



Clear thinking for
a stronger Nebraska

About OpenSky Policy Institute

We are a non-partisan think tank focused on fiscal policy in Nebraska.

Our mission is to improve opportunities for every Nebraskan by providing impartial and precise research, analysis, education, and leadership.

Major Tax Proposals

LB 405 and 406

LB 405

Eliminates corporate and individual income taxes

Eliminates the child care credit and EITC

Replaces lost revenue with \$2.4 B in new sales taxes

LB 406

Eliminates corporate income tax

Eliminates EITC for low income families

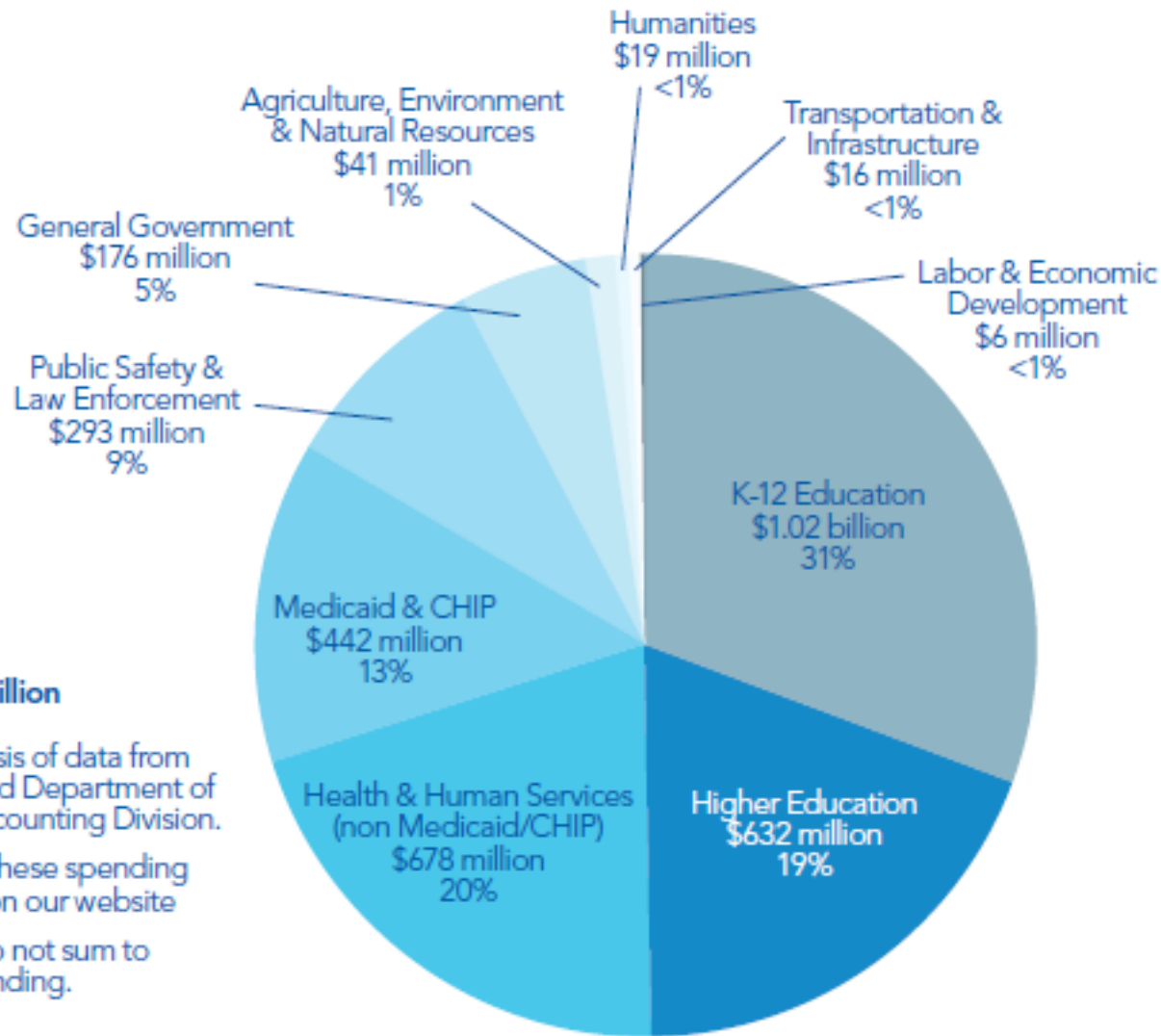
Exempts first \$12,000 of pension income from PIT

Replaces lost revenue with \$395 M in new sales tax

Why should you care?

