

# For

THE STATE CHAMBER 

Nebraska Chamber of Commerce & Industry

# MANUFACTURERS Only



Winter 2013


## NEBRASKA CELEBRATES MANUFACTURING DAY

**T**he Nebraska Chamber of Commerce and Industry, in coordination with one of its national affiliates, the National Association of Manufacturers (NAM), celebrated the second annual Manufacturing Day held in early October.

To mark the occasion, hundreds of manufacturers across the country opened their doors to the public, sharing the innovative and advanced operations that make modern manufacturing among the most rewarding career options available. Tripling in size since last year's inaugural event, Manufacturing Day offered students and members of the community a firsthand view of the dynamic, highly skilled jobs in manufacturing.

In Nebraska, several manufacturers participated, including Norfolk's NUCOR Steel, which was visited by 13 state lawmakers; Columbus' Behlen Manufacturing Co., which

was toured by Gov. Dave Heineman; and Lincoln's Kawasaki Motors Mfg. Corp. which was visited by more than 550 students from Lincoln and nearby communities.

Kawasaki Vice President and Plant Manager and State Chamber board member Mike Boyle said: "Gone are the days of a person doing the same thing over and over all day long. Manufacturing companies are looking for people that are flexible, willing to grow and obtain new job knowledge. If someone enjoys building cool products with computer controlled equipment and robotics, manufacturing can offer them high paying and rewarding careers." 

Manufacturing is a vital component of the Nebraska economy. It also represents an essential segment of the membership within the Nebraska Chamber. The State Chamber Manufacturers Council evaluates and recommends policy positions to the State Chamber Board of Directors and serves as a forum for the exchange of views and information that the State Chamber manufacturing members wish to share.

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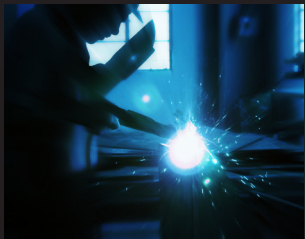


**Above: Hundreds of students from Lincoln and nearby communities celebrated Manufacturing Day at Kawasaki's plant in the Capital City. Upper Right: More than a dozen of Nebraska's state lawmakers toured NUCOR Steel in Norfolk. Lower Right: Tony "TR" Raimondo, Chairman of Behlen Manufacturing in Columbus, demonstrates his company's latest technology to Nebraska Gov. Dave Heineman, who visited the facility in honor of Manufacturing Day.**



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## COMMITTEE PRODUCES IDEAS FOR NEBRASKA TAX REFORM

In mid-November, the Nebraska Legislature's Tax Modernization Committee agreed to study nine ideas to meet its goal of creating a fairer, more competitive tax code. The list of proposals would amount to a modest tax shift of around \$60 million. That is compared to the \$8.4 billion in taxes collected by state and local governments in Fiscal Year 2012, as estimated by the Council On State Taxation.

Only a few of the preliminary proposals would possibly help Nebraska improve its standing in national comparisons of state business climates. Perhaps the most recognized of such studies is the Tax Foundation business climate index, which currently ranks Nebraska Number 34 (17th worst).

A high-tax environment can hinder Nebraska when it comes time for employers to decide where to do future business, as well as

when it comes to retaining young people with post-secondary education and/or valuable skills, according to experts.

As the Tax Modernization Committee completes its work, the Nebraska Chamber has recommended several steps to make the state's tax code more competitive, including a reduction in the top individual income tax rate from 6.84% to no higher than 5.5% – with a similar reduction in the corporate income tax, now set at 7.81%.

The Chamber has also urged lawmakers to simplify sales tax law and improve audit processes for manufacturing and processing operations.

The Tax Modernization Committee will release its formal list of recommended actions no later than Dec. 15. The full Legislature will begin its 2014 session on Jan. 8.

