

## Embrace Tech Transformation

### CHALLENGE

Nebraska was already lagging behind other states in innovation initiatives in 2019. Both Blueprint Nebraska and the NE Chamber Foundation reports mention investing in automation as strategies to strengthen manufacturing.

Embracing tech and innovation builds economic resilience and helps address the shortage of available talent.

Upgrades once considered nice-to-have are now must-haves. And, Nebraska's top economic sectors have the most to gain.

### Nebraska Manufacturing Multifactor Competitive Index

Results	2021	2022	2023
Business Climate	24	19	17
Workforce	5	3	5
Infrastructure	8	12	24
<b>Innovation</b>	<b>38</b>	<b>38</b>	<b>33</b>
Econ Strength	20	16	18
Overall Rank	10	10	11

Source: NE Chamber Foundation Report

### ACTION PLAN

Attract new, high-tech industries

Grow annual wages of every Nebraskan by 2030

Grow private and public R&D by \$200 million annually by 2030

Nurture and attract fast-growing, innovative startups and entrepreneurs

Ensure long-term competitiveness of key sectors

### OPPORTUNITY

Nebraska's ability to innovate will **drive growth** and **personal advancement** for years to come. Career opportunities will expand with thoughtful integration strategies and statewide access to upskilling and training resources.

## LEGISLATIVE SOLUTIONS

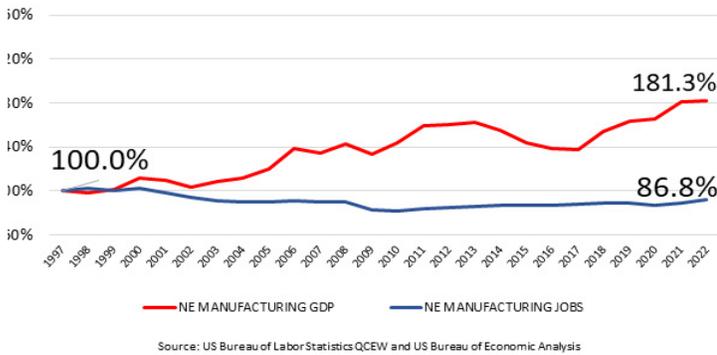
Invigorate Nebraska's tech transformation and accelerate investment that grows Nebraska's statewide economy.

- ✓ Encourage modernization and technology investment for Nebraska's GDP-driving manufacturing sector - LB582
- ✓ Bring back pro-innovation provisions of federal tax code for Nebraska businesses - LB1023
- ✓ Close the gap on mega-site investment compared to other states - LB644

These commitments, when combined with investments in a high-tech workforce, will bring a new economic renaissance to our great state.



### Nebraska Manufacturing Jobs and Manufacturing GDP Growth 1997 – 2022 (normalized as percent of levels in 1997)



## I. MANUFACTURING MODERNIZATION PILOT INVESTMENT ACT

LB582 addresses the global competitiveness of Nebraska-made goods by stimulating private investment.

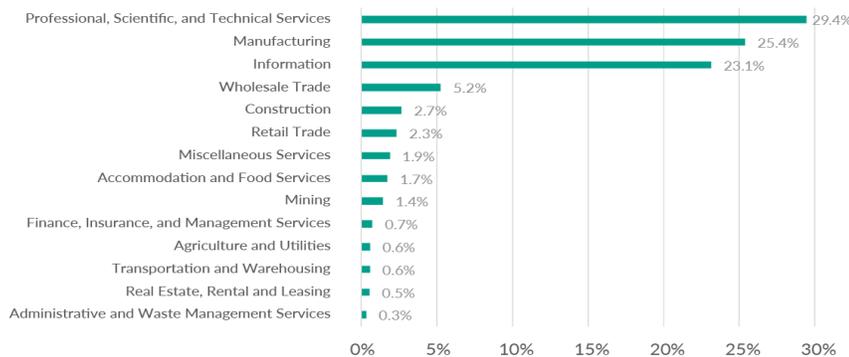
The bill creates a targeted, one-time grant program that aids the smallest to the largest manufacturing employers across the state and unleashes growth in Nebraska’s largest GDP-driving sector.

## II. TAX EXPENSING (R&D)

LB1023 allows businesses to fully and immediately deduct expenses for certain business machinery and equipment, as well as research or experimental expenditures.

### Return to R&D Expensing Would Be Crucial for Manufacturing, High Technology

2023 Percent Reduction in Tax Liability By Industry under Return to R&D Expensing



Source: Tax Foundation Taxes and Growth Model, October 2022. Author’s note: some sector definitions do not match the ones in the BERD survey.

### Why is amortization a concern?

Research and Development (R&D) propels industries forward and yields big returns, not only for the company engaging in R&D, but also for the economy and consumers. R&D expenses can come with big price tags. To justify investments, companies must earn a high enough expected return.



Under the current amortization schedule, Nebraska’s businesses must spread their deductions for their R&D expenses out over five years (for domestic R&D). Because they cannot deduct these expenses immediately, companies are unable to deduct the full cost of investment, which increases the cost of capital and the required rate of return for a company to make an investment.

Ultimately, R&D amortization leads to lower R&D investment, as fewer investments can meet the higher required expected return.



## Accelerate Our State

The previous **game-changing investments** in community, workforce and infrastructure cleared the way for a **new era of growth and prosperity** in Nebraska – an era of new families, growing communities, enhanced quality of life, and global market leadership.

We must continue to keep our foot on the gas pedal in 2024. We can’t lose our lead in economic recovery and global competitiveness.

We can’t let up. We won’t. **We must accelerate our state.**

