

Socio-Economic Impacts of State Tax Policy: A Case Study of the Nebraska Gas Tax

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Agenda



Introduction

Case Study

Methods

Results

Conclusions

Q&A

*what does **REMI** say?sm*

Guiding Questions

- Many different stakeholders in the economy
- Wealth and income levels linked to race, gender, geography (rural vs urban), education
- Do policies benefit all income levels?
- Do they increase or reduce income inequality?
- Do all racial and ethnic groups benefit from policies?
- Are we benefiting or disadvantaging those without higher education?

Examples

- Examples of taxes where SEI considerations are involved:
 - Goods tax vs services tax
 - Flat tax vs progressive tax
 - Capital gains vs income tax
 - Tax expenditures: who benefits for political reasons
- Will be looking at SEI impacts of an excise tax in Nebraska

Is everybody getting a fair shot at the "American dream"?

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State of Nebraska's COVID-Induced Temporary Gas Tax Increase

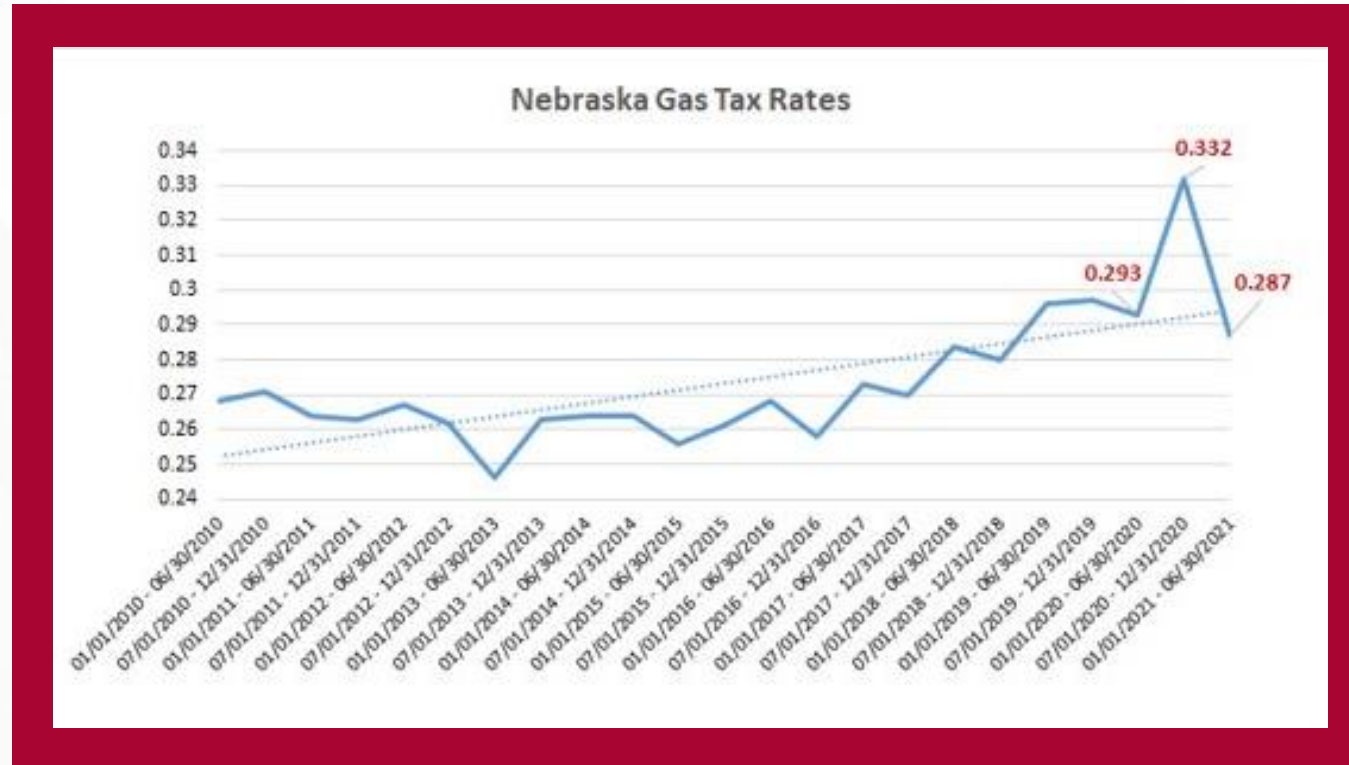
- NE DOT raised state gas tax during 7/1-12/31/2020 to support falling revenues due to COVID-induced drop in gas prices and demand

