

March 3, 2021



GROWING THE GOOD LIFE



Tax Modernization Panelists

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Nebraska State Senator
Chairperson, Revenue Committee





High-Priority Initiatives ... *More Than Just Taxes*

Theme	Initiative	Jobs	Quality of life	Young population	Income	R&D
People	Scale public-private partnerships that deliver internships, apprenticeships, and customized workforce solutions	✓	✓	✓	✓	
	Revolutionize all educational segments from early childhood to career	✓	✓		✓	
	Promote diversity and inclusion to retain and attract talent, and connect communities across the state		✓	✓		
	Launch a “Choose Nebraska” campaign		✓	✓		
Places	Build an additional 30,000 to 50,000 achievable, livable housing units		✓	✓		
	Rejuvenate our communities, town centers, and meeting places through targeted investments	✓	✓	✓	✓	✓
	Expand Nebraska’s transportation connectivity	✓	✓			✓
	Increase rural broadband access and make our large and small cities national models for rapid 5G network scale-up	✓	✓	✓		✓
Govt.	<u>Realign Nebraska’s tax strategy to promote statewide economic growth and prosperity</u>	✓		✓	✓	✓
	Optimize Nebraska’s incentives strategy	✓			✓	✓
	Reimagine government services by improving business climate and citizen experience	✓	✓		✓	✓
Sectors	Diversify, expand, and improve the productivity of Nebraska’s agri-business cluster	✓			✓	✓
	Build a pipeline of tech founders in sectors linked to Nebraska’s core industries by creating entrepreneurship zones and innovation hubs	✓			✓	✓
	Create a multi-partner manufacturing innovation center of excellence	✓			✓	✓
	Develop fin-tech, banking, and insure-tech partnerships	✓			✓	✓





Individual Income Tax

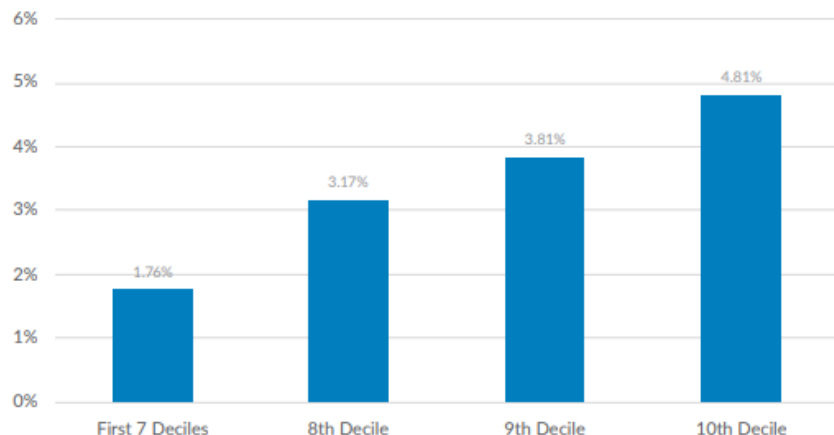
Source of Ranking: 2021 State Business Tax Climate Index, Tax Foundation

	NE	IA	KS	MN	ND	SD	OK	WI	MO
Top Individual Rate	6.84%	8.53%	5.70%	9.85%	2.90%	0.00%	5.00%	7.65%	6.40%
Top Individual Bracket	\$31K	\$74K	\$30K	\$164K	\$440K	NA	\$7K	\$263K	\$8K
Progressivity	\$18.66	\$13.11	\$10.09	\$19.89	\$8.55	NA	\$7.41	\$14.63	\$12.53

Tax progressivity is the difference between average tax liability per \$1K, at incomes of \$50K and \$150K.