Education, Health Care Top Spending

General Fund Expenditures, FY 10-11



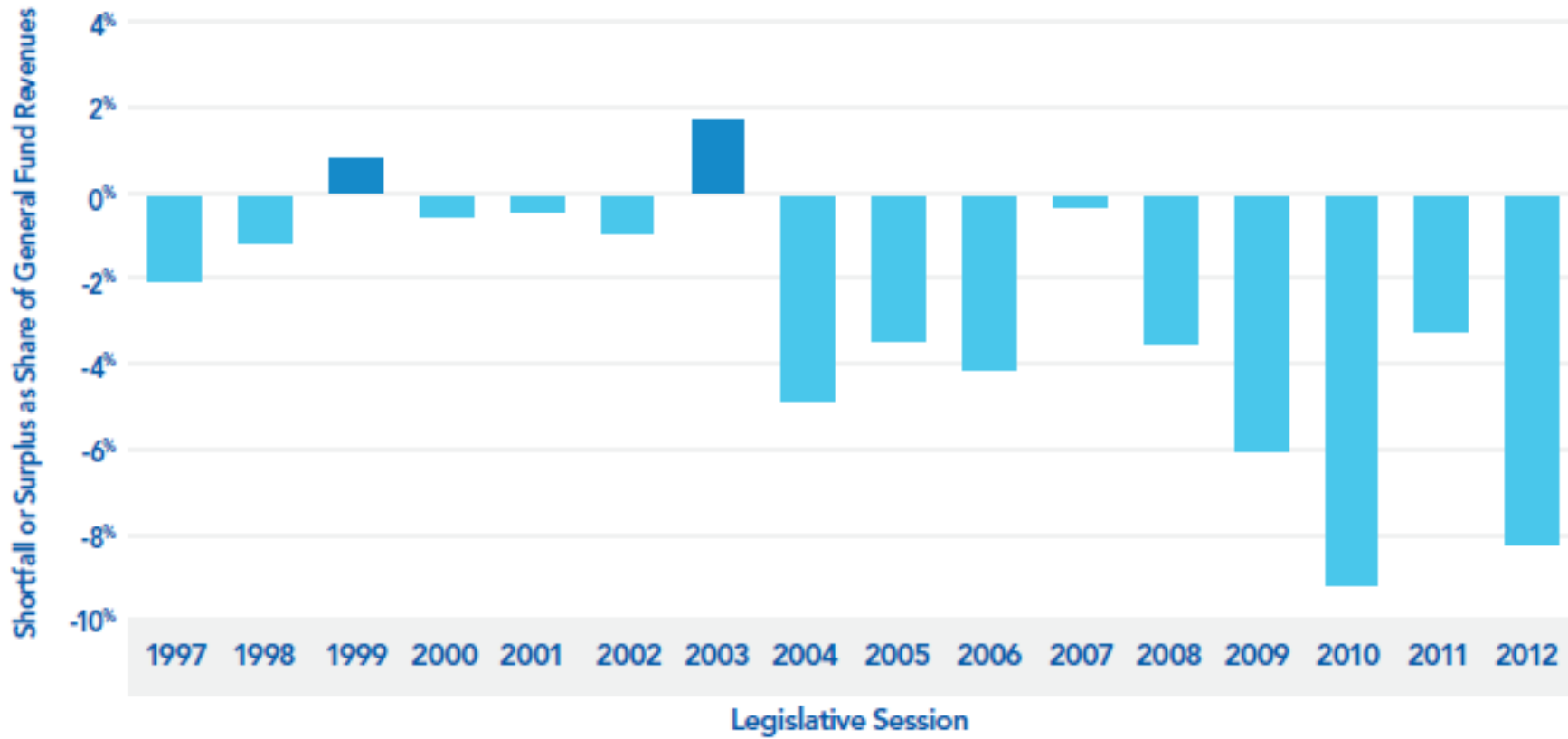
Total: \$3.32 billion

Sources: OpenSky analysis of data from Legislative Fiscal Office and Department of Administrative Services Accounting Division.

More information on these spending categories is available on our website

Note: Percentages do not sum to 100 due to rounding.

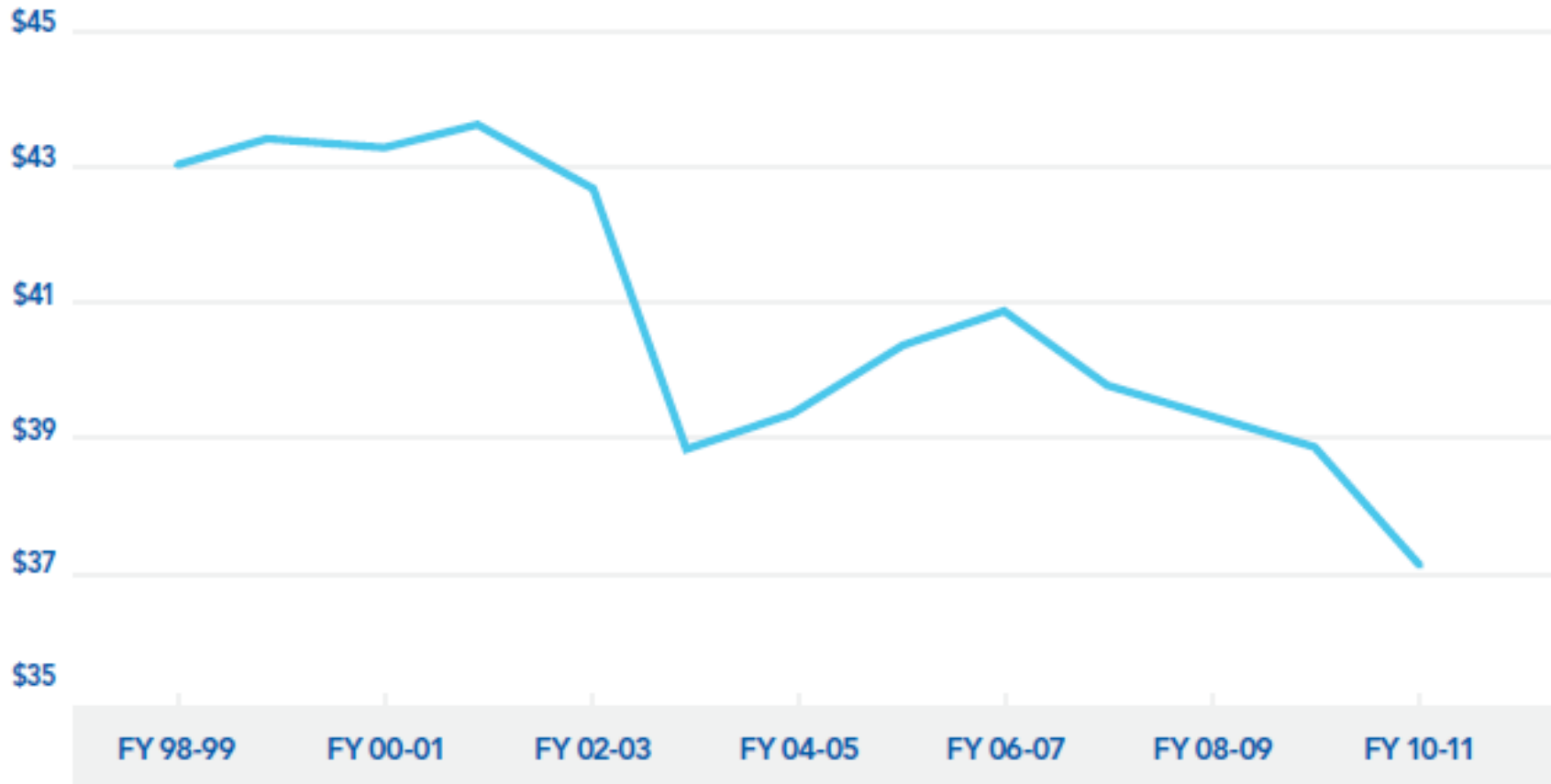
Revenue Collections Fall Short of Cost of Providing Services



Sources: Legislative Fiscal Office, *Biennial Budget Reports* (1991-2012).

