

THE STATE CHAMBER



Nebraska Chamber of Commerce & Industry

**Nebraska Chamber  
Of Commerce & Industry  
Legislative Forum**

*Autumn 2013*

# The Nebraska Chamber

*The Voice of the State's Business Community*



*The Nebraska Chamber promotes and protects all aspects of Nebraska's free enterprise system.*



# Who is the State Chamber?

*We Are Every Sector of Nebraska Business.*



- **Over 1,500 members.**
- **Representing over 100,000 individuals.**
- **More than 150 communities.**



# The State Chamber's Issues

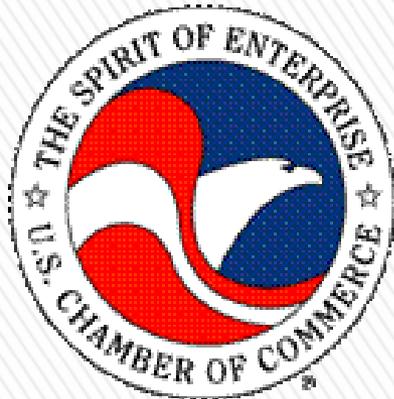
» Focusing primarily on the Legislature, the Chamber advocates for:

- ✓ Economic Development
- ✓ Job Creation
- ✓ A Friendlier Tax Climate
- ✓ Less Burdensome Regulation for Businesses



# The State Chamber's Partners

- ✓ U.S. Chamber of Commerce
- ✓ National Association of Manufacturers



# Key Business Bills Enacted in 2013

## AMT Repeal: LB308

- » Repeals state AMT, created in 1960s to target very wealthy taxpayers.
- » AMT had begun to threaten middle class taxpayers with high deductions.
- » Nebraska had been one of nine states still imposing AMT.

## Business Loss Carry-Forward: LB308

- » Allows 20 years to spread operating losses.
- » Nebraska had been one of five states with a five-year limit.
- » State law now consistent with federal law.
- » Helpful to start-ups, cyclical businesses, ag producers.

## Renewable Energy: LB104

- » Promises more wind energy – and possibly other renewables.
- » Extends sales tax refunds for large investments in renewable energy.
- » Nebraska No. 4 in wind resources, but trails neighboring states in generation.



# More Key Bills Enacted in 2013

## Nebraska Internship Program: LB476

- Improves flexibility for businesses, educational institutions and students.

## Nebraska Advantage Revisions: LB34

- Refines the Nebraska Advantage Act, the state's most important economic development tool, by clarifying definitions and making pro-business changes.





# What Did Not Pass



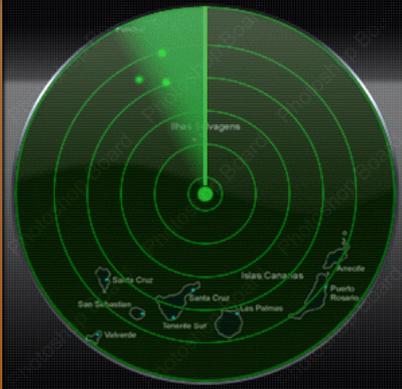
## Sales Tax Increase on Business: LB405, LB406

- Would have eliminated corporate and individual income tax.
- Would have added \$2.4 billion in new sales taxes.
  - Business inputs.
  - Business-to-business transactions.
- Would have hurt Nebraska's competitiveness and consumers.
- Most impacted: Mfg., ag, health care, transportation, technology.