Nebraska's Effective Income Tax Rate for Top Decile Is Nearly Triple that of Bottom Seven Deciles

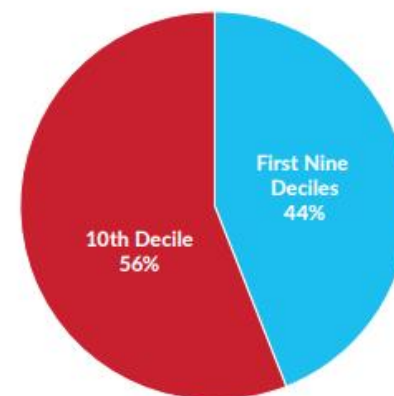
Nebraska Effective Income Tax Rate by Income Decile (Tax Year 2016)



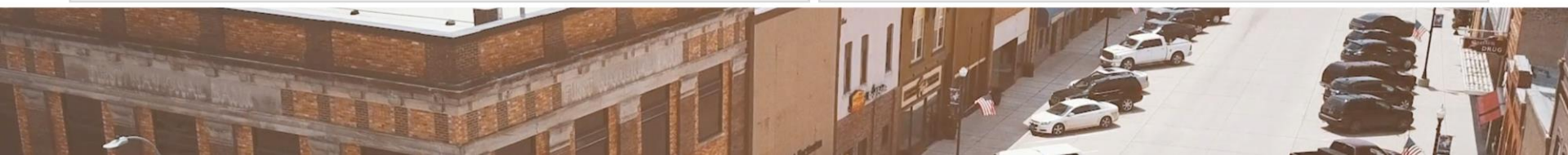
Source: Nebraska Department of Revenue, "2016 Nebraska Tax Burden Study."

Top 10 Percent of Income Earners Pay More than Half Nebraska's Individual Income Taxes

Percent of Total Individual Income Tax Collections Paid by Income Decile (Tax Year 2016)



Source: Nebraska Department of Revenue, "2016 Nebraska Tax Burden Study."

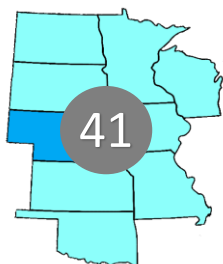




Corporate Income Tax

Source of Ranking: 2021 State Business Tax Climate Index, Tax Foundation

	NE	IA	KS	MN	ND	SD	OK	WI	MO
Top Corporate Rate	7.81%	9.80%	7.00%	9.80%	4.31%	0.00%	6.00%	7.90%	4.58%
Top Corporate Bracket	\$100K	\$250K	\$50K	\$0K	\$50K	NA	\$0K	\$0K	\$0K



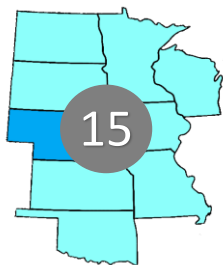
Property Tax

Source of Ranking: 2021 State Business Tax Climate Index, Tax Foundation

	NE	IA	KS	MN	ND	SD	OK	WI	MO
Property Taxes Per Capita	\$1,957	\$1,632	\$1,552	\$1,599	\$1,654	\$1,621	\$730	\$1,655	\$1,039
Prop Tax Burden	\$39.19	\$34.81	\$32.20	\$29.62	\$31.38	\$33.14	\$17.20	\$34.31	\$23.13

Property Tax Burden is per \$1,000 of personal income





Sales and Use Tax

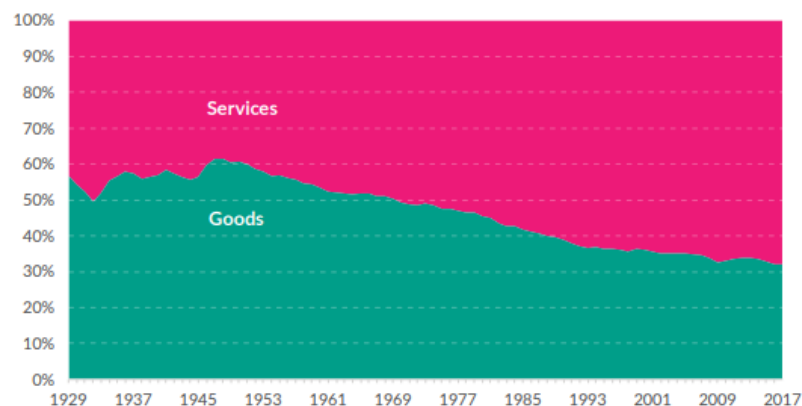
Source of Ranking: 2021 State Business Tax Climate Index, Tax Foundation

	NE	IA	KS	MN	ND	SD	OK	WI	MO
Sales Tax Burden	\$23.38	\$24.06	\$30.64	\$20.32	\$28.00	\$33.69	\$27.92	\$20.08	\$23.32
Sales Tax Base Breadth	35.82%	35.97%	33.61%	32.09%	55.23%	60.18%	36.06%	37.66%	30.21%

Sales Tax Burden is per \$1,000 of personal income; Sales Tax Breadth is value of taxed transactions as percent of personal income.

