

For

NEBRASKA CHAMBER
OF COMMERCE & INDUSTRY

MANUFACTURERS

Only



Spring 2019

STATE CHAMBER FOCUSED ON BILLS WITH POTENTIAL IMPACT TO NEBRASKA MANUFACTURING

On March 20, the Nebraska Legislature will enter the second half of its 2019 legislative session. Between now and the session's last day – currently scheduled for June 6 – senators will debate several measures that could affect Nebraska's manufacturing community, including in the areas of taxes, economic development, workforce, and overall business climate.

When the Legislature is in session, the Nebraska Chamber's primary focus is representing the business community on major issues of interest before the Unicameral. Surveys have revealed that the Chamber's legislative activity and updates are very important to its members – and more than 97% of survey respondents agree that the Nebraska Chamber is effective in representing the state's business community.

Because manufacturing comprises a significant portion of the Chamber's overall membership, manufacturing issues are a priority in the State Chamber's advocacy efforts.

Please see pages 5-8 for a listing of bills that could affect your business. 

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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WHAT DOES MANUFACTURING MEAN TO NEBRASKA?

Depending on metric used, manufacturing is Nebraska's first- or second-largest sector in economic output and jobs.

Recently, the National Association of Manufacturers (NAM) – the D.C.-based affiliate of the Nebraska Chamber – released updated figures to educate policymakers, news media, economic developers, education professionals and others about the importance of manufacturing in our state.

Consider the following:

- Nearly 100,000 Nebraskans earn their paychecks from jobs in manufacturing.
- Nebraska's total manufacturing output in 2017 was \$13.60 billion.
- There are more than 1,600 manufacturing businesses in Nebraska.
- For every 100 manufacturing jobs, nearly 300 additional workers are needed to support them.
- Manufacturing compensation in Nebraska is more than \$17,000 higher per worker than other non-farm employers in the state, with the average annual compensation in manufacturing being \$59,867 as of 2016.
- Nebraska exported nearly \$6 billion in manufactured goods in 2017 – and manufactured goods accounted for 82.4% of the state's exports.
- Manufacturers in 2017 accounted for 11.2% of the state's total economic output, while employing roughly 10% of the state's workforce.


See the NAM's Nebraska manufacturing data at: <https://www.nam.org/Data-and-Reports/State-Manufacturing-Data/> 



PROPOSAL WOULD RAISE THRESHOLD FOR FEDERAL OVERTIME EXEMPTION

In mid-March, the U.S. Labor Department released its proposed rule to raise the pay threshold at which salaried workers would be exempt from overtime. The Trump administration's proposal would raise the federal overtime threshold to \$35,308 – a significant increase from the current \$23,660, which has been in effect since 2004.

The proposed rule would make more than 1 million workers eligible for overtime, mostly affecting workers with jobs like shift supervisor or assistant manager at restaurants, retailers and manufacturing companies.

For those who want to publicly comment on the Labor Department's new proposal, the rule language itself is posted on the federal website www.regulations.gov. It can be found in a search for the regulations' docket number, RIN 1235-AA20. 