State Spending in Nebraska Has Fallen

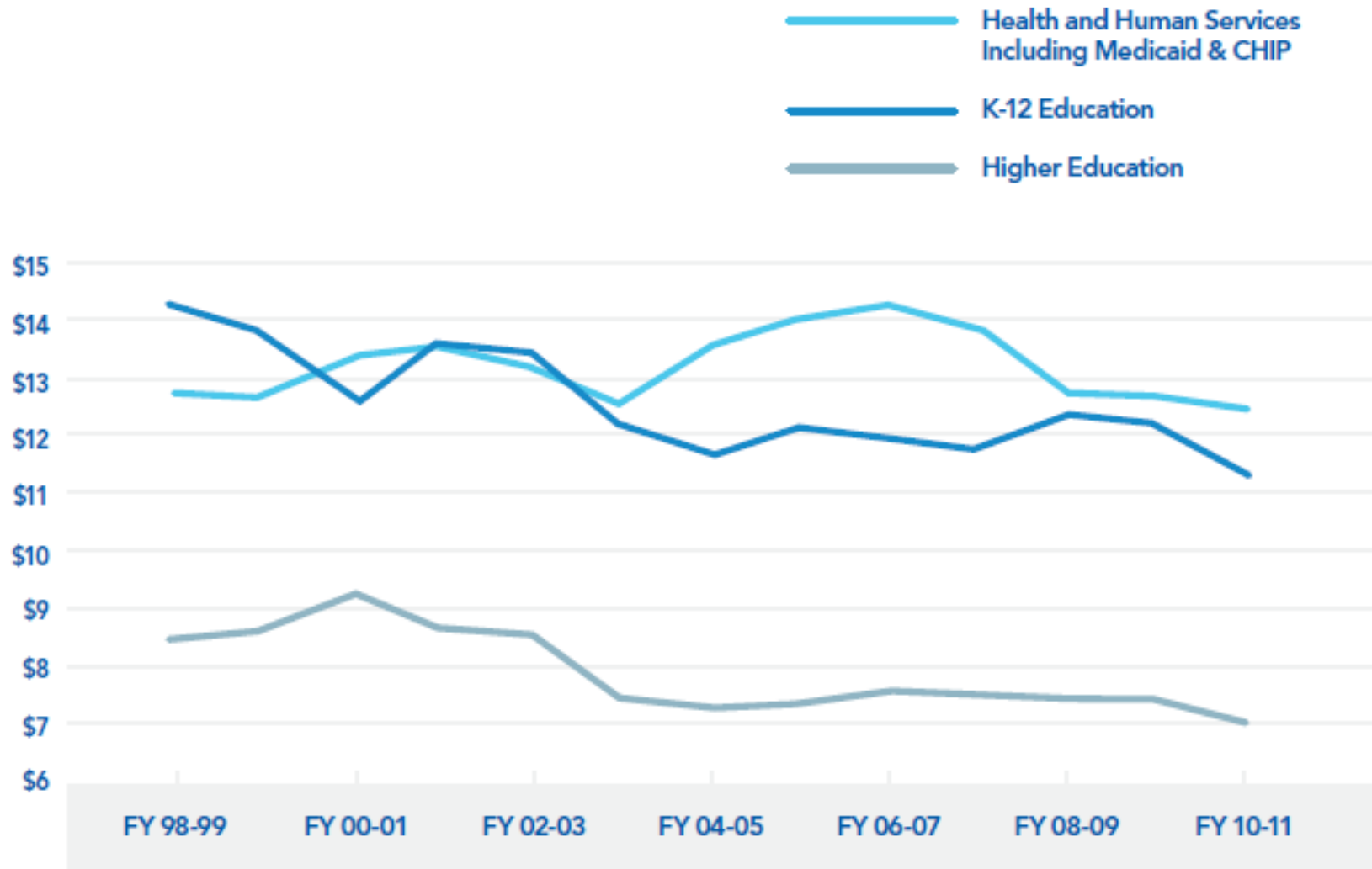
General Fund Spending per \$1,000 of Nebraska GDP



Sources: OpenSky analysis of Department of Administrative Services Accounting Division, Legislative Fiscal Office, and US Bureau of Economic Analysis data.

Drop in Spending on Three Largest Budget Areas

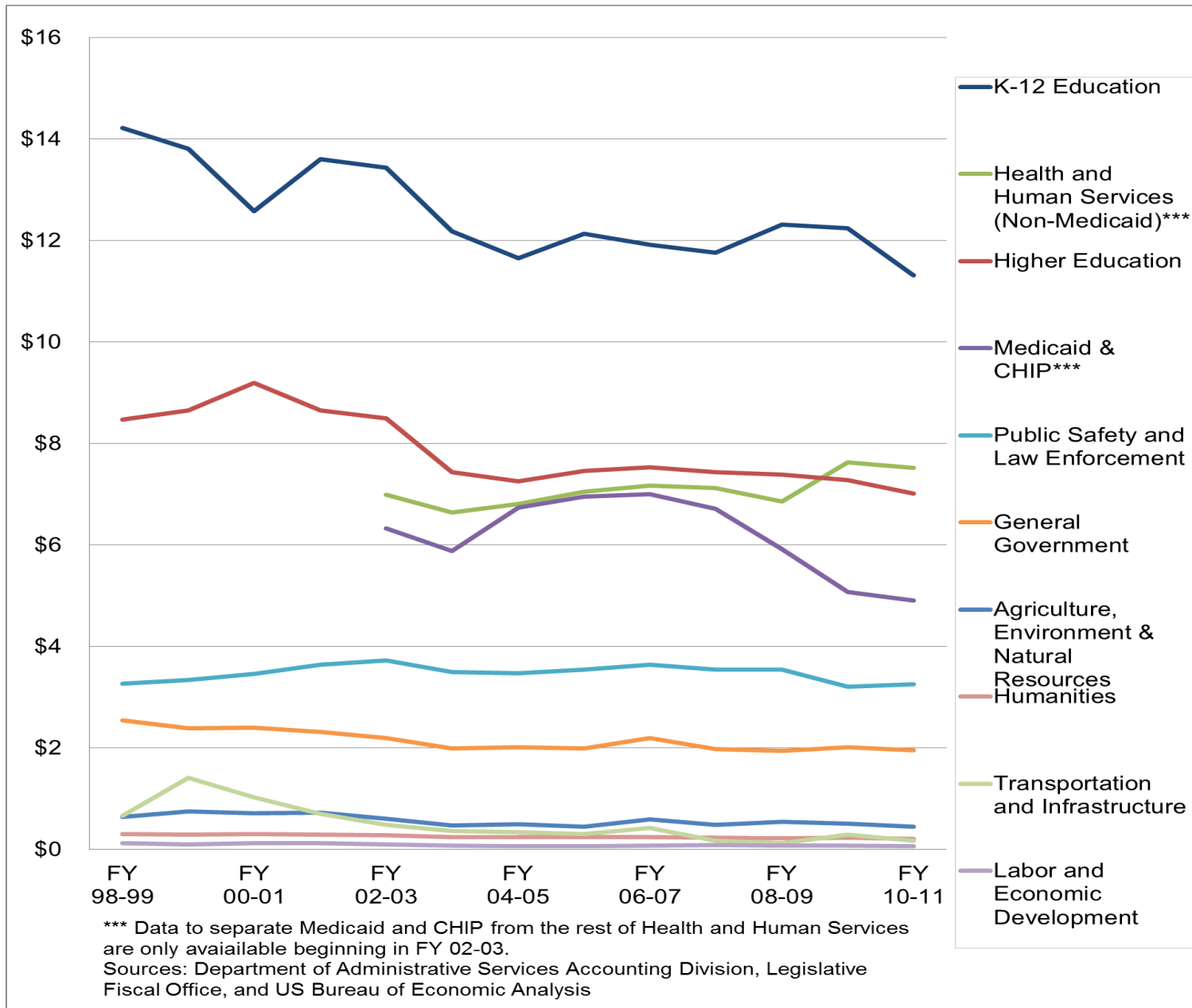
General Fund Spending per \$1,000 of Nebraska GDP