- Variable tax part of state law triggered to keep revenues in balance with the roads budget

- Nebraska's gas tax is based on:
(1) A fixed rate set by the state legislature

- (2) A wholesale tax rate dependent on the price of fuel

- (3) A variable tax rate to pay for transportation spending budgeted by legislature



- Driving patterns returned more to normal in summer 2021, which the current gas tax level reflects

- Current legislation on gas tax, LB329, proposes minimum taxable price of gasoline to be \$2.42

- Intended to increase state government revenues in response to COVID-related economic slowdowns, including sharply falling gas prices and decreased economic activity

- Bill remains in committee

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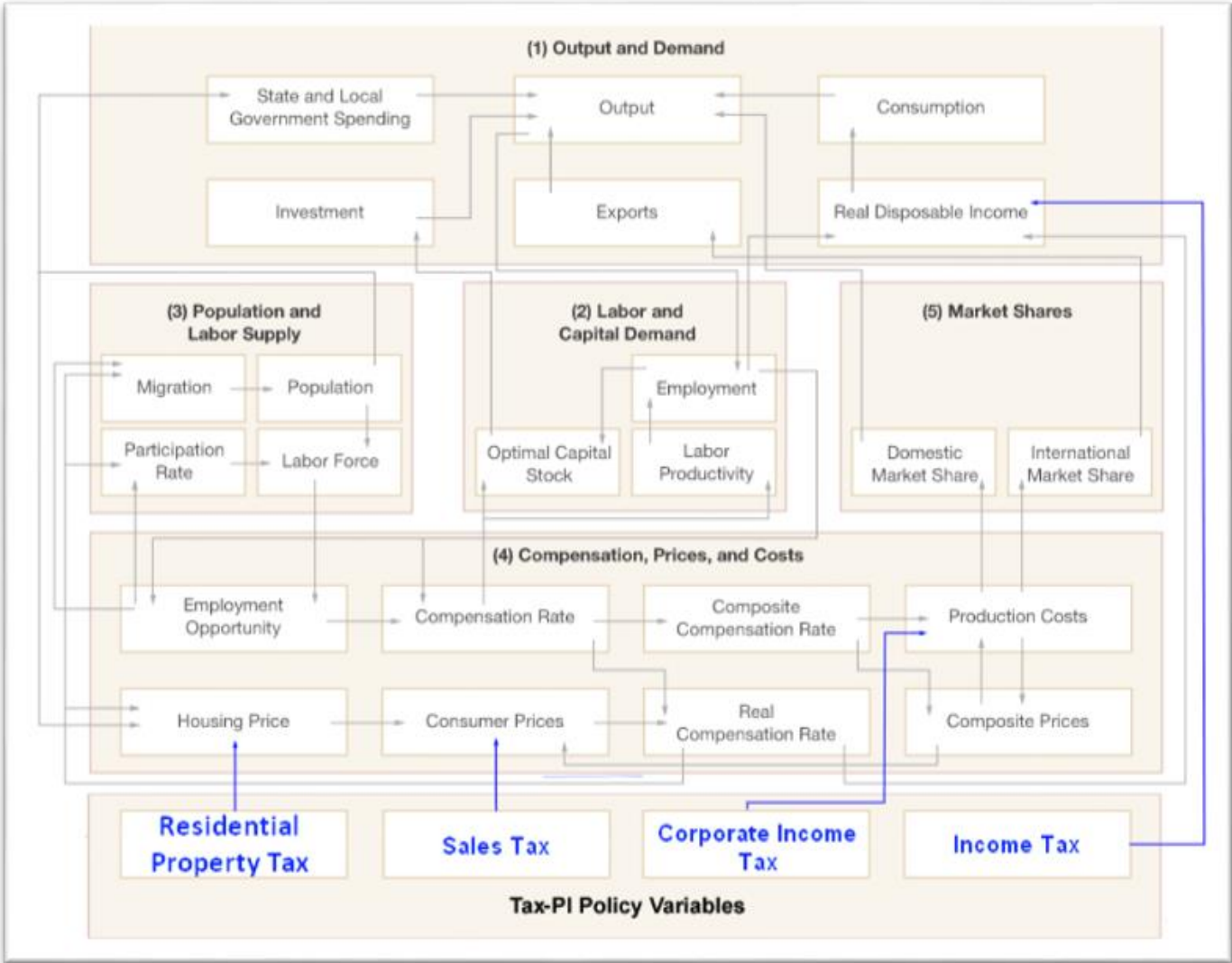
Q&A