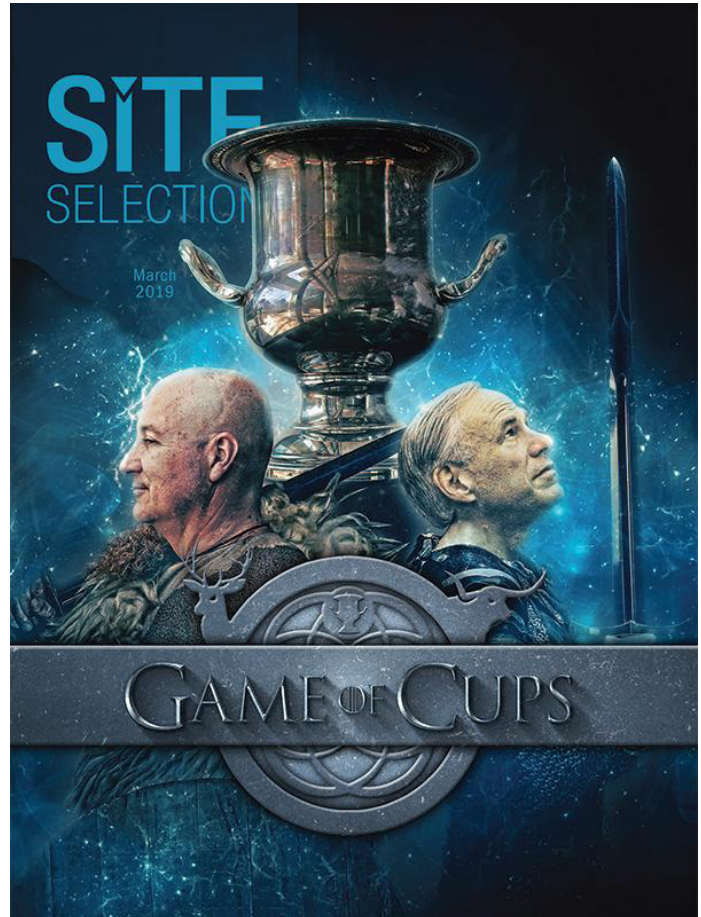
Nebraska Wins 3rd Straight Award For Most Projects Per Capita

Site Selection magazine has awarded Nebraska its third-straight Governor's Cup for the most economic development projects per capita, with 118 projects in 2018. This marks the fourth time that Nebraska has captured the cup.

According to Site Selection, qualified projects were those with a minimum investment of \$1 million, creation of 20 or more new jobs, or 20,000 square feet or more of new space.

A key factor in Nebraska landing new projects has been the state's competitive business incentives under the Nebraska Advantage Act.

The magazine quotes Governor Pete Ricketts as saying, "This year, one of the things we have to get done is revamping our Nebraska Advantage incentive system ... focusing on our incentives system to make it simpler, more transparent, easier to use and focused more on higher-wage jobs." ■



REGISTER NOW FOR STATE CHAMBER'S 'EVENING WITH LEGISLATIVE LEADERSHIP'

The State Chamber will again host its "An Evening with Legislative Leadership" on Tuesday, April 9, at the Embassy Suites in Lincoln. This event will feature Unicameral leaders who oversee issues of importance to Nebraska's business community.

The 6 p.m. reception will be followed by dinner at 7 p.m. The evening's speakers will be Speaker of the Legislature Jim Scheer; Chair of the Revenue Committee Lou Ann Linehan; Chair of the Appropriations Committee John Stinner; Chair of the Education Committee Mike Groene; and Chair of the Transportation

and Telecommunications Committee Curt Friesen. All other state senators will be invited to attend.

Attendees will hear directly from these key leaders at a critical time during a session that could bring decisions on major proposals affecting Nebraska's taxes, workforce development and economic development initiatives.

Cost is \$100 for Chamber members and \$135 for non-members. For more information or to register, call 402-474-4422 or visit <https://web.nechamber.com/events> ■

IS YOUR MANUFACTURING BUSINESS UTILIZING INTERNSHIPS?

In recent years, survey after survey has shown that the top concern of most Nebraska manufacturers is the availability of skilled and qualified employees.

Fortunately, Nebraska offers a unique program to improve our workforce and help retain the state's most industrious young people.


The Intern Nebraska (InternNE) program – administered by the state's Department of Economic Development – provides financial assistance to businesses in Nebraska that create new internships. The program helps two-year or four-year college students – as well as high school juniors and seniors – gain valuable workplace experience, while businesses can develop potential future employees and leaders.

Under the current rules of InternNE, grants awarded may be up to 50% of the cost of the internship for eligible projects, with a cap of \$5,000 per internship.

