February 6, 2013

Sen. Galen Hadley, Chairman
Revenue Committee
Room 1116, State Capitol
Lincoln NE 68509

Re: Opposition to LB 405

Dear Chairman Hadley and members of the Revenue Committee:

Nebraska Appleseed is submitting this testimony in opposition to LB 405, the proposed elimination of state and corporate income taxes. Appleseed is a non-profit organization that fights for justice and opportunity for all Nebraskans.

Nebraskans pride themselves on “The Good Life” - a high quality of living that recognizes the importance of good schools, safe streets, affordable health care, and strong communities. As a state, we have always recognized that an adequate revenue stream is necessary to support the public systems that are the foundation of that good life.

We oppose LB 405 because it would result in a regressive tax structure that puts that good life at risk. By depleting a significant portion of revenue for the state, this proposal reverses the investments we have made for generations in the very things that make Nebraska and our economy strong - great public education, safe communities, and healthy families.

One key investment at risk is maintaining a skilled workforce. At Nebraska Appleseed we work on policies that promote increased education and training to meet the workforce needs of the future. In the last several years, the Legislature has been forward thinking and has begun to invest more in education and training. As we have emerged from the recession we are taking smart steps to rebuild Nebraska. But without adequate revenue, we will not be able to continue to invest in our workforce, the people right here in Nebraska. Without a skilled workforce we jeopardize our future economy.

LB 405 will also create barriers to economic mobility and is contrary to Nebraska’s value of shared responsibility. The elimination of state income and corporate taxes would continue to shift taxes away from corporations to low and middle income working families. In fact, according to Open Sky’s analysis, families earning less than $91,000 a year would see a tax increase under this proposal, in part because lower and middle income families pay a higher proportion of their income on sales taxes than higher earners. This is 80% of
Nebraskans. Maintaining the exemption on food, while helpful, does not eliminate this tax shift. Taxes on business inputs can get passed onto the consumer in higher pricing.

Every day we hear from Nebraskans that are working hard, striving to move forward, and to move into the middle class. These are Nebraskans reaching for the American dream. Our working and middle class families are the engine of our state’s economy. As we strive to rebuild Nebraska, we need our public policy – and especially our tax policy – to strengthen these working families. However, LB 405 makes it so that their earnings will not go quite as far. They will likely spend less in their local economy. Without a chance at education and training opportunities we create barriers to their efforts to succeed and contribute. And we miss out on their human potential.

While we believe LB 405 is not the right policy for Nebraska, we recognize the need for a review of the current tax structure. Such a review should occur prior to major changes in our tax structure. It should also be based on some simple principles. It should ensure that our revenue system is able to support the very systems and structures that make our communities, our state, and our economy strong. And it should ensure that the system for raising adequate revenue is logical and balanced – asking that all Nebraskans share the load. Such a deliberate examination of our tax system can help to avoid any unintended, or in the case of LB 405, predictable negative consequences for individual Nebraskans and the state as a whole. As a result, we support the Commission proposed by Senator Schumacher’s LB 613.

In short, LB 405 is a risky and unnecessary strategy that puts our good life at risk. We urge the Committee not to advance LB 405.

Sincerely,

Nebraska Appleseed
James A. Goddard, Director
Economic Justice and Healthcare Access Programs