*what does **REMI** say?sm*

State of Nebraska's COVID-Induced Temporary Gas Tax Increase

- Model
 - REMI Tax-PI/SEI model of Nebraska
- Scenario
 - COVID drove up Nebraska's gas tax to a record high
- Input
 - Increase Nebraska gas tax rate from 0.293 to 0.332
- Period
 - July 1, 2020 – Dec 31, 2020

Model Overview: REMI Tax-PI/SEI



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Socio-Economic Indicators



Compensation
distribution



Employment and price
changes by earnings
quintile



Employment changes
by racial/ethnic
category and gender



Employment changes
by educational
attainment level

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Results: Economic Impacts Summary



| Economic Impacts | | | |
|--------------------------------------------|-----------------------------|--|---------|
| Results Variable | Unit | | 2020 |
| Total Employment | Individuals (Jobs) | | -172 |
| Gross Domestic Product | Millions of Current Dollars | | -13.7 |
| Output | Millions of Current Dollars | | -23.2 |
| Personal Income | Millions of Current Dollars | | -10.5 |
| Disposable Personal Income | Millions of Current Dollars | | -9.2 |
| Real Disposable Personal Income | Percent | | -0.009% |
| Real Disposable Personal Income per Capita | Percent | | -0.002% |
| PCE-Price Index | Percent | | 0.032% |

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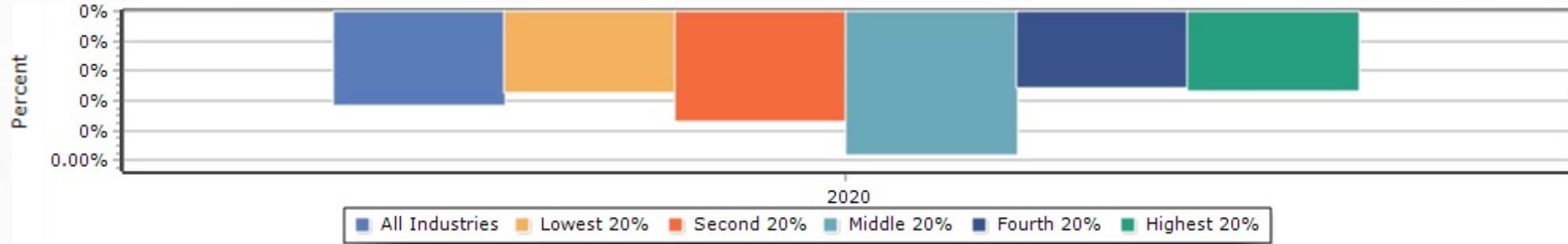
Results: Fiscal Impacts Summary



| Fiscal Impacts | | |
|----------------------------------------|------------------------------|---------------|
| Results Variable | Unit | FY2021 |
| Total | Thousands of Current Dollars | 24,681.0 |
| Gas Taxes | Thousands of Current Dollars | 25,053.0 |
| General Sales and Gross Receipts Taxes | Thousands of Current Dollars | -116.0 |
| Individual Income Taxes | Thousands of Current Dollars | -198.0 |
| Corporations Net Income Taxes | Thousands of Current Dollars | -30.0 |
| Other Taxes | Thousands of Current Dollars | -28.0 |

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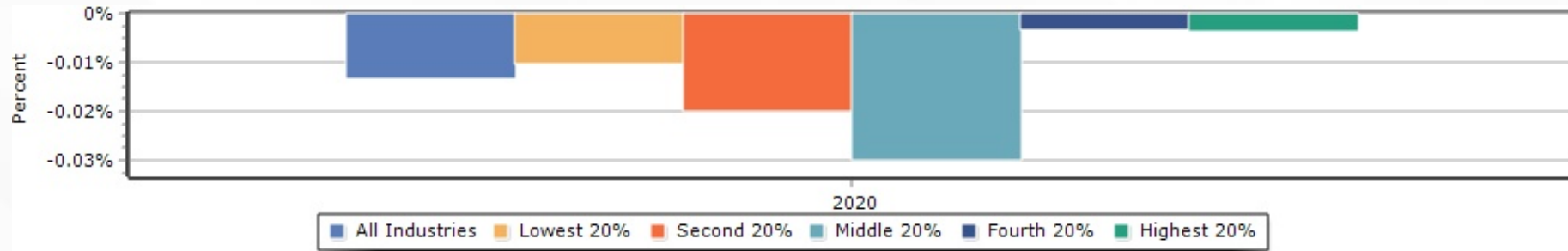
Results: SEI, Compensation Rate (Weighted by Baseline Employment)



| Compensation Rate (Weighted by Baseline Employment) | | |
|-----------------------------------------------------|---------|-----------|
| Industry | Units | 2020 |
| All Industries | Percent | -0.00063% |
| Lowest 20% | Percent | -0.00055% |
| Second 20% | Percent | -0.00074% |
| Middle 20% | Percent | -0.00096% |
| Fourth 20% | Percent | -0.00052% |
| Highest 20% | Percent | -0.00053% |