Businesses that hire students receiving federal Pell Grants may be awarded a grant of up to 75% and an additional \$2,500 per internship. Businesses can be awarded up to five interns per location and up to 10 interns company-wide per year.

Studies show that more than half of interns go on to become full-time employees at their place of internship after receiving their two- or four-year degree.

If internships are not currently part of your plan to attract qualified workers, or if your business is expanding its internship program, consider taking part in InternNE today.

For a more detailed description of the InternNE program, or to register your business with InternNE, visit www.internne.com, or call Rose Baker with DED at 402-471-1559. 


NAM Economist: Manufacturing Still Has 428,000 Open Jobs To Fill

In an article at the National Manufacturers Association's Shopfloor.org, the Nebraska Chamber's national affiliate reports that U.S. manufacturers added just 4,000 workers in February – the industry's slowest monthly pace of job growth since July 2017. The NAM notes that weather may have negatively impacted February's overall employment growth, along with the aftermath of the partial government shutdown.

Chad Moutray, NAM's chief economist, predicts an upward revision or a sharp rebound in the job numbers. He points out that the U.S. economy has "generated a robust 209,080 jobs, on average, each month over the past 12 months, with manufacturers hiring more than 20,000 workers per month, on average, since February 2017."

There were 12,834,000 manufacturing workers in February – the most workers in the sector since December 2008 – with almost 1.4 million employees added since the end of the Great Recession, according to Moutray.

Moreover, the NAM economist notes that in the most recent Manufacturers' Outlook Survey (released in early March), nine in 10 manufacturers expressed a positive outlook for their business, hitting nine consecutive quarters of record optimism.

Moutray points to a study from Deloitte and The Manufacturing Institute that says "manufacturers will need to fill 4.6 million jobs over the next decade." 

Bill Would Fix Nebraska's Tax Code For Manufacturers

In late February, the Nebraska Legislature's Revenue Committee held a hearing on legislation to restore Nebraska's favorable tax treatment of income derived from manufacturing, mining, construction and certain other production businesses.

Introduced by Henderson Senator Curt Friesen – and crafted with significant input from the State Chamber – LB664 would ensure that Nebraska tax law maintains competitive provisions for production activities. The deduction would be available for tax years beginning on or after January 1, 2020, and would be equal to 9% of the lesser of the taxpayer's qualified production activities or taxable income. The deduction could not exceed 50% of the W-2 wages paid to employees for the taxable year.

The bill is necessary due to changes made in the federal tax code by the 2017 Tax Cuts and Jobs Act, which repealed Section 199 and the domestic production activities deduction (DPAD). LB664 specifies that the deduction would be applied by taking into account only items attributable to the actual conduct of a trade or business.

Bryan Slone, president of the Nebraska Chamber, testified in support of LB664. In his statements, Slone told lawmakers that restoring the previous deduction would be similar to the technical changes made by the Legislature last year under LB1090, which corrected these types of situations for individual taxpayers. He noted that LB664 would simply put manufacturers in the same relative position as they were prior to enactment of the 2017 federal tax overhaul.

No immediate committee action was taken on LB664. The bill could be included in a comprehensive tax bill in the current legislative session. □

Noteworthy Bills For Manufacturers In The Nebraska Legislature

The following are some of the noteworthy measures that could affect the manufacturing community. These bills could move through the legislative process either as stand-alone bills or as part of a more comprehensive measure.

TAXES

Income & Property Tax Relief: Under **LB615** by Lincoln Senator Mike Hilgers, once a strong cash reserve was established, dollar-for-dollar tax relief would be implemented for both income and property taxpayers. The state's top corporate and individual income tax rates would fall gradually to 5.99%, while the Property Tax Credit Fund would receive an additional \$75 million annually, up to amounts equaling the income tax relief. The Nebraska Chamber supports LB615.

Section 199 for Manufacturers & Other Producers: LB664 by Henderson Senator Curt Friesen would restore Nebraska's favorable tax treatment of income derived from manufacturing, mining, construction and certain other production businesses. The Nebraska Chamber supports LB664.

