



LEGISLATIVE REPORT

Nebraska Chamber of Commerce & Industry

1320 Lincoln Mall ♦ P.O. Box 95128 ♦ Lincoln, Nebraska 68509-5128 ♦ Phone: (402) 474-4422 ♦ Fax: (402) 474-5681 ♦ e-mail: nechamber@nechamber.com

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Only Five Working Days Remain In 2015 Legislative Session

The Legislature is winding down its 2015 regular session, as senators are now home for the Memorial Day recess. Lawmakers will return to action Tuesday, May 26, the 86th legislative day of the 90-day session. The session is scheduled to conclude June 5, but final adjournment could come earlier at the discretion of Speaker Galen Hadley.

Earlier this week, Governor Pete Ricketts signed the new two-year budget that includes \$408 million in state credits to help offset locally levied taxes that property owners – including businesses – pay to cities, counties, school districts and natural resources districts. The budget package will spend \$8.7 billion over two years, boosting state spending growth by a lower-than-average 3.1%. But that growth will likely be larger at the end of the session due to separate spending bills. The budget adds millions of dollars for K-12 school aid, prisons and a funding increase for the University of Nebraska, state colleges and community colleges.

Personal Property Tax Relief Passes On 47-0 Vote

On May 21, senators voted 47-0 to pass **LB259** – the only notable tax relief bill to survive the 2015 session aside from the state property tax credit funding approved in the new budget.

As amended by full Legislature, LB259 would exempt the first \$10,000 of value for depreciable, tangible personal property assessed for taxation. The bill would benefit Nebraska businesses, as well as farmers and ranchers, by reducing the antiquated tax on depreciable personal property used in the trade of business – including manufacturing equipment, farm implements computers and other business equipment. The Nebraska Chamber supports LB259, which is now before the governor for his consideration.

Senator Mike Gloor of Grand Island, who chairs the Revenue Committee, introduced LB259 in response to 2013 research by the Legislature's Tax Modernization Committee, which found that most neighboring states have passed laws to reduce personal property taxes. The bill has been significantly reduced in size from its original version, which would have exempted the first \$25,000 worth of personal property from taxation.

In its amended form, the bill would still amount to about \$20 million in tax relief annually, as taxpayers could claim the exemption in any county in which they have depreciable personal property; those with property in multiple counties could claim the exemption more than once. The inclusion of tangible personal property valued at less than \$1,000 would be prohibited from any exemption filed.

During floor debate, Senator Gloor said the bill is a start in the right direction, calling LB259 a “modest proposal” similar to a pilot project. He said, “If it’s a successful program and those dollars are helpful to businesses, we can always add more.”

Omaha Senator Burke Harr, who introduced **LB398** to exempt all tangible personal property from taxation, noted that LB259 would help both urban and rural taxpayers. Columbus Senator Paul Schumacher said that incremental changes in the right direction are better than taking no action at all. He said, “This is not an earth-shattering tax relief package, but it is a tax break that extends to all businesses and disproportionately helps small businesses.”

When considering the property tax credits included in the budget in addition to the relief provided by LB259, Nebraska property owners are expected to realize more than \$225 million in tax relief from legislation this session.

Crowdfunding Bill Sent To Governor

On May 21, senators voted 48-0 to pass **LB226**, a bill to provide business startups more access to capital through the use of “crowdfunding” – the practice of raising many small amounts of money from a large number of people, typically via the Internet through websites such as Kickstarter. Under the bill, small businesses could raise up to \$2 million each year from accredited or unaccredited investors. Recent studies, such as CNBC’s “Best States for Business,” have found that access to venture capital and startup capital is a weakness for Nebraska’s businesses. The Nebraska Chamber supports LB226 as an alternative method to raise capital for small business expansion.

Introduced by Lincoln Senator Colby Coash and prioritized by Gretna Senator John Murante, LB226 is modeled after legislation passed in Indiana, Texas and Wisconsin. During floor consideration of the bill, Senator Coash noted that 18 states had already enacted similar legislation, with many others considering crowdfunding bills.

LB226 would enable Nebraskans with a net worth of less than \$1 million, or couples making under \$300,000 a year, to invest up to \$5,000 in a single business online.

Under the bill, all projects attempting to raise money would require approval from the state Department of Banking and Finance. Individuals investing money under LB226 would receive a proportionate security stake in the company in exchange for their investment, without registration under state and federal securities laws. Unaccredited investors could not invest more than \$5,000 in a particular company. Investors would need to be residents of Nebraska and would be required to sign a certificate acknowledging the potential for the complete loss of investment.