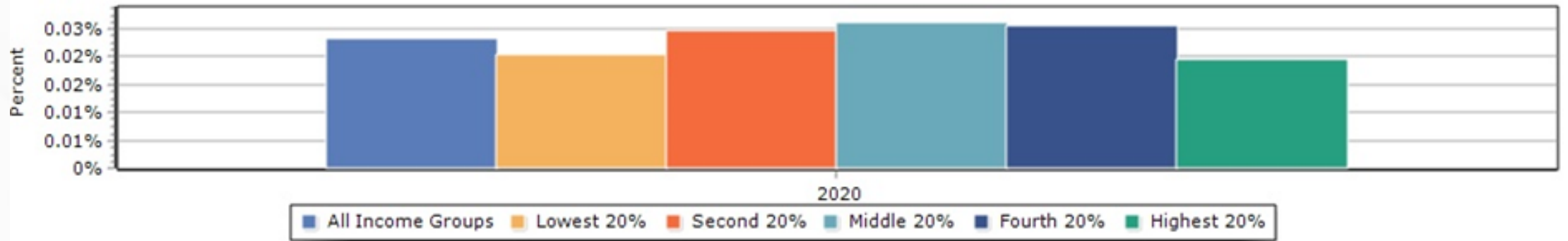
| Compensation Inequality Coefficient | | |
|-------------------------------------|---------|--------|
| Region | Unit | 2020 |
| Nebraska | Percent | 0.001% |

Results: SEI, Employment by Industry Quintile



| Employment by Industry Quintile | | |
|---------------------------------|---------|---------|
| Industry | Units | 2020 |
| All Industries | Percent | -0.013% |
| Lowest 20% | Percent | -0.010% |
| Second 20% | Percent | -0.020% |
| Middle 20% | Percent | -0.030% |
| Fourth 20% | Percent | -0.003% |
| Highest 20% | Percent | -0.004% |

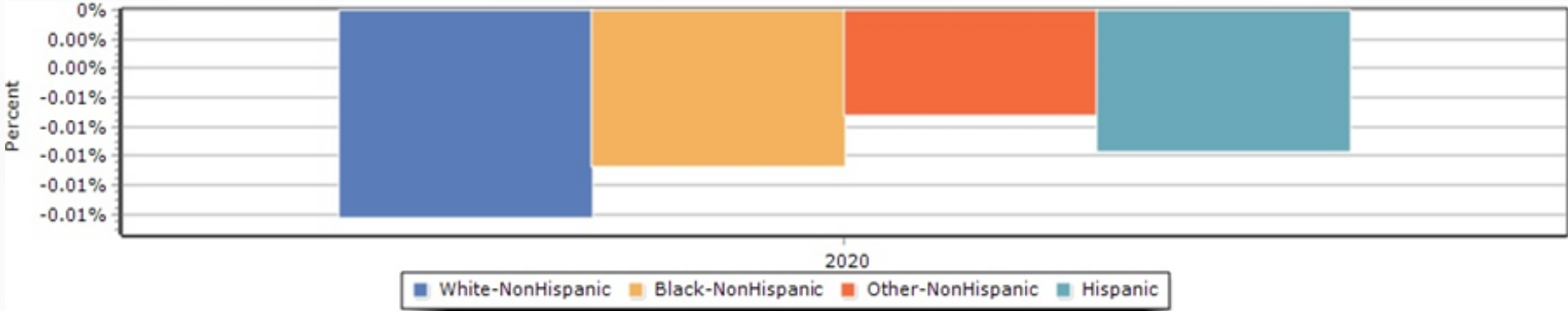
Results: SEI, Consumption Price by Income Quintile