Personal Income Tax Increase: LB50 by Omaha Senator Tony Vargas would raise Nebraska's top personal income tax rate from 6.84% to 7.84% for individuals

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Noteworthy Bills In The Legislature

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and businesses (pass-through entities) earning more than \$100,000 a year. In addition to the 7.84% rate, those earning in excess of \$1 million would pay an additional 1% surtax, while those with income in excess of \$2 million would pay a 2% surtax. By 2020, this would be a \$105 million-a-year tax increase, according to estimates. The Chamber opposes LB50.

Local Income Tax: LB182 by Lincoln Senator Kate Bolz would allow public school boards statewide to impose a local option income tax surtax, with a rate of as high as 20%, for up to five years. The Chamber opposes LB182.

New Tax On Pass-Through Income: LB276 by Omaha Senator John McCollister would raise Nebraska's already high income tax burden for certain taxpayers, while hindering the state's efforts to attract startups, high-growth businesses, entrepreneurs and new investment. By repealing the resident apportionment of multi-state, pass-through income from S-corps and LLCs, LB276 would create a new impediment to growing Nebraska's economy and serve as a recruiting tool for other states. The Chamber opposes LB276.

Massive Tax Shift Proposal: LB314 by Albion Senator Tom Briesie would impose a \$783 million tax shift – raising sales tax and income tax burdens – to provide nearly \$470 million of additional state funding for Nebraska's 10-year-old state property tax credit, in addition to the \$224 million already being allocated annually to the program. The bill would also create \$273 million in new spending on more K-12 aid, rent subsidies and the Earned Income Tax Credit. LB314 contains no local spending controls. Among the tax hikes would be an increase in the state sales tax rate from 5.5% to 6%, as well as roughly \$150 million in new income taxes. The Chamber opposes LB314, as well as Senator Briesie's LB507 and LB508, Bellevue Senator Sue Crawford's LB614, and Henderson Senator Curt Friesen's LB661 – all which would also impose significant tax shifts. While the Chamber believes there must be property tax reform, doing so at the expense of other Nebraskans who are already paying high income taxes and sales taxes is not sustainable, especially since similar approaches have failed repeatedly in Nebraska's recent history.

Tax Shift & School Aid Overhaul: LB497 by Henderson Senator Curt Friesen would increase alcohol taxes; change the valuation of ag land and horticultural land for school district taxation purposes; terminate personal property tax exemptions and numerous sales tax exemptions; increase the cigarette tax; impose sales and use taxes on certain services; transfer certain revenue to the Cash Reserve Fund; change the levy limit for school districts as prescribed; and change the K-12 state aid formula. The Chamber opposes LB497.

Tax Increase on Non-Ag Property Owners: LB530 by North Platte Senator Mike Groene would change the valuation of agricultural land and horticultural land for property tax purposes from the current 75% of market value to 65%, thereby increasing property taxes on business and residential owners. Since 1972, ag land has been treated differently in Nebraska than other real property for tax purposes. In 2017, more than two-thirds of property taxes in Nebraska were paid by residential or business property owners, who paid over \$2.75 billion in real property taxes, while ag land owners paid \$1.24 billion in real property taxes. The Chamber opposes LB530.

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ECONOMIC DEVELOPMENT

Modernization of Nebraska's Business Incentives: LB720, introduced and prioritized by Seward Senator Mark Kolterman, the ImagiNE Nebraska Act would replace the 14-year-old Nebraska Advantage Act as the state's primary economic development tool. LB720 would modernize Nebraska's incentives to keep the state competitive in the battle for jobs and talent. In general, the bill would encourage better investments, better jobs, more robust reporting, and more overall transparency. Under LB720, as introduced, wage thresholds would be increased compared to current requirements under the Nebraska Advantage Act. LB720 would also accelerate the distribution of incentives to businesses by simplifying the application process. The Chamber supports LB720.