*EXAMPLE: Nebraska would have been...*

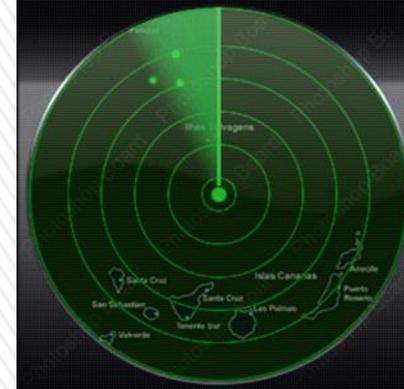
- ✘** *1 of only 3 states to tax manufacturing materials;*
- ✘** *1 of only 10 states to tax manufacturing equipment.*





# On the Radar

## *Next Year in the Unicameral*



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### *Tax Study Recommendations*

*Cash Reserve / Tax Relief / State Spending*

*Workforce*

*Health Care Law / Medicaid Expansion*



# How Does Nebraska Compare?

- ✓ Best States For Business
  - ✓ Business Taxes
  - ✓ Corporate Taxes
- ✓ Individual Income Taxes
  - ✓ Quality of Life



# CNBC's Best States for Business

1. South Dakota
2. Texas
3. North Dakota
4. **Nebraska**
5. Utah, Virginia (tie)
7. Colorado
9. Wyoming
11. Iowa
14. Kansas
26. Missouri

*(CNBC, July 2013)*

- ✓ **51 measures of competitiveness.**
- ✓ **Nebraska improved two spots from 2012 – and 18 spots from 2008.**
- ✓ **Top scores: Business Friendliness (3), Economy (4), Quality of Life (4), Cost of Living (5).**
- ✓ **Scored poorly in Access to Capital (39) and Technology and Innovation (36).**
- ✓ **CNBC: The nation's economic hub is "moving to the center of the country."**

# Pollina Top 10 States for Business

1. Utah
2. **Nebraska**
3. North Dakota
4. Virginia
5. Wyoming
6. Kansas
7. Indiana
8. South Dakota
9. Missouri
10. Alabama

*(Pollina Corporate Study, July 2013)*

- ✓ **32 factors considered controlled by state government.**
- ✓ **Neb. scores well in unemployment, right-to-work, UI & WC rates, business inventory tax, comprehensive tax for new firms, comprehensive tax for mature firms, legal environment, transportation infrastructure, business incentives, and marketing to new and existing employers.**

# Business Tax Climate

1. Wyoming (LOWEST TAXES)
2. South Dakota
16. Missouri
19. Colorado
20. Kansas
- 34. Nebraska**
40. Iowa
50. New York (HIGHEST TAXES)

*(Tax Foundation, Oct. 2013)*

- ✓ **Based on five key taxes: corporate, individual, sales, UI, property.**
- ✓ **Nebraska scores well on UI tax; in bottom half on others.**
- ✓ **Nebraska was No. 30 in 2012 and 2011; No. 31 in 2013.**

# Individual Income Tax (Top Rate)

1.	Alaska, Florida, Nevada, S. Dakota, Texas, Washington, Wyoming	NONE
15.	Colorado	4.63% (Flat)
16.	Kansas	4.9% (\$15K+)
28.	Missouri	6% (\$9K+)
<b>35.</b>	<b>Nebraska</b>	<b>6.84% (\$27K+)</b>
47.	Iowa	8.98% (\$67,230+*)
50.	California	13.3% (\$1M)

\* Iowa permits deduction for federal income taxes paid.

*(Source: Tax Foundation, July 2013)*

- ✓ **Nebraska has four rates: 2.56%, 3.57%, 5.12%, 6.84%**
- ✓ **Nebraska has fallen two spots since 2011.**



# Corporate Tax (Top Rate)

1.	Nevada, S. Dakota, Wyoming .....	NONE (LOWEST)
7.	Colorado .....	4.63% (\$0)
18.	Missouri .....	6.25% (\$0)
26.	Kansas .....	7% (\$50K+)
<b>32.</b>	<b>Nebraska .....</b>	<b>7.81% (\$100K+)</b>
50.	Iowa .....	12% (\$250K+)

*(Source: Tax Foundation, Feb. 2013)*

\* NOTE: Ohio, Texas and Washington have no corporate tax, but do have a gross receipts tax.