### Preliminary Tax Reform Ideas from the Tax Modernization Committee

- Index income tax brackets for inflation – requested by the Nebraska Chamber to ensure that lower- and middle-income taxpayers do not pay higher tax rates as their incomes keep pace with living costs.
- Adjust Nebraska's two corporate income tax brackets so the higher rate would not take effect until after \$250,000 in annual income. This option, also supported by the Chamber, would provide about \$5 million in tax savings for smaller businesses.
- Establish a new sales tax exemption on repair parts for farm machinery, which would be worth nearly \$10 million in tax savings – making Nebraska implement dealers more competitive with those in surrounding states. This, too, has the Chamber's support.
- Provide another \$30 million to the existing property tax credit program. On a home valued at \$100,000 for tax purposes, this move would add \$15 to \$20 to the \$66 credit that a homeowner will get this year. This would be for one year only.
- Raise \$60 million in new sales taxes on previously tax-exempt services. No specifics were discussed, but it was noted that the committee is not considering taxing services used by businesses.
- Raise the income threshold at which Nebraskans pay taxes on Social Security income. Several states totally exempt such income, which leads to low ratings for Nebraska on tax friendliness for retirees.
- Provide a refundable energy tax credit for low-income Nebraskans.
- Provide about \$6 million in one-time state aid to counties for the state's new juvenile justice program.
- Increase taxes by \$9 million by placing a \$25,000 cap on itemized income tax deductions for Nebraskans with adjusted gross incomes of \$400,000 or more. The proposal was modeled after the Obama administration's tax increase on the wealthiest Americans.

To view the latest official documents or statements from the Tax Modernization Committee, visit the committee website at <http://news.legislature.ne.gov/tmc/>. 

## REGISTER NOW FOR STATE CHAMBER'S ANNUAL MEETING

**T**he Nebraska Chamber's 2014 Annual Meeting and Legislative Caucus will be Thursday, Jan. 30 at The Cornhusker Marriott Hotel in Lincoln. This is one of the state's most recognized and well-attended business events. Participants will have an opportunity to hear from key lawmakers and business leaders, as well as attend briefings on issues of concern to the private sector.

Some of the highlights of the afternoon sessions will include: changing demographics and growth patterns in Nebraska; modernizing education to foster a dynamic career

and college ready workforce; analyzing the cost of doing business in Nebraska, as well as issues facing the 2014 Legislature.

The evening banquet will feature the traditional passing of the gavel to the new State Chamber chairman and a special tribute to the 2014 inductees of the Nebraska Business Hall of Fame.

For more information or to register, please call (402) 474-4422. Or register online at [NEchamber.net](http://NEchamber.net) and click on "events" at the top menu. □

## DOZENS OF FEDERAL TAX CREDITS EXPIRE IN DECEMBER

**S**everal news agencies have recently published stories that Congress will let dozens of tax preferences expire at the end of this year, including those for manufacturers. The National Association of Manufacturers and other business groups have urged Congress to end the practice of annual tax-break extensions, saying the one-year extenders are "not the way to do business" since companies are left guessing whether they can count on

their credits for the upcoming tax year.

Bloomberg News reported that some of the tax credits seem especially vulnerable, such as the production tax credit for wind energy and credits for efficient home appliances. Others, including the research and development credit, are likely to survive in the long run, according to Washington insiders. □

## STUDY: NEBRASKA OFFERS A COST ADVANTAGE FOR MANUFACTURERS

**I**n recent years, Nebraska has been recognized in national rankings for its positive business climate. Now a new report by the Nebraska Public Power District – the state's largest utility – offers more encouraging news, specifically about the state's manufacturing industry and its fabricated metal sector.

According to the study in 2011, Nebraska manufacturing companies were at 95% of their 1990 employment numbers. That number was considerably higher compared to the six states bordering Nebraska, where the figure was significantly lower at 80%. Nationally, the number was only 67%.

The NPPD report credits Nebraska's attractive business climate, a productive and well-educated labor force, competitive labor and energy costs, and central location. The study also notes that electrical rates for metal fabrication facilities in Nebraska were 9.1% lower compared to the average for the other 15 states, where the average industrial natural gas rate in Nebraska was 22.3% lower.

See the study at <http://sites.nppd.com/study pdfs/FabricatedMetalProducts.pdf>. □

# NEBRASKA CHAMBER SURVEY REVEALS SHORTAGE OF SKILLED LABOR

**A** new survey of those who attended the Nebraska Chamber's 2013 legislative forums finds more than 52% had experienced difficulty hiring qualified employees during the past year. Also more than one-third of those surveyed demonstrated dissatisfaction with how schools are preparing the workforce.