Consumption Price by Income Quintile

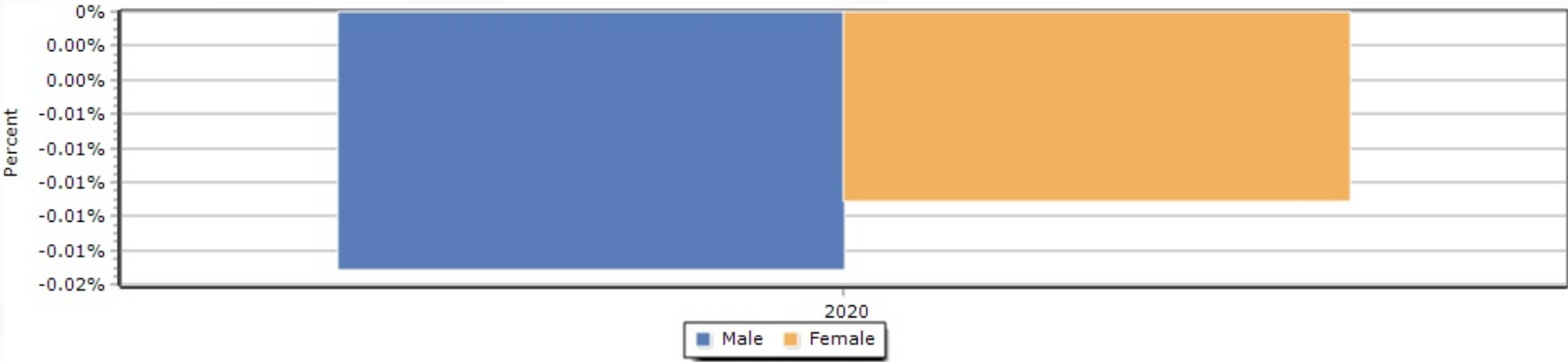
| Detail | Units | 2020 |
|-------------------|---------|--------|
| All Income Groups | Percent | 0.023% |
| Lowest 20% | Percent | 0.020% |
| Second 20% | Percent | 0.025% |
| Middle 20% | Percent | 0.026% |
| Fourth 20% | Percent | 0.026% |
| Highest 20% | Percent | 0.019% |

Results: SEI, Employment by Race/Ethnicity



| Employment by Race/Ethnicity | | |
|------------------------------|-------------|------|
| Race | Units | 2020 |
| White-NonHispanic | Individuals | -148 |
| Black-NonHispanic | Individuals | -6 |
| Other-NonHispanic | Individuals | -5 |
| Hispanic | Individuals | -14 |

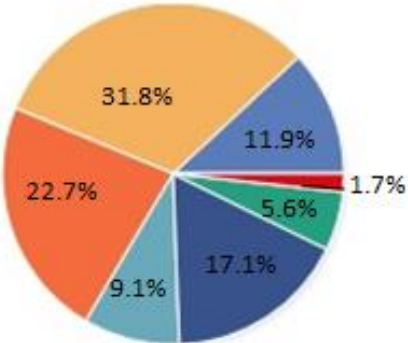
Results: SEI, Employment by Gender



| Employment by Gender | | |
|----------------------|-------------|------|
| Gender | Units | 2020 |
| Male | Individuals | -105 |
| Female | Individuals | -67 |

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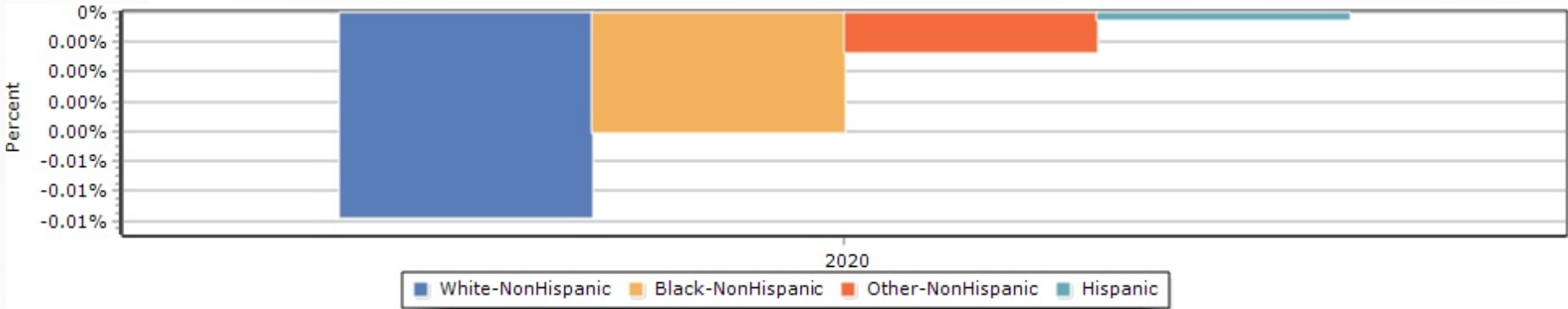
Results: SEI, Employment by Detailed Educational Attainment