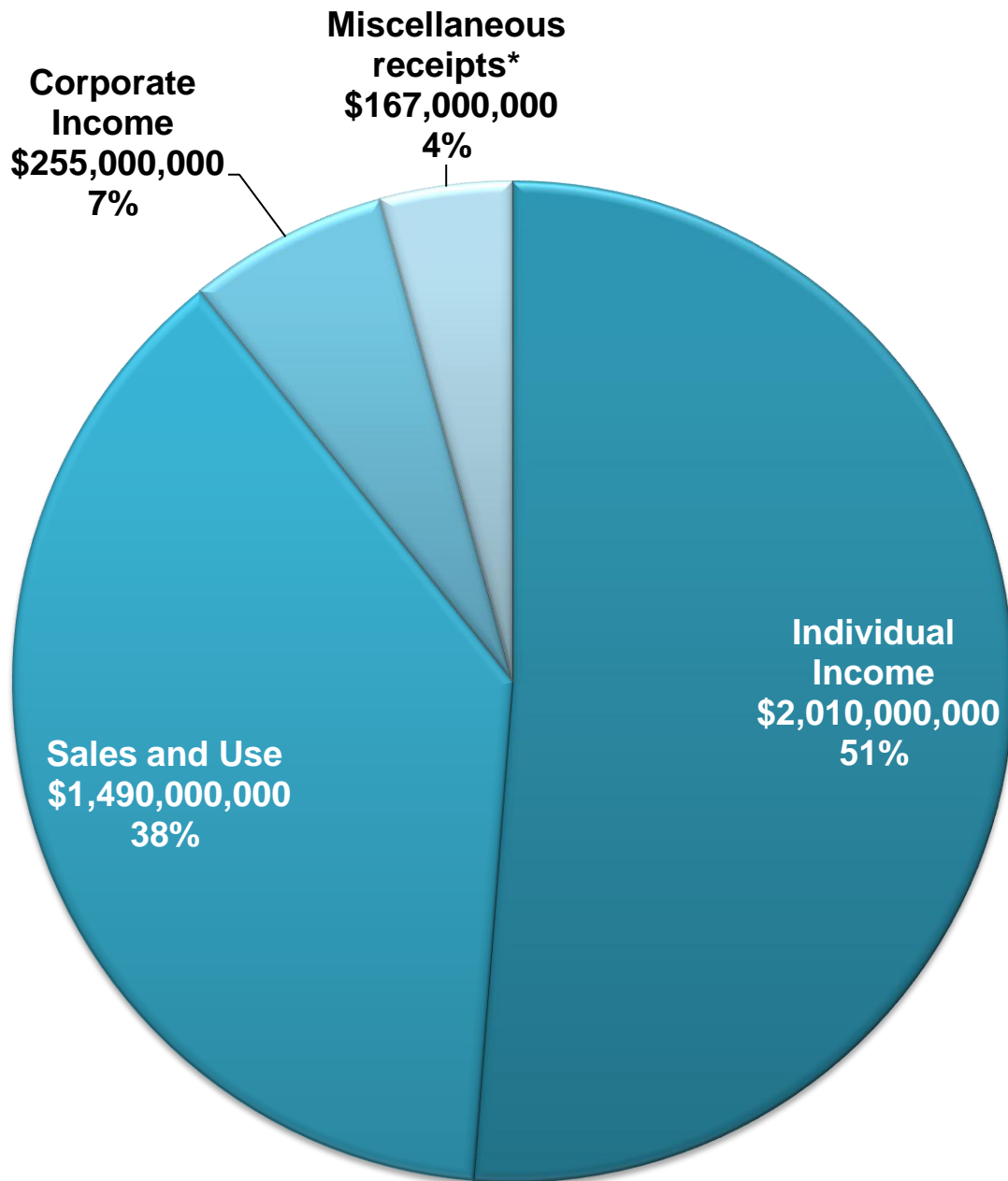
Sources: OpenSky analysis of Department of Administrative Services Accounting Division, Legislative Fiscal Office, and US Bureau of Economic Analysis data.