Goods Have Declined as a Percent of Total Personal Consumption Nearly 30 Percent Since the 1950s

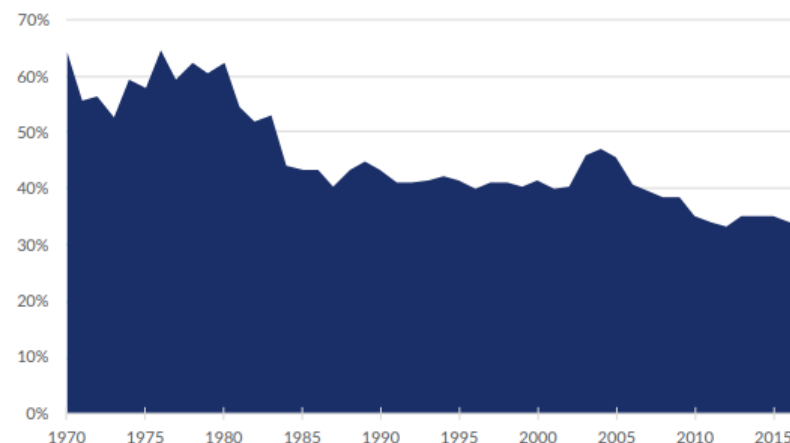
Percent of Total Personal Consumption Expenditures, Goods vs. Services, U.S. (1929-2017)



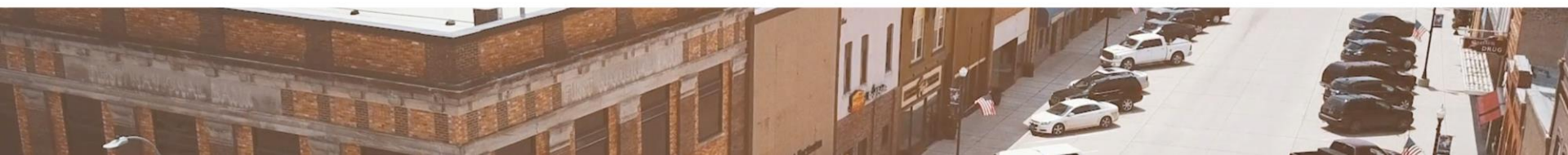
Source: Bureau of Economic Analysis, Regional Economic Accounts.

Nebraska's Sales Tax Base has Declined by Nearly Half Since 1970

Nebraska's Sales Tax Breadth, 1970-2017



Note: Sales tax breadth is calculated by taking the value of taxed transactions as a percentage of state personal income.
Source: Prof. John Mikesell, Indiana University.





Tax Modernization Framework

Strategically Reduce Property Tax Burden

- Consider an assignment of funds or dedicated revenue stream for local tax relief.
- The optimal path to sustainable, long-term property tax relief should also include: valuation methodology changes, budgetary and tax rate limitations, and greater transparency.

Simplify Income Taxes to Stimulate Growth

- A low rate that treats all taxpayers in a similar manner while protecting low-income earners.
- The corporate tax rate should be set as low as possible and all business entities, including C corporations and pass-through business entities, should pay business-related income under the Corporate tax structure.
- Incentives provided through the individual and corporate income tax codes should align with aspirational goals of the Blueprint Nebraska plan.

Modernize and Expand Sales Tax Base

- Significant broadening of the state's sales tax base is central to achieving meaningful tax reform.
- Use a rigorous academic analysis to determine details of reform. Particulars of broadening the sales tax base should be determined through various modeling efforts with an eye to improving the state's economic competitiveness, growing the statewide economy and reducing the overall tax burden on Nebraskans
- Consider applying the state's sales tax more broadly to personal consumption and refining the category of business inputs to include: goods and services bought for resale; tangible goods and services used in the production process; capital equipment; fuel; and transportation costs.