-time lobbyists leading our legislative efforts. Throughout every legislative session, the State Chamber keeps its members well informed on day-to-day action through the *Legislative Report* and electronic communications such as the daily *News Update*.

State Chamber members know when lawmakers are considering legislation that could impact their interests. Action alerts notify members when they should contact senators regarding upcoming votes. After the session, State Chamber members receive complete summaries of the year's legislative activities, as well as a scorecard on key votes.

The State Chamber also monitors legislative activities in Washington, D.C. The association stays in close contact with Nebraska's congressional delegation, as well as its national affiliates – the U.S. Chamber of Commerce and the National Association of Manufacturers.

Beyond legislative services, the State Chamber provides many programs, publications and other tools for our members, including educational workshops, member directories, labor law publications, unemployment services, and car rental discounts.

With a record of major legislative accomplishments and solid service, Nebraska's business community can count on the State Chamber to stand strong for its interests.

THE STATE CHAMBER 

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