- ✓ **Nebraska's corporate tax brackets: 5.58% and 7.81%.**
- ✓ **Nebraska has remained No. 32 for past four years.**

# State & Local Sales Tax (Combined)

1.	Delaware, N.H., Oregon .....	NONE (LOWEST)
8.	Wyoming .....	5.50%
10.	South Dakota .....	5.83%
24.	Iowa .....	6.78%
<b>25.</b>	<b>Nebraska .....</b>	<b>6.79%</b>
36.	Colorado .....	7.39%
37.	Missouri .....	7.51%
39.	Kansas .....	8.13%
50.	Tennessee .....	9.44%

*(Source: Tax Foundation, Aug. 2013)*

# Quality of Life

1. Hawaii (BEST)
4. **Nebraska**
7. South Dakota
11. Wyoming
14. Iowa
15. Colorado
24. Kansas
47. Missouri
50. Louisiana (WORST)

*(CNBC, July 2013)*

- ✓ Based on factors such as crime, health care, attractions, and environment.
- ✓ Nebraska: Low crime, clean environment, less stress, improved health care access.



Since January 2006, the Nebraska Advantage has led to private-sector commitments of:

- ✓ **26,646 new jobs**
- ✓ **\$10.34 billion in investments**

<b>Omaha area</b> (Douglas, Sarpy, Washington Co.) .....	<b>201 projects</b>
<b>Greater Nebraska</b> .....	<b>140 projects</b>
<b>Lincoln area</b> (Lancaster, Seward Co.) .....	<b>75 projects</b>

*(Source: Nebraska Dept. of Economic Development, August 2013)*



# Bang for Nebraska's Buck?

## *Health & Human Services Vs. Tax Incentives for Jobs*

Since 2006, the Nebraska Advantage has led to private-sector commitments of...

- 26,646 new jobs.
- \$10.34 billion in investments.

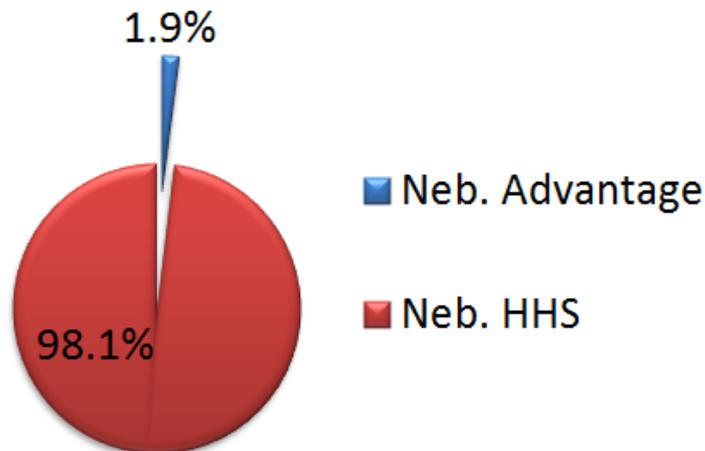
### At what cost?...

- \$412 million earned credits & refunds (2006 through 2012). \$130 million utilized by business.
- Average "cost" of \$58.8 million a year in earned credits & refunds
- Not subsidies or blank checks. Instead, businesses keep more of their earnings in exchange for jobs/investment.

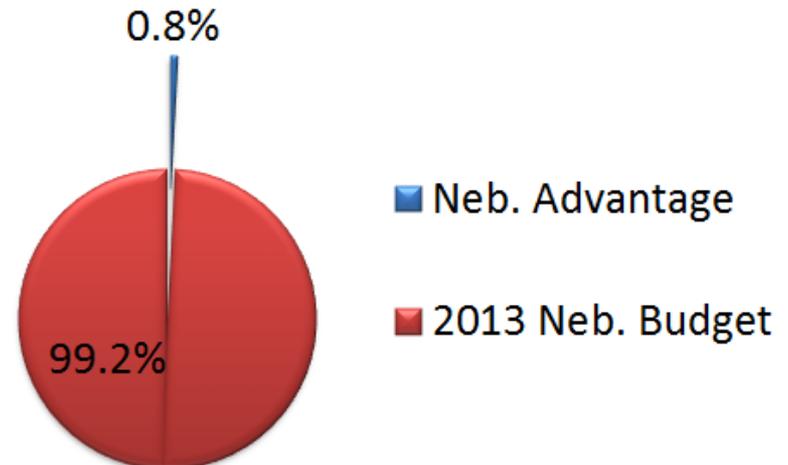
### Meanwhile...