Spending Trends in all Major Budget Areas

General Fund Spending per \$1,000 of Nebraska GDP



Income Taxes Make Up 58% of Projected General Fund Revenues, FY 13-14



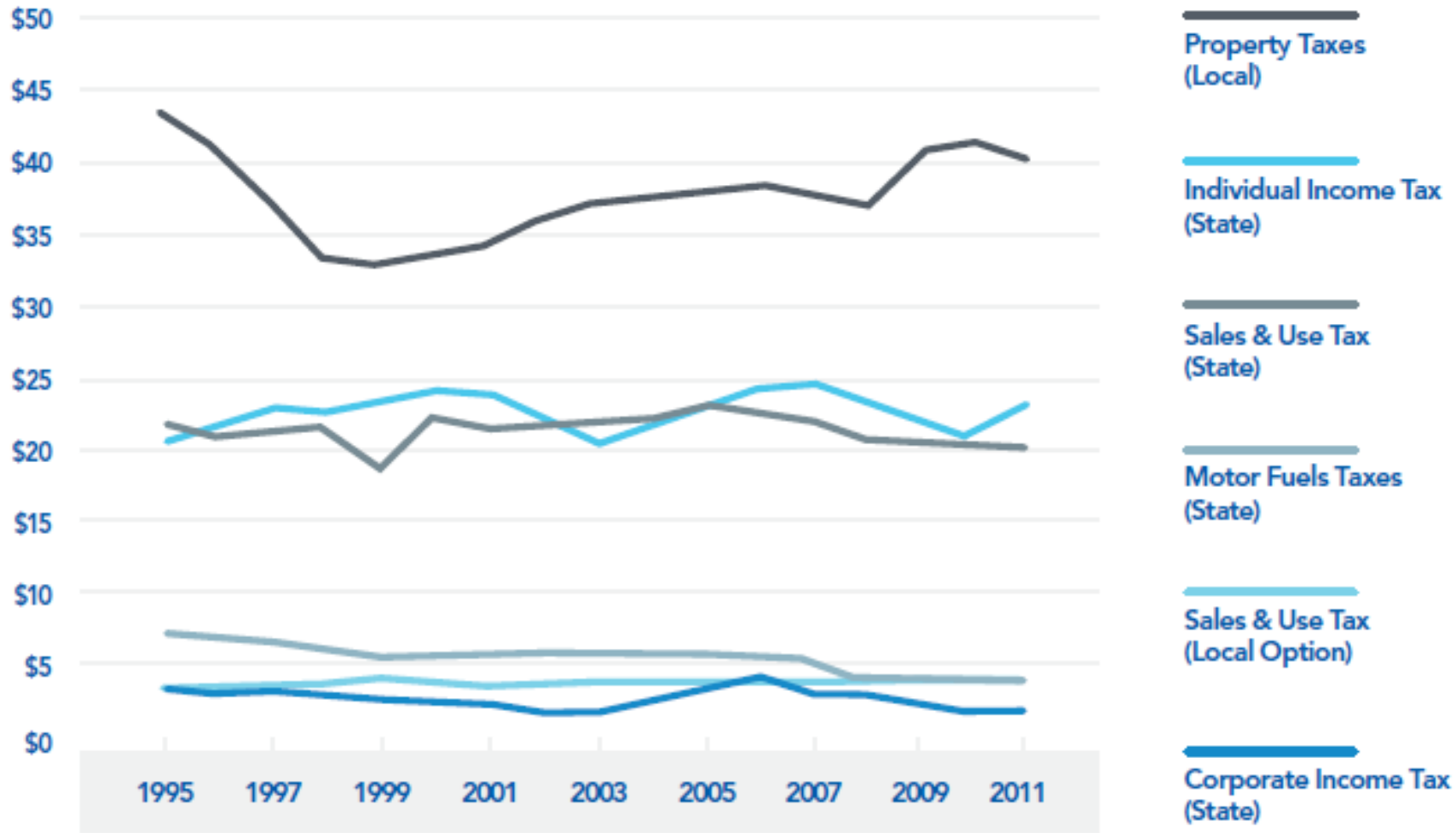
Total: \$3,922,000,000

Source: Legislative Fiscal Office,
Tax Rate Review Committee
Report, November 2012

*Miscellaneous receipts are primarily Excise Taxes, Business and Franchise Taxes, and special income taxes on fiduciary income and financial institutions

Major State and Local Tax Revenues

Taxes per \$1,000 of Nebraska Personal Income, 1995-2011

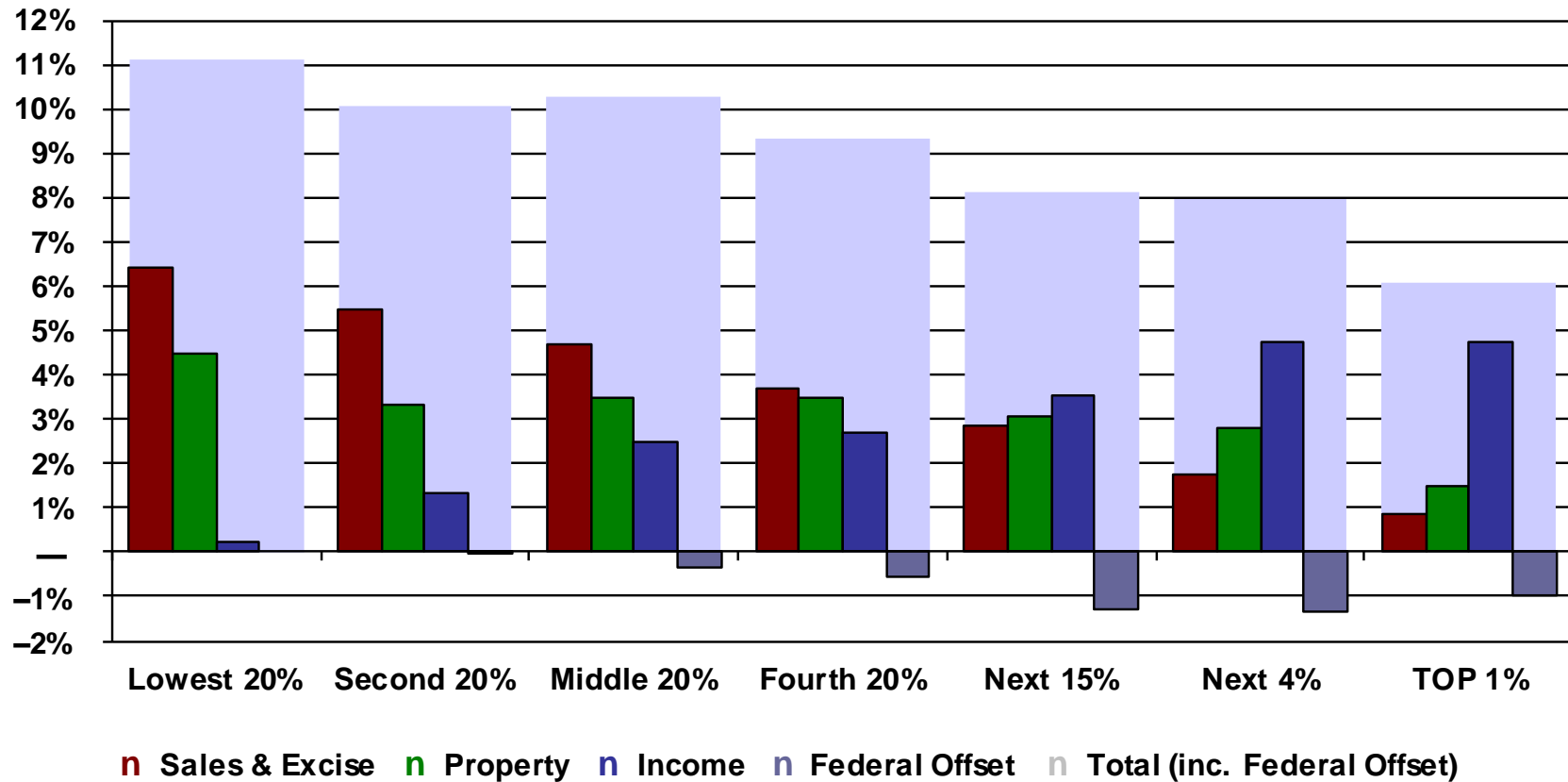


*State data are for fiscal years (2011 = FY 10-11); local data are for calendar years.
 Sources: Department of Administrative Services Accounting Division, *Annual Budgetary Reports*, and Department of Revenue Property Assessment Division, *2011 Annual Report*.