Expansion of Business Innovation Act: LB334 by Gering Senator John Stinner would eliminate \$4 million in funding for the Angel Investment Tax Credit Act and increase funding by \$4 million for the Business Innovation Act. The bill would repeal the sunset date of the Business Innovation Act, which promotes successful entrepreneurial firms by providing access to capital in early stages of product development. A recent NU study found Nebraska businesses have attracted considerable investment due to BIA programs, receiving nearly \$7 in capital for every \$1 of state funding. The Chamber supports the concept of LB334.

Early Sunset of Nebraska Advantage Act: LB413 by Plymouth Senator Tom Brandt would end the Nebraska Advantage Act on December 31, 2019, instead of December 31, 2020, as under current law. The Chamber opposes LB413.

Early Sunset of Multiple Incentive Programs: LB417 by Henderson Senator Curt Friesen would accelerate the end of the New Markets Job Growth Investment Act, the Nebraska Advantage Rural Development Act, the Nebraska Job Creation and Mainstreet Revitalization Act, the Beginning Farmer Tax Credit Act, and the Nebraska Advantage Act from current deadlines to December 2019. The intent of the bill is to use the savings for state-funded property tax relief. The Chamber opposes LB417.

WORKFORCE

Apprenticeship Training Incentives: LB272 by Lincoln Senator Adam Morfeld would provide a non-refundable income tax credit to an employer for wages paid to apprentices as part of a qualified apprenticeship training program. The credit would be capped at the lesser of \$2,000 or 50% of the wages paid to the apprentice, and the program would be limited to \$2.5 million in credits a year. The Chamber supports LB272.

Access College Early Tech Scholarships: LB563 by Lincoln Senator Kate Bolz would establish the Access College Early (ACE) Tech Promise Program, which would award scholarships to encourage early post-secondary participation in career education programs related to in-demand occupations. The Chamber supports the concept of LB563.

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Noteworthy Bills In The Legislature

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Scholarships for H3 Careers: LB639 by Gering Senator John Stinner would establish a college scholarship program for students studying high-wage, high-skill, high-demand career fields. Administered by the Nebraska Department of Labor, the scholarships could be no more than 30% of educational expenses for the student and would require the educational institution to cover the remaining 70% in scholarship funds. The bill would give post-secondary institutions the ability to award competitive scholarships to promising students, while allowing labor experts to determine which jobs are most in demand. LB639 would also require that eligible students take part in internships to connect them with the business community, which thereby increases the likelihood of them remaining in Nebraska. The Chamber supports the concept of LB639.

Workforce Diploma Act: LB644 by Omaha Senator Mike McDonnell would create a grant program within the Nebraska Department of Labor to reimburse workforce programs administered by a public or private high school for individuals (at least 22 years of age) who did not graduate from high school and have not earned a GED. Programs could be reimbursed by the state based on the number of students who complete minimum credit hours, an employability skills certificate, or an industry recognized credential. The program would be capped at \$2.5 million a year. The Chamber supports LB644.

GOVERNMENT EFFICIENCY

Section 404 Permits: LB302 by Venango Senator Dan Hughes would merge the State Energy Office into the Department of Environmental Quality, renaming the combined agencies the Nebraska Department of Environment and Energy (DEQE). A key provision of LB302 is a provision allowing the new DEQE to issue Section 404 permits, which relate to the discharge of dredged or fill material into waters of the United States consistent with the federal Clean Water Act. These permits are currently administered jointly at the federal level by the U.S. Army Corps of Engineers and the EPA. Before construction can begin on almost anything – including highways, housing developments or commercial properties – businesses and states must receive a 404 permit. Lengthy delays in the issuance of these permits are common. The State Chamber supports LB302, which was passed on March 15 and carries the emergency clause, meaning the bill will take effect immediately after the governor signs it or after the Legislature overrides the governor's veto.