- Last year, Nebraska HHS spent \$3.03 billion in taxpayer dollars on Medicaid and other HHS programs.
- Total budgeted spending in Nebraska for FY2012-13: \$7.36 billion.

**HHS vs. Nebraska Advantage**



**Total Neb. Budget vs. Nebraska Advantage**





- Created in 2011.
- Administered by DED.
- Career-specific opportunities for college students in 2- and 4-year programs.

## ***SINCE 2011 ...***

- ✓ 360 projects approved at 303 different companies.
- ✓ 986 internships approved – approx. 500 positions filled.
  - ✓ Average internship wage: \$13/hour.

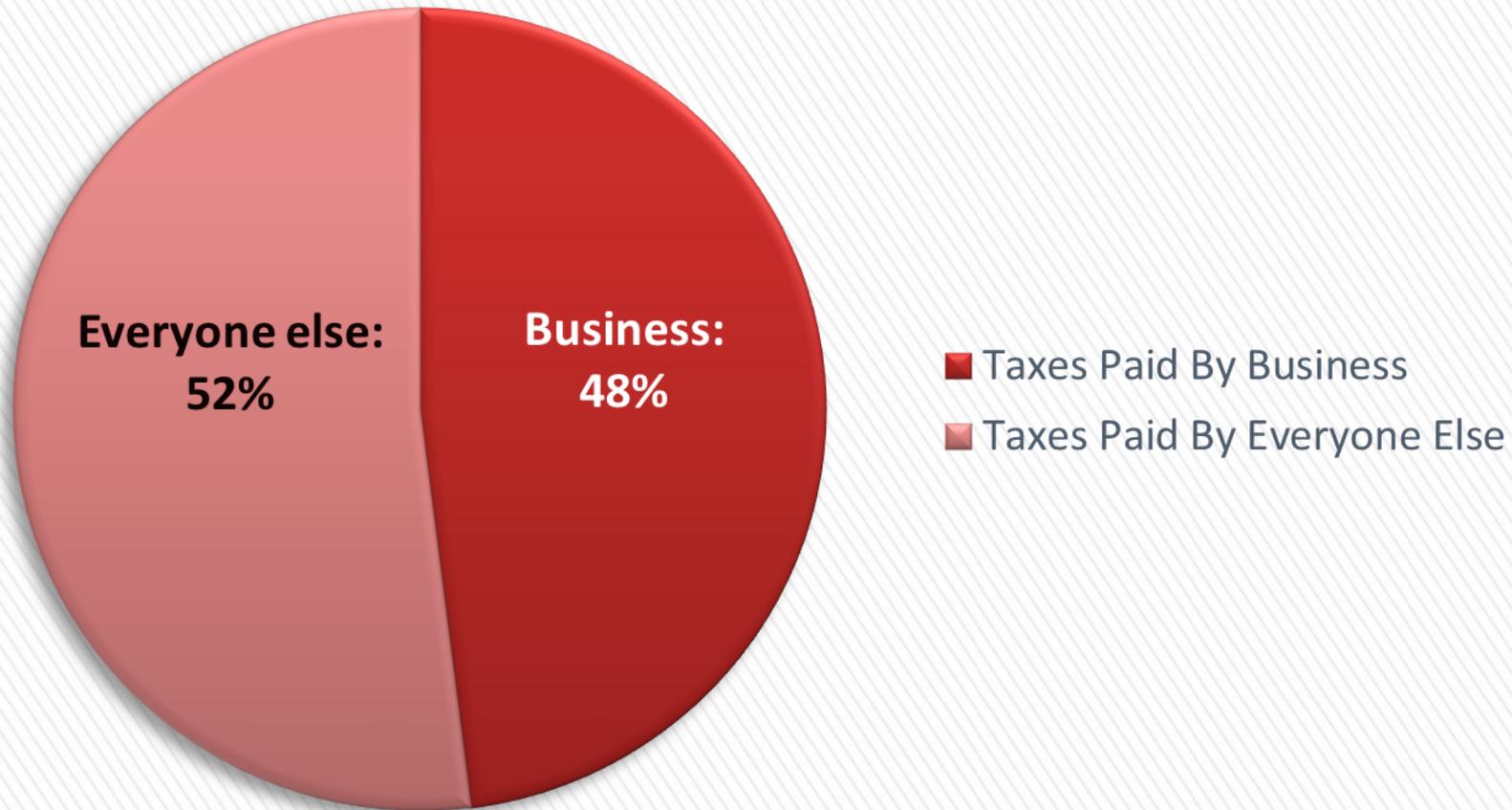
***(402) 471-4862***  
***ded.InternNE@nebraska.gov***