Nebraska's Tax System is Regressive

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers

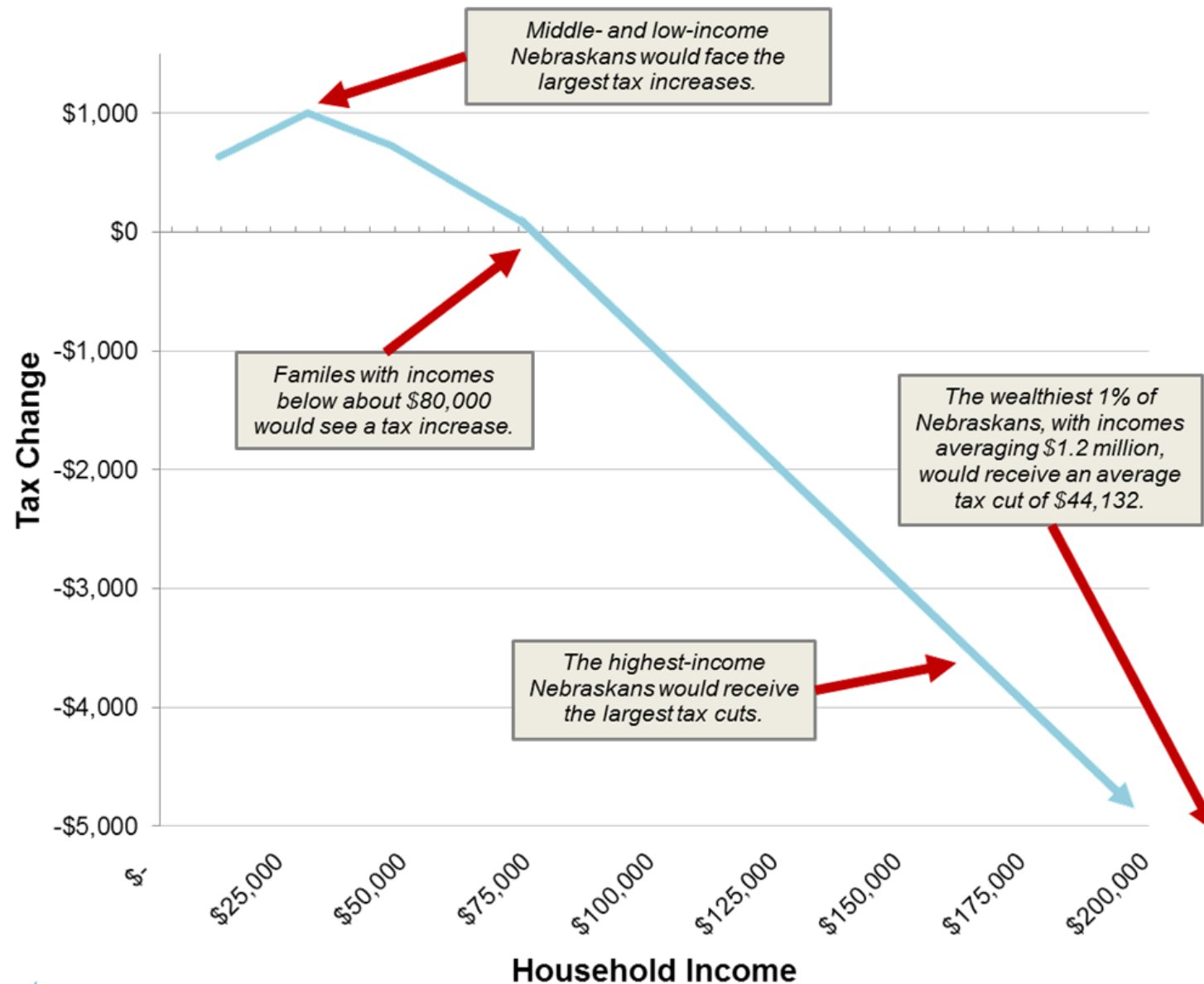


Source: Institute for Taxation and Economic Policy

So what does that
mean for nonprofits?