LB226 is now before the governor for his consideration.

Angel Investment Credit Passes On 46-0 Vote

On May 21, senators voted 46-0 to pass **LB156**, legislation to expand the popular angel investment tax credit for investors in Nebraska startup companies. The credits have helped grow several businesses in Nebraska, including software publishers, data processors, surgical supply companies, wineries, among others. The credits offer an important incentive to those willing to risk capital to invest in undeveloped businesses, often involving new technology. The State Chamber supports LB156 to encourage more startup development.

Introduced by Gering Senator John Stinner and prioritized by Omaha Senator Robert Hilkemann, LB156, as amended, would expand the amount of credits under Nebraska's Angel Investment Tax Credit Act from \$3 million to \$4 million annually. Enacted in 2011, the angel investment program provides a refundable income tax credit to individuals and funds that invest in Nebraska-based, high-tech startups in fields such as ag processing, renewable energy, food technology, IT, nanotechnology, telecommunications, bio-solutions, medical devices and pharmaceuticals.

During the program's first year, 2012, funds for credits were no longer available by mid-July. By 2015, the funds had been fully utilized on January 1, the first day they were made available.

The following are some of the specifics regarding Nebraska's angel investment credit program:

- Business must have at least 51% of their workforce and payroll in Nebraska, with 25 or fewer employees primarily engaged in researching, developing or using products and services in the high-tech field.
- To qualify for tax credits, an individual must invest at least \$25,000 in a calendar year, while a qualified fund – composed of three or more investors – must invest at least \$50,000.
- Refundable credits equaling 35% of the investment are granted to investors with caps of \$350,000 for married couples filing joint returns and \$300,000 for all other filers. Refundable credits of 40% are offered for investments made in a distressed area.

LB156 is now before the governor for his consideration. The bill contains an emergency clause, meaning it will take effect immediately after the governor signs it or after the Legislature overrides the governor's veto.

Senators Pass Bill To Exempt Zoos From Sales Tax

On May 21, senators voted 39-5 to pass legislation to exempt Nebraska's nationally accredited zoos and aquariums from state and local sales tax. Specifically, the bill would apply to Omaha's Henry Doorly Zoo – the state's top tourism attraction – as well as the Lincoln Children's Zoo and the Riverside Discovery Center in Scottsbluff.

Under **LB419**, introduced and prioritized by Omaha Senator Heath Mello, Nebraska's nationally accredited zoos and aquariums would not need to charge sales taxes on memberships and admissions.

As amended, LB419 would strictly define a qualifying zoo or aquarium as one that is operated by a public agency or non-profit corporation primarily for educational, scientific or tourism purposes.

Zoos are a major driver of tourism, which is Nebraska's third largest industry. A recent report the U.S. Travel Association shows that U.S. and international travelers to Nebraska spent \$4.5 billion in 2013, and those visits generated \$627 million in federal, state and local taxes, and helped support 44,965 jobs. The State Chamber supports LB419, which is currently before the governor for his consideration.

Senators Advance Bill To Update Workers' Compensation Law

On May 21, senators voted 46-0 to pass compromise legislation that would make the first comprehensive revision to Nebraska's Workers' Compensation Act since 1995. Introduced by Omaha Senator Burke Harr and prioritized by the Business and Labor Committee, **LB480** contains concepts from four separate bills introduced this session.

The key provisions in LB480 are:

- **False Statements by Employees:** This provision reflects the principles found in **LB158** introduced by Omaha Senator John McCollister. Under the Workers' Compensation Act, the provision would deny benefits if an employee knowingly and willfully made false statements regarding his physical or medical condition by acknowledging that he is able to perform the essential functions of the job based on the employer's job description. The State Chamber supported LB158.
- **Interest Rate on Workers' Comp Benefits:** This portion reflects the principles found in **LB133**, introduced by Crete Senator Laura Ebke. It would revise the interest rate applicable to an award of workers' compensation benefits in which an attorney's fee is permitted. It would change the current rate of 14% to a rate calculation of 6 percentage points above the bond investment yield, as published by the U.S. Secretary of Treasury. Effective April 16, 2015, the judgment interest rate would be 2.137%. The current 14% interest rate was set in statute in the 1980s, when interest rates were high. The current rate has become punitive, particularly for employers who are legitimately appealing workers' compensation cases. The State Chamber supported LB133.
- **Medical Service Late Penalties:** This provision contains the issues addressed by **LB363**, introduced by Omaha Senator Jeremy Nordquist, to clarify that employees are not responsible for any finance charges or late penalty payments as a result of medical services rendered by a provider pursuant to 48-120(1)(a). The State Chamber had concerns with LB363 as introduced, but is agreeable to the modified language contained in LB480.
- **Investment of Trust Funds for Self-Insurers:** This section includes language similar to **LB600**, introduced by Senator Ebke. It would change provisions relating to the investment of trust funds for self-insurers under the Nebraska Workers' Compensation Act. It would expand the authority to invest trust assets held in irrevocable workers' compensation trusts to allow for investments in the same manner as corporate trustees holding retirement or pension funds for government employees. It would provide that if the assets fall below the acceptable amount required by the compensation court, the trustor must deposit additional assets to continue to