# Taxing & Spending in Nebraska



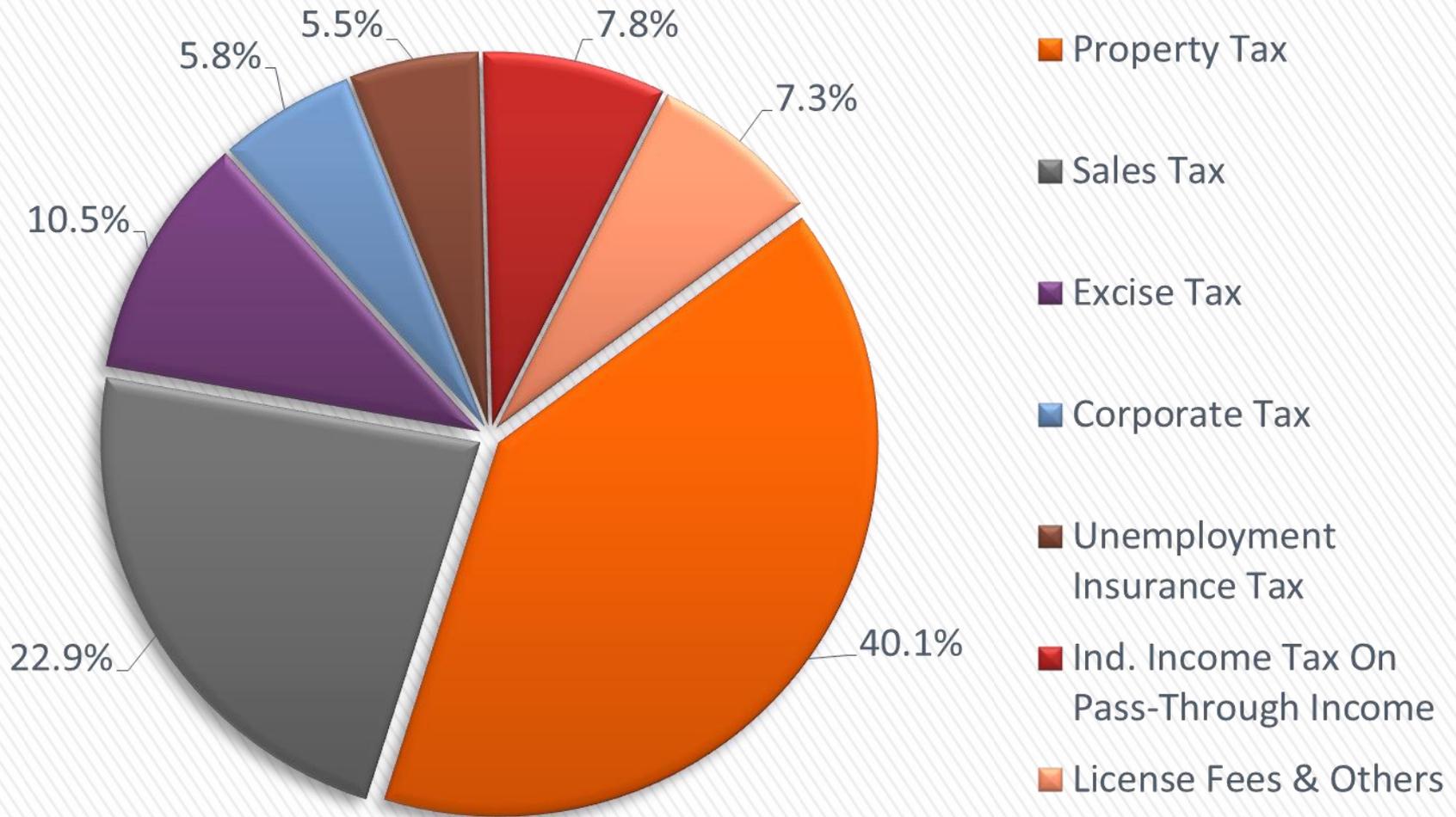
# Who Pays Nebraska's Taxes?