LB 405 Would Increase Taxes for Most Nebraskans

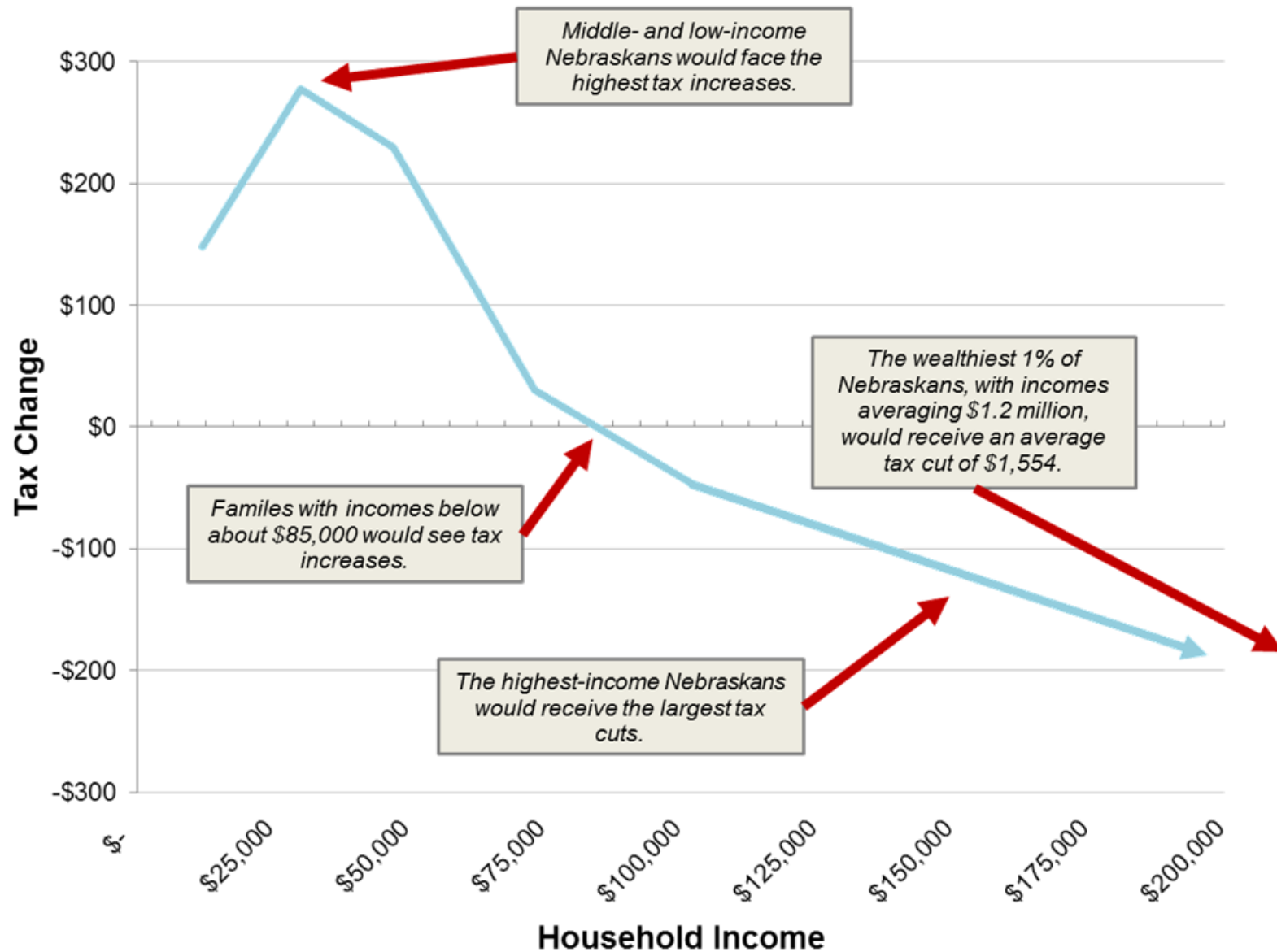
Annual Tax Change by Income Level



Sources: LB 405 and Institute for Taxation and Economic Policy

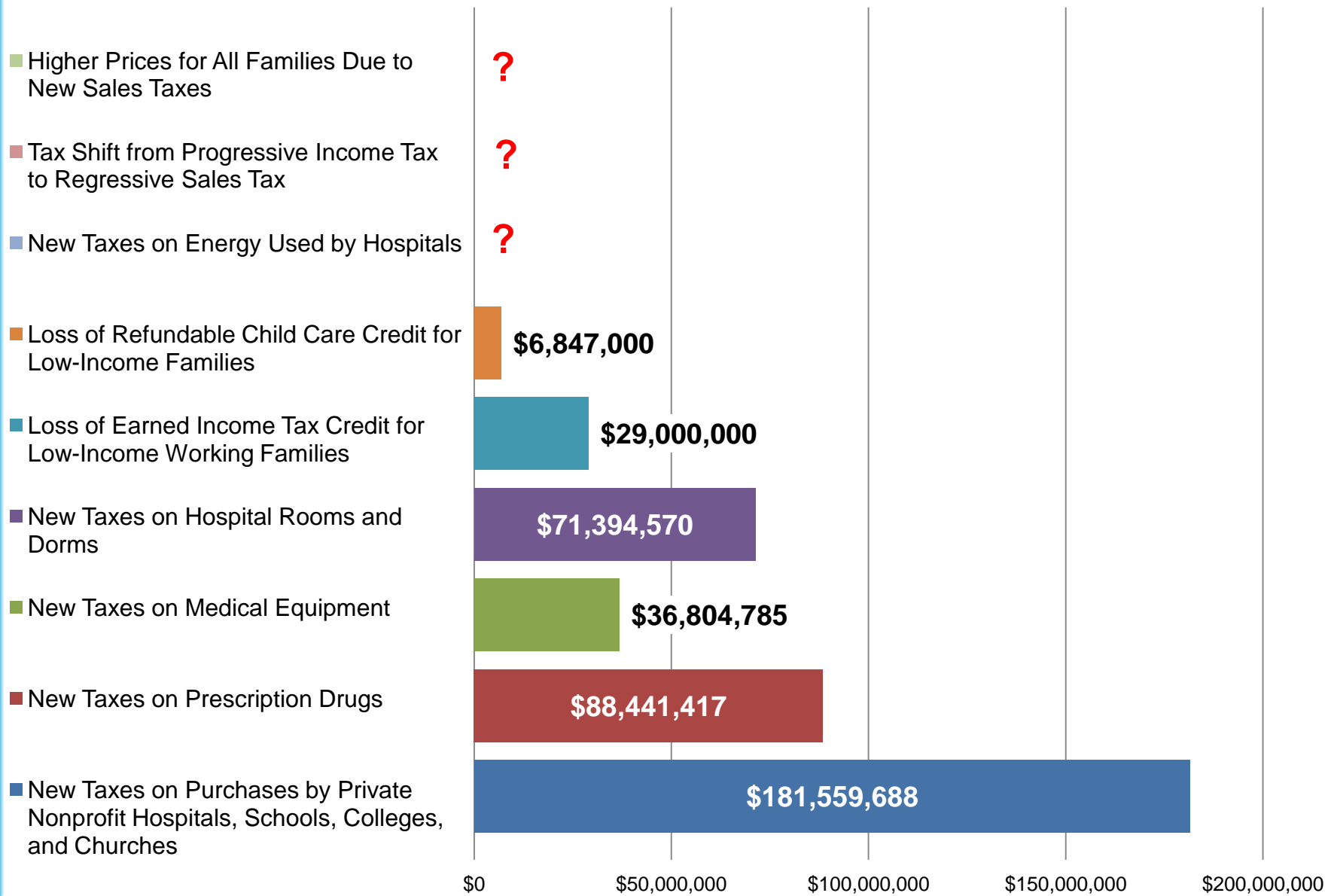
LB 406 Would Increase Taxes for Most Nebraskans

Annual Tax Change by Income Level



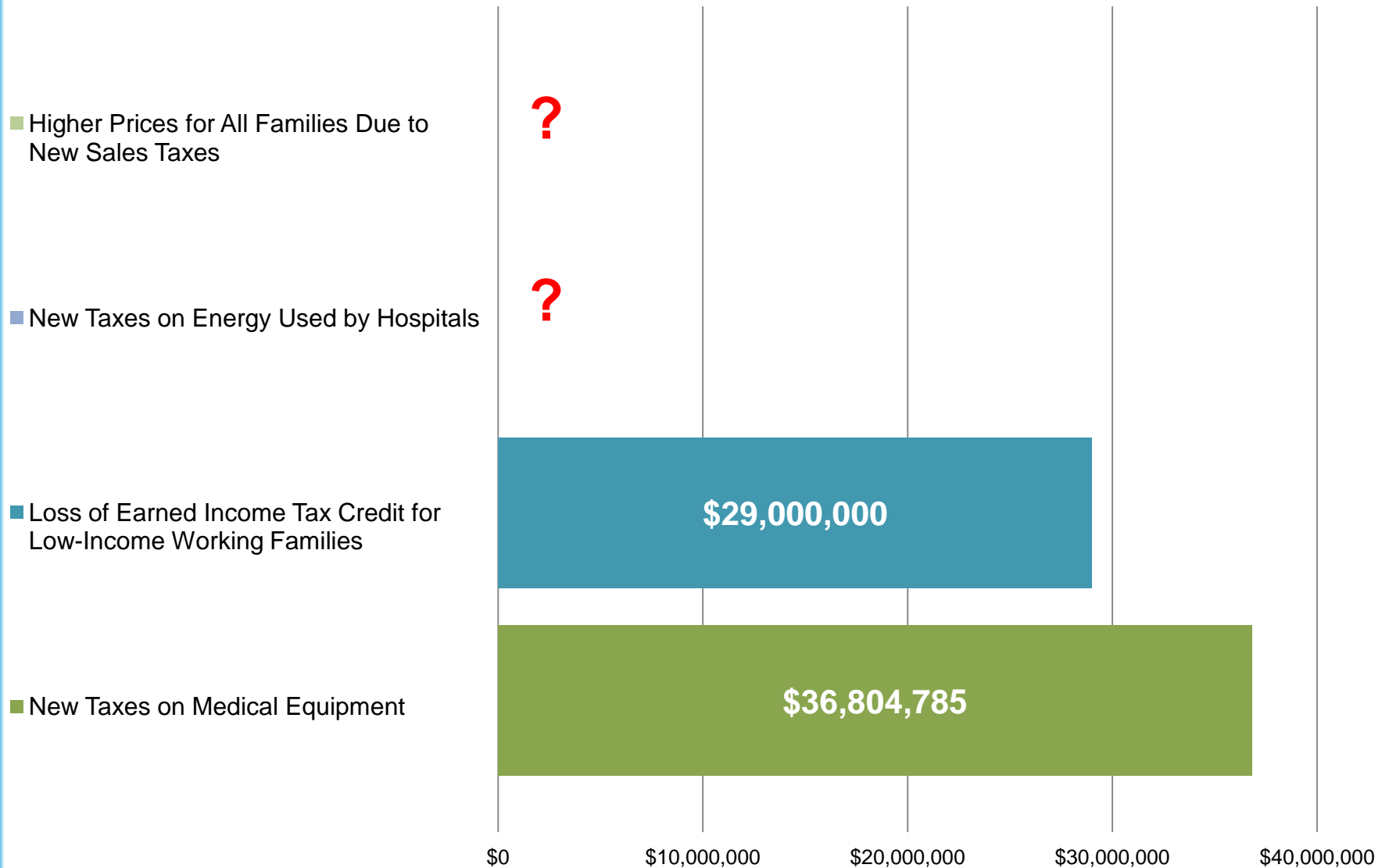
Sources: LB 406 and Institute for Taxation and Economic Policy