| Employment by Detailed Educational Attainment | | |
|-----------------------------------------------|--------------------|------|
| Category | Units | 2020 |
| Less than high school diploma | Individuals (Jobs) | -21 |
| High school diploma or equivalent | Individuals (Jobs) | -55 |
| Some college, no degree | Individuals (Jobs) | -39 |
| Associate's degree | Individuals (Jobs) | -16 |
| Bachelor's degree | Individuals (Jobs) | -30 |
| Master's degree | Individuals (Jobs) | -10 |
| Doctoral or professional degree | Individuals (Jobs) | -3 |

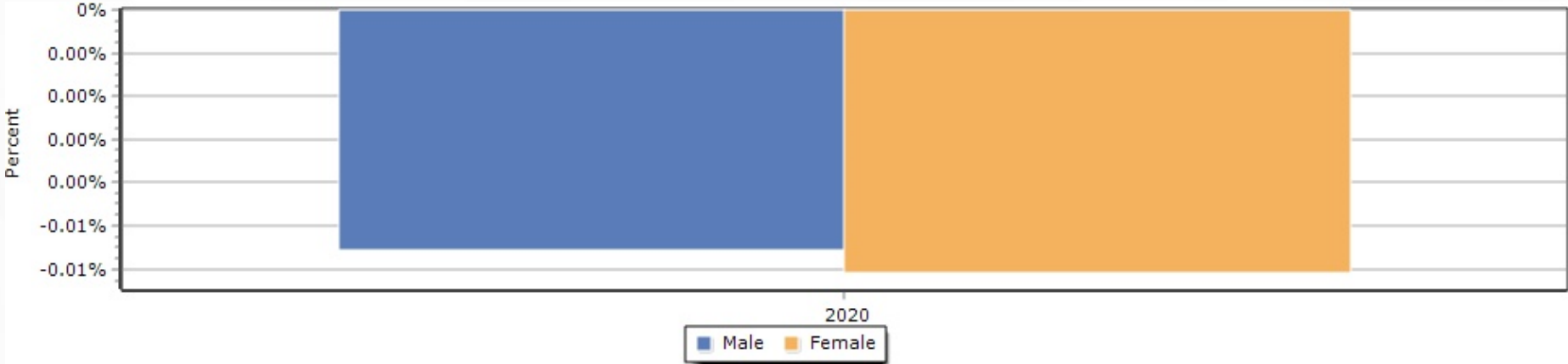
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Results: SEI, Labor Force Participation Rate by Race/Ethnicity



| Labor Force Participation Rate by Race/Ethnicity | | |
|--------------------------------------------------|---------|---------|
| Race | Units | 2020 |
| White-NonHispanic | Percent | -0.007% |
| Black-NonHispanic | Percent | -0.004% |
| Other-NonHispanic | Percent | -0.001% |
| Hispanic | Percent | 0.000% |

Results: SEI, Labor Force Participation Rate by Gender



| Labor Force Participation Rate by Gender | | |
|------------------------------------------|---------|----------|
| Gender | Units | 2020 |
| Male | Percent | -0.0056% |
| Female | Percent | -0.0061% |

| Unemployment Rate | | |
|-------------------|---------|--------|
| Region | Unit | 2020 |
| Nebraska | Percent | 0.017% |

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Conclusions



- Increase in Nebraska gas tax resulted in small losses to total employment, GDP, output, and personal income
- Recouped state revenues, with fairly minimal dynamic revenue losses

- Compensation rates were mildly affected
- Employment & compensation losses were relatively higher in the middle industry quintile
- Per capita income decreased, unemployment rate increased

- Consumption price index rose, driven by the higher gas prices
- Middle-income quintiles were relatively more impacted than lowest and highest quintiles
- Based on expenditure patterns by quintile

- Greatest employment losses to the white non-Hispanic & male demographic groups
- Individuals without university degrees experienced more job losses than those with higher degrees
- Labor force participation decreased relatively more for the white non-Hispanic group, with males and females seeing relatively even decreases

Thank you! Questions?

For more information, please contact
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