NECHAMBER
POLICY BRIEF

INCOME TAX LB432

Leveling the Playing Field

Taxation Has Consequences.

In a free-market economy, leaders must stay forever vigilant that tax policies:

1. Preserve **economic growth** and **jobs** for residents.
2. Avoid arbitrarily creating economic **winners and losers**.

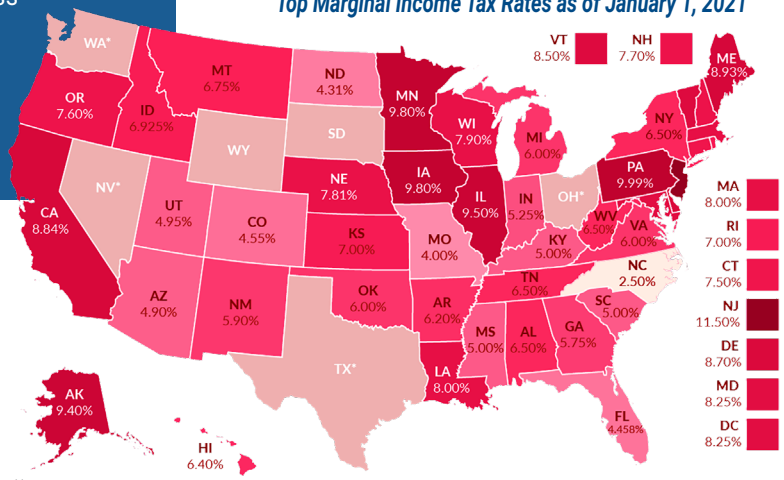
Over the past decade, three competitive disadvantages in Nebraska's income tax code have evolved to a point that free-market principles, core to our American fabric, are becoming threatened.

- ✓ First, within Nebraska, some types of businesses are subject to higher income tax than others.
- ✓ Second, regionally, Nebraska's corporate income tax is higher than most surrounding states.
- ✓ Third, Nebraska businesses and manufacturers (including agricultural corporations) with international business are subject to higher taxes than any other state.

Considering the global economic reset caused by COVID-19, now is the time to correct these competitive disadvantages for Nebraska businesses.

How High are Corporate Income Tax Rates in Your State?

Top Marginal Income Tax Rates as of January 1, 2021



Note: (*) Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware, Tennessee, and Oregon have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level.

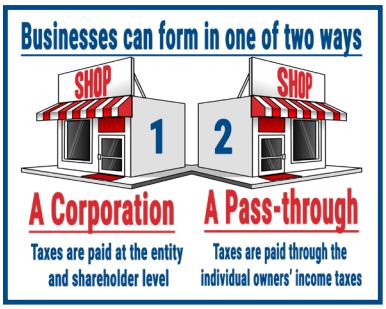
Sources: Tax Foundation

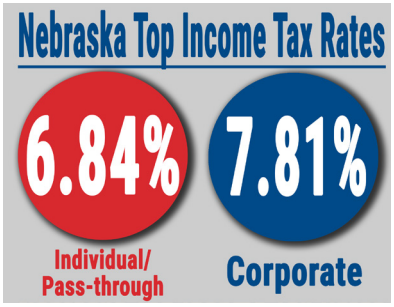
Top State Marginal Corporate Income Tax Rates as of January 1, 2021

Lower — Higher

WE ARE SEEKING:

- ✓ ***An even playing field between all Nebraska businesses and out-of-state competitors***
- ✓ ***To retain and attract jobs***
- ✓ ***An edge on other states in the race to attract high-tech, supply chain reshoring and near-shoring projects.***





Back to Business

In 2019, with input from 7,000 Nebraskans, Blueprint Nebraska offered a roadmap for economic growth. The 15 priority initiatives identified by Blueprint Nebraska are even more critical today. Adopting an agenda to grow the state's population and economy and keep Nebraska competitive in business, talent attraction and quality of life will fuel our pandemic recovery and set the stage for game-changing economic growth.
Learn more. nechamber.com/back-to-business

Legislative Remedy

Legislators can rebalance corporate income tax and taxes on international income to even the playing field between Nebraska businesses and competitors in other states.

Targeted policies include:

- Reducing and maintaining a top corporate income tax rate equal to the top individual income tax rate, to which pass-through businesses are subjected.
- Clarifying that international income will not be taxed in Nebraska, bringing tax burdens more line with other states and recommitting to Nebraska's 30-year policy of taxing only income earned in the state.

Overriding Objectives

1. Avoid creating arbitrary market winners and losers through an imbalanced tax system
2. Keep the cost of doing business in Nebraska competitive or better than most states
3. Attract young professionals and families with a growing number of good-paying, high-skill jobs
4. Diversify Nebraska's economy with new and high-tech sectors looking to relocate in the U.S. after COVID-19

Three more reasons a more equitable tax structure makes sense for Nebraska.

1. Low fiscal impact; high economic impact

Corporate tax revenues are extremely volatile. A study of revenues collected over the last decade shows reducing the corporate income tax rate from 7.81% to 6.84% would provide $20 million in tax relief.

However, the compounded corporate tax rate is an extremely important factor when companies decide to expand or locate a facility in our state for the long term.

1%

STATE CORPORATE INCOME TAX

0.3% - 0.7%

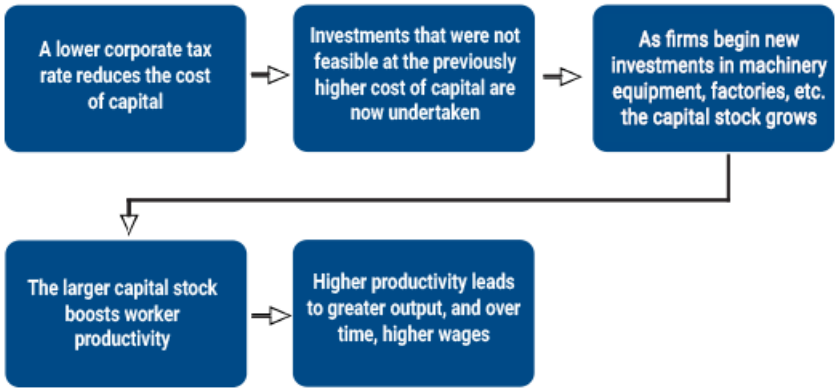
WAGES

Source: 1https://www.kansascityfed.org/documents/112/PDF-09q2felix.pdf

2. High corporate tax rates directly impact workers and consumers

Several academic studies and a Federal Reserve analysis[1] in 2009 show a direct correlation between higher state corporate income taxes, lower earnings and higher consumer prices.

How Lower Business Tax Rates Raise Worker Pay



3. State tax codes matter most when federal taxes are high.

As proposals to increase corporate taxes circulate in Washington, D.C., consistent and competitive state taxes are weighed more heavily by businesses looking to expand or relocate.

Blueprint Nebraska's statewide economic plan, Growing the Good Life, was a collaborative effort by more than 320 community leaders with input from thousands of Nebraskans. The plan identified 15 signature initiatives with the broadest and deepest impact on statewide quality of life, overall job growth, attracting 18-34-year-olds and the cost of living and doing business in the state.