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AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,  
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.



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Tax Relief Helps Citizens and the State  
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Benjamin Franklin once wrote, "In this world nothing can be said to be certain, except death and taxes." Unfortunately, few things stifle economic growth more than taxes. Nebraska is fortunate to have a leader in Governor Heineman who understands this economic reality. The Governor's tax relief package, LB970, is welcome news to spur Nebraska's economy.

LB970 repeals the inheritance tax, lowers the top corporate income tax rate, and reduces the individual income tax rate. It also addresses current income tax brackets to ensure more equity. These measures will benefit individuals, families, small businesses, farmers, ranchers, and the state as a whole.

The Cornhusker State is one of eight states that still has an inheritance tax; fourteen states also impose estate taxes-Ohio's will be repealed as of 2013-and New Jersey and Maryland have both an estate and inheritance tax. Of these twenty-two states that have "death taxes," Nebraska's is the fifth highest in the nation when combined with the federal estate tax, resulting in 46.7 percent of inherited wealth ultimately taken in taxes. Such a high inheritance tax means that when farms, ranches, or businesses are passed from one generation to the next, the beneficiaries are often forced to sell all or part of the farm, ranch, or business to pay the tax. Similarly, an October 2010 study by the Ocean Policy Research Institute found that death taxes are "the most significant drivers of out-state migration;" and in a state where our population growth was considerably slower than the national average in the last census, Nebraska cannot afford to drive people out of the state.

When it comes to corporate income taxes, Nebraska puts itself at a disadvantage and hurts local workers, consumers, and investors. The current 7.81 percent rate-which applies to businesses making over \$100,000-is higher than the corporate tax rate of all of our neighboring states except for Iowa; in fact, South Dakota and Wyoming do not have a corporate income tax at all. These costs are not borne by corporations, but are passed on to workers and consumers through lower wages and higher prices. Workers suffer disproportionately from high corporate income taxes. A study from the Congressional Budget Office estimated that over 70 percent of the costs associated with the corporate

income tax are borne by workers through lower wages. Additionally, lower taxes give businesses more capital to grow, invest, and hire employees. A lower corporate tax should also decrease, or at least stabilize, consumer prices, which have been steadily rising.

There are also great benefits that come with lowering the individual income tax. Under LB970, the brackets for individual income tax would have each tax bracket paying a lower rate and the income range being spread out more equitably. Under the LB970 bracket changes, a married couple with a joint income of \$54,000 would pay a rate of 4.90 percent instead of 6.84 percent, saving them about \$1,000, enough to fill up a car with a 20 gallon tank every week for over 15 weeks, or buy food for a family of four for a whole month.

Lower taxes will benefit Nebraska overall, including attracting individuals and businesses to the state. Right now, Nebraska is at a great disadvantage compared to other states and especially to our regional neighbors, most of which have much lower tax burdens. This tax package will make us more competitive with other states and draw people here. As a result, more people staying in the state paying taxes would increase revenues for state and local governments in the long run.

Allowing citizens to keep more of their money helps them and the economy as a whole. These three proposals will greatly benefit the average Nebraskan. With no inheritance tax, farmers, ranchers, and businessmen will not have to worry that the family farm, ranch, or small business will have to be sold to pay taxes. Lowering corporate income taxes encourages businesses to grow and hire people, raising worker wages and reducing consumer prices. Reforming the income tax gives individuals and families more money to save, invest, or spend in the marketplace. The lower tax climate should also attract new individuals and businesses to our state, increasing revenues at all levels of government. LB970 is sound fiscal policy and we encourage lawmakers to support and pass it.

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