satisfy the minimum security amounts required. Trustees could not invest assets into stocks, bonds or other obligations of the trustor. The State Chamber supported LB600.

The State Chamber supports LB480, which is now before the governor for his consideration.

Legislature Passes Bill To End Ban On DACA Driver's Licenses

On May 21, the Nebraska Legislature voted 34-9 to pass **LB623**, a bill that would allow the issuance of temporary driver's licenses to individuals residing in the state under the federal Deferred Action for Childhood Arrivals (DACA) program. Currently, Nebraska is the only state that denies driver's licenses to DACA-eligible residents. The Nebraska Chamber supports LB623 since the current situation presents an obstacle to economic growth and creates public safety concerns.

The bill was introduced by Omaha Senator Jeremy Nordquist and prioritized by Omaha Senator John McCollister. It would provide driver's licenses to the children of immigrants who settled illegally in the United States, due to a federal executive order that has given those children legal protection to remain in the country. LB623 contains a provision that would require those who receive driver's licenses to return them if President Obama's executive order is overturned or revoked by a future president.

To be eligible for the DACA program, an individual must be in school, have graduated from high school or obtained a GED, or have been honorably discharged from the armed forces. Participants cannot have a significant criminal record.

Supporters of the bill say Nebraska needs all of its younger residents to contribute to the state's economy since the shortage of qualified employees is hindering the economic growth of many communities. With a 2.6% jobless rate, Nebraska claims the nation's lowest unemployment rate and more than 47,000 job openings, according to the Nebraska Department of Labor.

The bill is currently before the governor for his consideration. The bill contains an emergency clause, meaning it will take effect immediately after the governor signs it or after the Legislature overrides the governor's veto.

Senators Pass New Markets Credit Revision

On May 21, senators voted 45-0 to pass **LB559**, which would make technical changes to a relatively new state tax credit designed to encourage more private investment in businesses and real estate projects in low-income areas.

Introduced by Columbus Senator Paul Schumacher and prioritized by Gothenburg Senator Matt Williams, LB559 would revise the New Markets Job Growth Investment Act. The bill is necessary due to an interpretation by the Nebraska Department of Revenue, making the program more restrictive than intended by the Legislature. The State Chamber supports LB559 to encourage more investment in Nebraska's rural and urban communities.

Enacted in 2012, the New Markets Job Growth Investment Act established state tax credits to enhance incentives offered by the federal New Markets Tax Credit program, which has been in existence since

2000 to help businesses in low-income communities have access to capital. Community development entities utilizing the credits must be certified by the state tax commissioner. Such entities can receive a 7% tax credit during the third year and an 8% tax credit for the next four years. Total credits from the state cannot exceed \$15 million in any fiscal year.

Due to an interpretation by the state Department of Revenue, investors are not entitled to a tax credit under the Act for insurance premium taxes paid if they use the new market tax credit to reduce premium tax liability. As a result, the department's interpretation limits the number of investors in the program and is inconsistent with the treatment afforded new market tax credits in other states.

LB559 would address the problem by ensuring that tax credits claimed against insurance premium tax assessments are deemed "taxes paid" for purposes of offsetting corporate income tax. In doing so, the bill would broaden the pool of eligible investors whose dollars could be invested in rural and urban Nebraska.

LB559 now goes to the governor for his consideration. The bill contains an emergency clause, meaning it will take effect immediately after the governor signs it or after the Legislature overrides the governor's veto.

UPDATE: Status of Selected Bills of Interest

The following bills are among the 107 measures designated as priorities by senators and the Legislature's committees.

A bill with priority status is generally considered ahead of other bills for debate.

The State Chamber has taken a "support" or "oppose" position on these particular measures.