Selected Impacts of LB 405



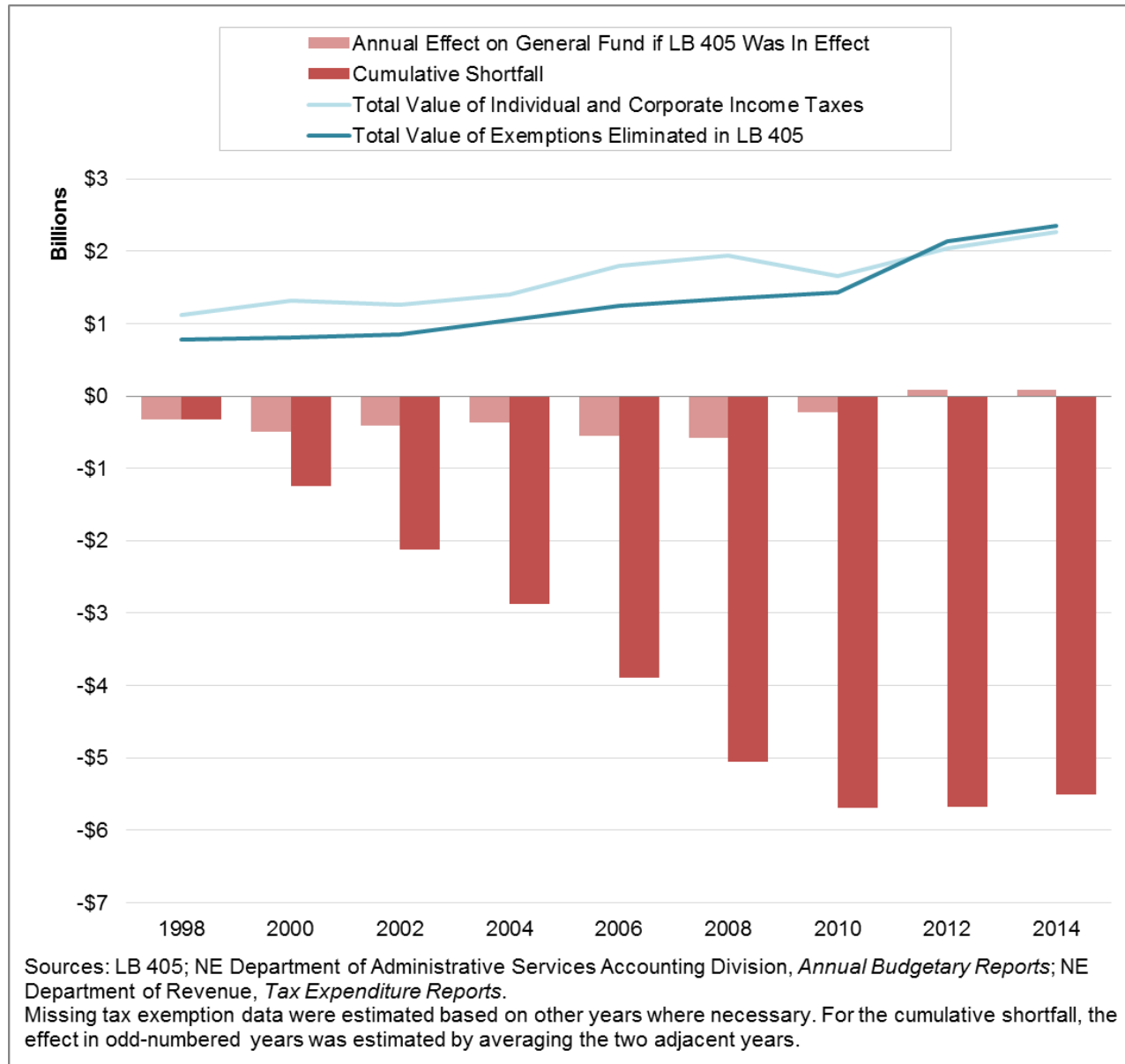
Sources: LB 405 and supporting documents; NE Department of Revenue *Tax Expenditure Reports*; NE Department of Revenue *Statistics of Income Reports*
 Sales tax exemption amounts are 2014 estimates. EITC is 2012. Child Credit is 2011.

Selected Impacts of LB 406



Sources: LB 406 and supporting documents; NE Department of Revenue *Tax Expenditure Reports*; NE Department of Revenue *Statistics of Income Reports*
Sales tax exemption amounts are 2014 estimates. EITC is 2012.

LB 405 Would Have Cost \$5.5 Billion from 1998 - 2012



Tax Shift Winners and Losers

Winners

- High Income Earners
- Out-of-State Businesses
- Roads Interests

Losers

- Low and Middle-Income Families
- In-State Businesses
- Farmers/Ranchers
- Goods Industry (esp. ag and manufacturing)
- Health Care Consumers and Hospitals)
- Nursing Homes
- People with Disabilities
- Churches/Parishioners
- Nonprofit Private Colleges/Students
- College Students
- Education/Health Care
- Good Public Policy

Conclusion

- We already don't collect enough revenue to meet our spending needs
- This has caused a rapid decline on spending for education and health
- Further income tax cuts will likely cause further cuts to education, public safety and other priorities
- Our tax code is regressive and will become more so if we shift the tax burden to sales and property taxes
- We need comprehensive tax reform, allowing us to be more strategic in how we invest for the future

How to receive our information

- www.openskypolicy.org
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