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POLICY SPOTLIGHT

Reversing Nebraska's Outmigration

Tax, housing, and labor reforms to grow the state

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Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among the states. Nebraska ranked 38th in net interstate migration, losing over 16,000 residents and $1.5 billion in income.[1] Research links migration outcomes most strongly to tax burden, economic freedom, and housing supply. Nebraska faces competitive pressure on multiple fronts: Tax code complexities penalize business, housing supply runs well below regional peers, and occupational licensing burdens exceed those of neighboring states.

Tax Policy Reforms

The competitive landscape

Nebraska ranks 22nd on the Tax Foundation's State Tax Competitiveness Index. Nebraska law considers income taxable if a nonresident works for more than seven days in Nebraska. This creates compliance and withholding complications. Nebraska is one of few states that levies a capital stock tax, and it applies regardless of whether the business turns a profit. A comparison with neighboring states shows where reforms could improve Nebraska's tax competitiveness:

South Dakota & Wyoming	No state individual income tax. No corporate income tax.
Missouri	Top individual income tax rate of 4.7%; top corporate rate of 4%. Further cuts planned.
Nebraska	Top individual income tax rate of 4.55% (down from 5.2%); flat corporate rate of 5.2%. Convenience of the employer rule and nonresident income tax filing are burdensome. Capital stock tax. Ranks 22nd on State Tax Competitiveness Index.

Recommended reforms

- **Eliminate the capital stock tax** to promote growth and induce business activity.
- **Expand the existing limited 7-day residency exemption** to a 30-day safe harbor.
- **Continue improving tax competitiveness** by reducing income tax rates and lowering the corporate rate.

[1] See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

Housing Policy Reforms

The supply gap

Nebraska issues about 4.5 housing permits per 1,000 residents annually—less than South Dakota's rate (roughly 7.7 per 1,000). Tight supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes Nebraska's attractiveness relative to peer states. Because these barriers are regulatory rather than financial, targeted reforms can encourage new housing investment and construction and can improve housing affordability across the state.

Recommended reforms

- **Establish a statewide accessory dwelling unit (ADU) right** by requiring all municipalities to permit at least one ADU on every single-family lot, prohibit owner-occupancy requirements, and prohibit additional parking mandates. This would align Nebraska with reforms adopted in Iowa and Kansas.
- **Reduce minimum lot size requirements** in areas served by public water and sewer infrastructure, following Kansas's recent reforms.
- **Adopt a Property Ownership Fairness Act.** Modeled on Arizona's reforms, such a law would require governments to compensate property owners before enacting regulations that reduce property rights.

Labor Market Freedom Reforms

The licensing burden

While Nebraska's labor markets are not among the most restricted in the nation, the state requires licenses for 61 out of 102 lower-income occupations—compared to neighboring South Dakota, which requires licenses for just 32 out of 102. This gap represents a meaningful barrier to economic mobility for workers seeking to enter licensed trades. Policymakers should conduct a systematic review of licensing requirements, prioritizing occupations where Nebraska's requirements substantially exceed those of neighboring states.

The portable benefits gap

Approximately 155,000 Nebraskans work independently, yet many lack access to benefits because companies risk legal liability when providing them to nonemployees. Survey evidence shows that 80.3% of self-employed workers want to remain independent while 80.1% want portable benefits. Portable benefits legislation would allow workers to access benefits without compromising flexibility or exposing companies to legal risk.

Recommended reforms

- **Review all occupational licensing laws** and reduce excessive education and experience requirements, prioritizing occupations where Nebraska's standards exceed those of nearby states.
- **Enact portable benefits legislation** that allows workers to create portable benefits accounts while enabling firms to contribute without triggering worker reclassification rules. This reform would modernize workforce policies, empowering businesses to innovate and enabling workers to thrive.

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