Measure	Issue	Summary	Status
<u>LB156e</u>	Expansion of Angel Investment Credits	Introduced by Gering Senator John Stinner and prioritized by Omaha Senator Robert Hilkemann, LB156 would expand the amount of credits under Nebraska's Angel Investment Tax Credit Act from \$3 million to \$4 million annually. Enacted in 2011, the angel investment program provides a refundable income tax credit to individuals and funds that invest in Nebraska-based, high-tech startups in fields such as aerospace, ag processing, renewable energy, environmental engineering, food technology, materials science technology, nanotechnology, telecom, biosolutions, medical devices, pharmaceuticals, diagnostics, chemistry, and veterinary science. <u>The State Chamber supports LB156.</u>	Sent to Governor
<u>LB176</u>	Livestock Expansion	Introduced and prioritized by Ogallala Senator Ken Schilz, LB176 narrows a state prohibition against packers feeding livestock as it applies to hogs and pork production. Nebraska's neighboring states – specifically Iowa and South Dakota – have experienced dramatic growth in hog production over the last decade, while Nebraska hog production fell from 4 million head in 1991 to 3 million head in	General File

		2012. Currently, hogs must be imported from other states to supply processing plants in Nebraska. <u>The Nebraska Chamber supports LB176 and its goal to expand pork production in the state, while affording younger Nebraskans an opportunity to enter the industry.</u>	
<u>LB226</u>	Crowdfunding Authorization	Introduced by Lincoln Senator Colby Coash and prioritized by Gretna Senator John Murante, LB226 would allow crowdfunding – the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. Under the bill, small businesses could raise up to \$2 million a year from accredited or unaccredited investors. Recent studies, such as CNBC’s “Best States for Business,” have found that access to venture capital and startup capital is a weakness for Nebraska’s businesses. <u>The State Chamber supports LB226.</u>	Sent to Governor
<u>LB259</u>	Personal Property Tax Relief	Introduced by Grand Island Senator Mike Gloor and prioritized by the Revenue Committee, LB259, as amended, would exempt the first \$10,000 of value for depreciable tangible personal property assessed for taxation – less than the \$25,000 originally proposed. The bill would provide about \$20 million in personal property tax relief for businesses and ag producers. <u>The State Chamber supports LB259.</u>	Sent to Governor
<u>LB264</u>	Health Care Credentials for Military Veterans	Introduced and prioritized by Lincoln Senator Adam Morfeld, LB264 would allow the issuance of health profession credentials based on military education, training or service. The bill would ensure that the skills and experience acquired through military service are recognized for the 34 health professions overseen by the state’s Uniform Credentialing Act. This would alleviate the need for HHS to make credentialing decisions on a case-by-case basis. <u>The State Chamber supports LB264 as another way to help attract more military veterans and their families to Nebraska.</u>	Signed by Governor
<u>LB329</u>	Agri-Tourism Promotion Act	Introduced by Ogallala Senator Ken Schilz and prioritized by Scribner Senator David Schnoor, LB329 aims to promote tourism and rural economic development by limiting a landowner’s civil liability to encourage them to allow public access to their property for agricultural, historical, cultural, and other agri-tourism activities for a fee. Liability would be limited only for injuries occurring as a result of conditions or hazards that are an integral part of the land or waters used for agri-tourism activities on the landowner's property. The bill states that visitors must be warned of potential dangers by a posted sign or in a contract. <u>The State Chamber supports LB329.</u>	Sent to Governor
<u>LB357</u>	Income & Property Tax Relief	Introduced and prioritized by Papillion Senator Jim Smith, LB357 would gradually reduce the state’s personal and corporate income tax rates over the next eight years, providing tax relief to families and businesses. In addition, LB357 would generously boost the state’s property tax credit program. <u>The Nebraska Chamber supports LB357 to make Nebraska’s tax climate more competitive and to reduce the tax burden on the business community.</u>	In Committee