**Total Taxes Paid in Nebraska, FY2012: \$8.4 Billion. >**

*(Source: Council on State Taxation, 2013)*

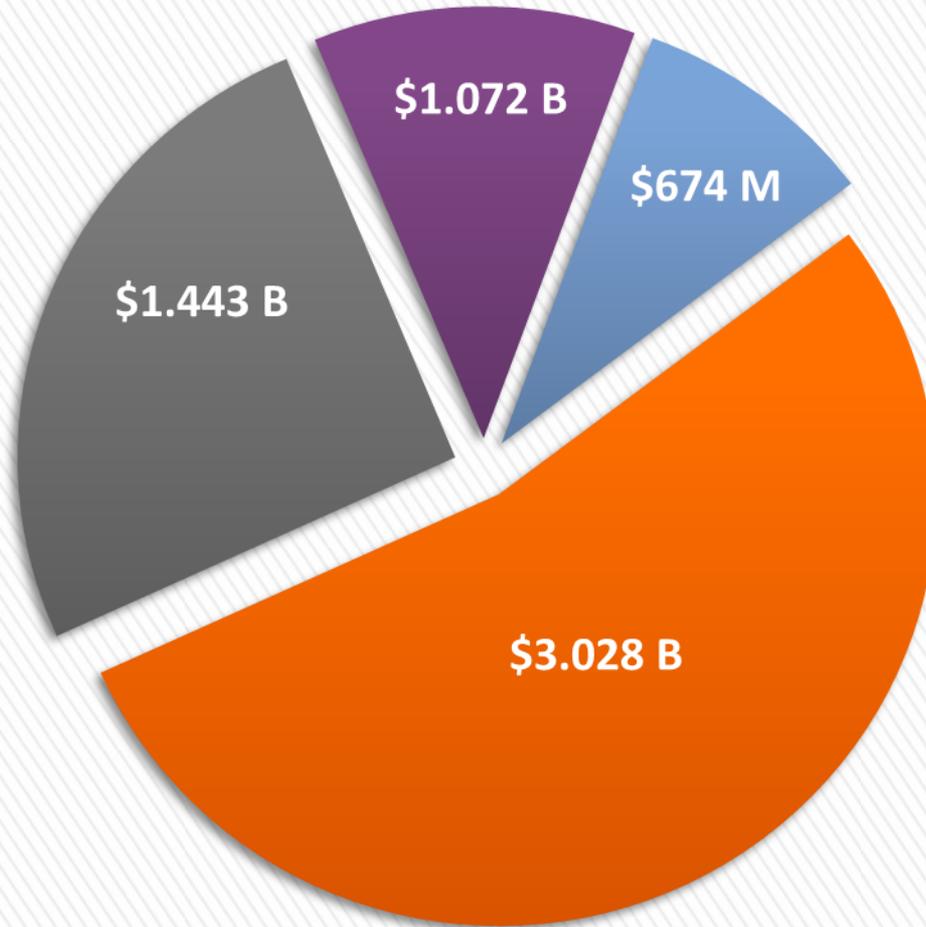
# Nebraska's Business Taxes



**Total Nebraska Business Taxes Paid, FY2012: \$4 Billion.**

(Source: Council on State Taxation, 2013)

