



June 12, 2008

**MORE PUMP
PAIN COMING**

Are you feeling enough pain at the gas pump these days? According to AAA, on the morning of Thursday, June 12, the average price of a gallon of regular unleaded in Nebraska is sitting at \$3.98 while premium is at \$4.18. Respectively, those prices were \$3.09 and \$3.25 exactly one year earlier.

If you're in Columbus, Grand Island, Norfolk or Omaha, consider yourself lucky because you're paying slightly less than the state-wide average. Unfortunately, those of you in Kearney and Lincoln are paying roughly 5¢ more than the average per gallon and North Platte residents are paying roughly 7¢ more.

Residents of Nebraska have little, if any, control over the price they have to pay at the pump per gallon. Our 49 state legislators, however, do have control over how much our fuel tax is. And in case you've forgotten, 34 of them voted to raise our gas tax, meaning there will be even

**PLATTE
CHAT**

THE MOBILITY DILEMMA

Roger Lempke for the Platte Institute

It seems clear that Nebraska's high tax burden can only be alleviated by above average population growth combined with limiting the growth of government spending. The perplexing question is always how to spur population growth. Will incentives such as LB 895 (the Nebraska Super Advantage Act), which hope to attract businesses with high paying jobs, do it? Over 40,000 good jobs already go unfilled. Time will tell. But one thing is becoming more certain. Decisions to raise taxes for near term needs seem to be having an ever-greater limiting effect on economic and population growth.

Research by John Deskins, Ph.D., Creighton University, has revealed two interesting points important to Nebraska's future. His study, *Are Tax Policy Distortions Increasing?*, addresses unintended consequences from tax increases in two areas—impact on Gross State Product (GSP) and migration of businesses and people.

The research revealed an increased propensity to move away from high tax burdens more rapidly today (2003 to be exact) than the mid-1980's—a phenomenon he calls "the movement of economic activity." Companies and people are more inclined to leave a state for a better taxation environment. For example, Deskins found that raising the top marginal corporate tax rate one-percentage point correlated with a two percent decline in GSP. A near term revenue gain becomes an eventual revenue loss when businesses and people leave.

Government expenditures per capita present an interesting dilemma. Efficient government spending that provides high

more pain at the pump when the increase goes into effect July 1.

Do you remember who voted in favor of it and who was not? We at the Platte Institute do and a special feature on the gas tax and the pending increase will be coming out before the end of the month to help serve as a reminder. Here is another question for you:

What is this gas tax increase funding? Is it a) The completion of several uncompleted road projects b) State Department of Roads salary and benefit increases c) Financing of future highway projects or d) Repairing deficiencies in current roads?

The correct answer is B.

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Platte Institute
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THANK YOU.

quality public service is generally desirable. But as taxes are increased for these services and new ones people and businesses are driven away.

The gap in funding for roads construction along with pressures from gasoline price increases will tempt elected officials to seek tax hikes to shore up budgets, but these short-term fixes can negatively impact economic growth and tax revenue expectations over a long term. Nebraska no longer has the luxury of tapping the future to pay for today's problems.

Dr. Deskins' study is available [here](#).

NEBRASKA'S MOTOR VEHICLE REGISTRATION QUAGMIRE

Berk Brown for the Platte Institute

An article earlier this week in the Omaha World-Herald discussed how the Nebraska Department of Motor Vehicles was in the process of "reaching out" to more than 10,000 Nebraska residents. Reaching out seems like such a nice way of saying that those residents were getting letters notifying them they may come under investigation for violating the state's motor vehicle registration law.

In the article, Douglas County Chief Deputy Treasurer Tim Cavanaugh is quoted as saying, "The Treasurer's Office is very happy about this effort. It's been a concern of ours that we collect as much of the taxes that are due as possible in order that all residents are paying an equitable share."

So who is to blame in this situation? The residents of Nebraska going to other states to flee the tax burden, or the State of Nebraska for having placed such a large tax burden on its residents in this area that so many people feel compelled to break the law?

Next week, the Platte Institute for Economic Research will release *Nebraska's Motor Vehicle Tax: Time for an Overhaul* in which we outline how Nebraska ranks with its bordering states in the amount it costs to register a vehicle. While the report won't shock anyone in revealing that Nebraska collects an enormous amount more than a vast number of its neighbors, this bit of news may come as a shock—none of the dollars collected from our motor vehicle tax goes directly to transportation issues while 60% of it goes to . . .

To find out where 60% goes and to see a full copy of *Nebraska's Motor Vehicle Tax: Time for an Overhaul*, check out www.platteinstitute.org later next week.

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Thank you for your generosity and thank you for caring about Nebraska.

COMMUNITY SPIRIT PAVES PATH FOR CHAMPIONS

Nicole Barrett, J.D. for the Platte Institute

This weekend Nebraskans will once again reap the benefit of good economic growth as the first pitch is thrown out at Rosenblatt with sold out hotels and car rentals, busy restaurants, and travelers patronizing landmarks like the Henry Doorly Zoo. Nearly 1½ times higher than our northern neighbors, Nebraska's Division of Travel and Tourism reports a respectable \$3.3 billion in tourist spending during 2006. Compare this to the South Dakota Office of Tourism's economic impact report of \$2.16 billion during the same year. No doubt, much of Nebraska's tourism is due to the College World Series and the Berkshire Hathaway Annual Shareholders Meeting.

Fortunately for Nebraska, both events are staying in Omaha. Warren Buffet once again this year pledged his commitment to keeping the Berkshire Hathaway meeting in his hometown. This week a pact was signed to keep the College World Series in Omaha through 2035. [Read more . . .](#)

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