<u>LB414</u>	Fraternal Benefit Organizations	Introduced and prioritized by Omaha Senator Burke Harr, LB414 would provide property tax relief to fraternal benefit societies. There is currently no consistency in the methods used by counties to tax fraternal benefit organizations, defined as any incorporated, not-for-profit society, order or supreme lodge without capital stock that is conducted solely for the benefit of its members and their beneficiaries. It is estimated that about 31 fraternal benefit societies in Nebraska would qualify for the exemption. <u>The State Chamber supports LB414.</u>	Signed by Governor
<u>LB419</u>	Sales Tax Exemption for Zoos	Under LB419, introduced and prioritized by Omaha Senator Heath Mello, Nebraska's nationally accredited zoos and aquariums would not need to charge sales taxes on memberships and admissions. Zoos are a major driver of tourism – Nebraska's third largest industry. A recent report shows that U.S. and international travelers to Nebraska spent \$4.5 billion in 2013 – and those visits generated \$627 million in federal, state and local taxes, and helped support 44,965 jobs. <u>The State Chamber supports LB419.</u>	Sent to Governor
<u>LB480</u>	Workers' Compensation Reform	LB480, introduced by Omaha Senator Burke Harr and prioritized by the Business and Labor Committee, would make the first comprehensive revision to Nebraska's Workers' Compensation Act since 1995. The bill includes non-controversial, employer-friendly revisions, including the denial of Workers' Compensation benefits if an employee knowingly and willfully makes false statements regarding his physical or medical condition by acknowledging that he is able to perform the essential functions of the job based on the job description. <u>The State Chamber supports LB480.</u>	Final Reading
<u>LB494</u>	Minimum Wage for Tipped Employees	LB494, introduced by Omaha Senator Jeremy Nordquist and prioritized by Lincoln Senator Matt Hansen, would have raised Nebraska's minimum wage for workers who are tipped. Federal law already requires businesses to make up any difference between tipped wages and the minimum wage. <u>The State Chamber opposes LB494.</u>	Failed to advance from General File
<u>LB538</u>	Evaluation of Business Incentive Programs	Introduced and prioritized by the Legislative Performance Audit Committee, LB538 would require additional evaluation of Nebraska's eight primary job-creation and business investment tax incentive programs. The bill was introduced after last year's interim study on Nebraska's business incentives and how to best measure their effectiveness. The bill would extend program sunset date and impose a period in which no new applications would be accepted to allow completion of audits. <u>The Nebraska Chamber supports the concept of LB538 after concerns regarding some qualitative metrics were addressed.</u>	Sent to Governor
<u>LB519</u>	Education Funding for Workforce Development	Offered by Cedar Rapids Senator Kate Sullivan and prioritized by the Education Committee, LB519 determines how to split millions of dollars in Nebraska Lottery funds for education programs. LB519 includes a key provision to address Nebraska's skilled	Signed by the Governor

		workforce shortage, dedicating 9% of the available lottery dollars to a new program to provide financial aid to eligible students pursuing certification programs or licensure in Nebraska's high-demand career fields. <u>The State Chamber supports the concept of LB36 and related provisions contained in LB519 to help address Nebraska's skilled workforce shortage.</u>	
<u>LB559e</u>	Enhancement of New Markets Credits	Introduced by Columbus Senator Paul Schumacher and prioritized by Gothenburg Senator Matt Williams, LB559 would make technical changes to the New Markets Job Growth Investment Act to encourage more private investment in businesses and real estate projects located in low-income rural and urban areas. Due to an interpretation by the Department of Revenue, the program is currently more restrictive than intended. <u>The State Chamber supports LB559 to encourage more investment in Nebraska.</u>	Sent to Governor
<u>LB599</u>	Minimum Wage for High School Workers	Introduced by Crete Senator Laura Ebke and prioritized by Heartwell Senator John Kuehn, LB599, as amended, would have established an \$8-an-hour minimum wage for high school students younger than 19. Nebraska's minimum wage is currently higher than that of its neighboring states, increasing from \$7.25 to \$8 an hour on January 1, 2015, and scheduled to rise again to \$9 in 2016. <u>The State Chamber supports LB599 to ensure that small businesses can afford to retain jobs for young Nebraskans.</u>	Failed to advance from Final Reading
<u>LB623e</u>	Drivers Licenses for DACA Individuals	Introduced by Omaha Senator Jeremy Nordquist and prioritized by Omaha Senator John McCollister, LB623 would allow the issuance of temporary driver's licenses to individuals residing in the state under the federal Deferred Action for Childhood Arrivals (DACA) program. Currently, Nebraska is the only state that denies driver's licenses to DACA-eligible residents. <u>The Nebraska Chamber supports LB623 since the current situation presents an obstacle to economic growth and creates public safety concerns.</u>	Sent to the Governor
<u>LR7CA</u>	Term Limits Extension for Senators	A constitutional amendment to extend Nebraska's term limits for state lawmakers. Introduced by Columbus Senator Paul Schumacher and prioritized by the Legislature's Executive Board, LR7CA would have allowed members of the Legislature to serve two consecutive six-year terms for senators elected in November 2024 and thereafter. <u>The State Chamber supported LR7CA.</u>	Failed to advance from Select File