# How the State Spends Its Dollars



## The Big Four

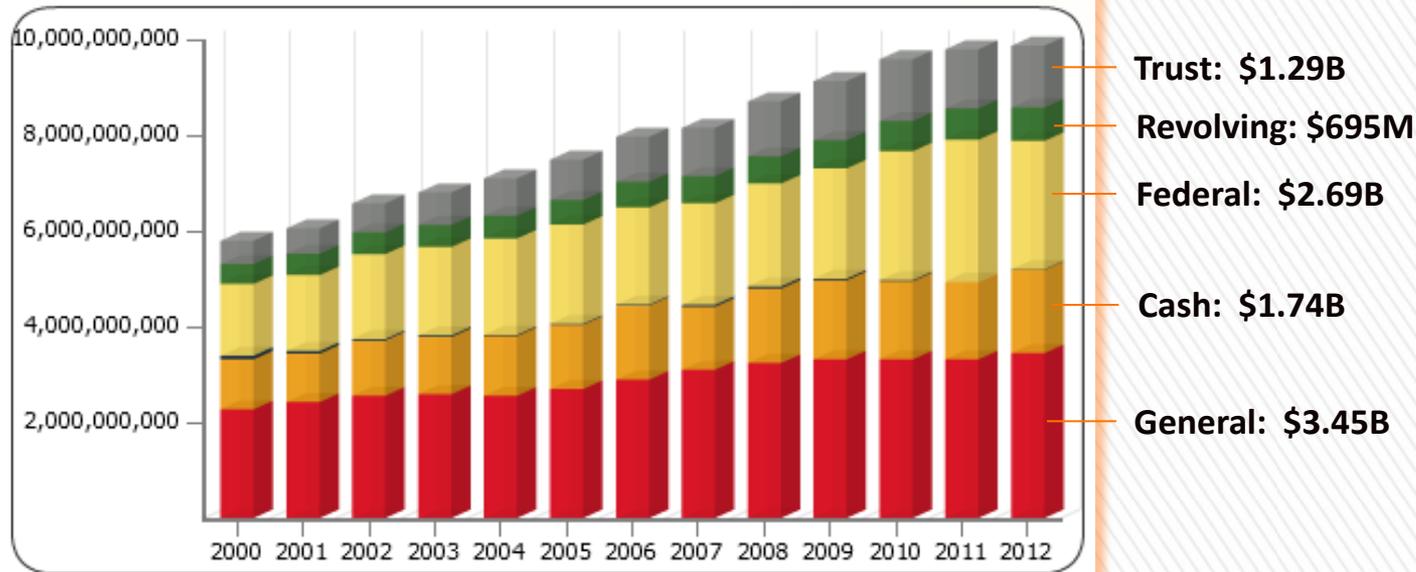
These four areas receive approximately 80% of the state's appropriated (budgeted) dollars.

- Health & Human Services
- Education
- Roads
- University of Neb.

**Nebraska's Budgeted Spending, FY2012-13: \$7.36 Billion.**

(Source: Nebraska Dept. of Administrative Services)

# Total State Spending Over 12 Years



## Fiscal Year End Totals:

2012	\$9,877,169,064
2011	\$9,802,019,177
2010	\$9,590,307,673
2009	\$9,136,917,676
2008	\$8,711,994,668
2007	\$8,164,016,229
2006	\$7,975,526,250
2005	\$7,495,714,112
2004	\$7,104,161,484
2003	\$6,807,374,471
2002	\$6,582,831,022
2001	\$6,058,040,449
2000	\$5,800,835,535

**FY2000-2012**

**Increase in Budgeted Spending: \$3.3B (62%)**

*(Source: Nebraska Dept. of Administrative Services)*



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*Thank You!*

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