The State Chamber's legislative forums were held in 30 communities across the state. The forums were attended by nearly 1,200 Nebraskans, including 35 state senators.


Nearly 82% of survey respondents said Nebraska lawmakers should lower the state's top individual income tax rate, which is currently 6.84% on income above \$27,000. That is the 16th highest state income tax rate in the country.

Almost 80% of respondents said Nebraska's maximum corporate tax rate (7.81% for income over \$100,000) should be made more competitive, since it is currently the nation's 19th highest.

When asked specifically what lawmakers should prioritize in 2014, chamber members who took the survey were split. Nearly 45% said reducing the state income tax should be lawmakers' main focus, while 40% said decreasing state spending was most important. Fewer than 5% said reducing the sales tax or increasing government spending should be a priority.

Other key findings from the Chamber survey:

- Nearly half of respondents (49%) cited the federal health care law or other government regulations as the main challenge limiting their business' profitability. Another 25% said lack of available labor or skilled employees was the key issue limiting their growth.
- Almost one-third (32%) said they had experience hiring military veterans.
- Nearly half (48%) said their business offered internships for college and/or university students.

The Nebraska Chamber's legislative forums are held every autumn in coordination with local chambers of commerce. The main purpose of the forums is to gather input from the state's business community and inform local leaders about recent legislative activity. The forums are open to all members of the State Chamber and local chambers of commerce. 



# EXPORTS ARE VITAL COMPONENT TO NEBRASKA ECONOMY

**A** recent editorial by the *Scottsbluff Star-Herald* reiterated the importance of exports when it comes to Nebraska's manufacturing sector.

According to the editorial, Nebraska's economy includes 406 U.S. companies that operate internationally and compete in the global market on a daily basis for capital and customers. According to a Business Roundtable survey, those companies accounted for

42% of the state's private-sector economic output and 40% of its private-sector jobs in 2011.

Those same companies added \$31.4 billion to Nebraska's private-sector economy – and paid an average of \$57,125 per job in wages, salaries and benefits. Moreover, they directly provided 147,000 Nebraska jobs, including 38,000 jobs in the manufacturing sector. □



## NEBRASKA'S 2014 ELECTION CALENDAR

**T**he 2014 elections are quickly approaching. Nebraska's primary election will be May 13, 2014.

In this cycle, 25 of Nebraska's 49 state legislative seats will be up for election (all even-numbered districts and District 3). Due to Nebraska's term limits, 17 state senators – more than one-third of the Unicameral – cannot seek election after their eight years of service.

Some key dates for next year's election include:

- Feb. 18 – Filing deadline for incumbents (any current office holder).
- March 3 – Filing deadline for non-incumbents.
- May 2 – Last day to register in person to vote.
- May 13 – Nebraska's primary election.
- Nov. 4 – General election. □





## NEBRASKA EMPLOYERS EXPECT 7.2% JUMP IN 2014 HEALTH CARE COSTS

**A**ccording to a new national survey, Nebraska employers anticipate that group health benefit costs will increase more in 2014 than in 2013 – and at a rate more than the national average. Nebraska employers expect a 7.2% average increase, even after raising deductibles and making other health plan changes to shift costs to employees or control spending. Some of the expected 2014 increase is due to the Affordable Care Act (ObamaCare), the employers said. However, about one-third of the large employers in the survey said they were unable to estimate the law's impact. □

## NEBRASKA ONE OF 18 STATES THAT SIGNIFICANTLY CUT TAXES IN 2013

**E**ighteen states cut taxes in the 2013 legislative year, according to a new report by the American Legislative Exchange Council (ALEC). According to the conservative organization, these tax policy changes reflect an emphasis on pro-growth reforms that encourage economic expansion and competition. ALEC says that nearly one quarter of the 25 tax cuts were to the personal income tax, followed by reductions to various state specific taxes and to the corporate income

tax. In 2013, Nebraska eliminated the Alternative Minimum Tax (AMT), allowed business losses to be carried over 20 years rather than five, allowed contributions to a college savings plan to be tax deductible, and expanded a capital gains tax exclusion for companies that establish a program for employee stock options. A summary of the tax cuts is available at <http://www.alec.org/publications/taxcutroundup>. □

