

as proposed by Senator Newell and myself would eliminate the sales tax on food or food products for human consumption. The food items exempted from sales tax would be those items that can presently be purchased with food stamps under the guidelines as established under the Department of Agriculture. Such food items would be exempt from sales tax regardless of whether or not the retailer is participating presently in the food stamp program. In addition, the exemption for food tax would not apply to meals prepared for immediate consumption on or off the premises of the retailer nor to food sold through vending machines.

SPEAKER NICHOL: (Gavel.) May I please have your attention. The noise level is a little loud. Will you hold it down a little so we can hear the speaker. Thank you, Senator Morehead.

SENATOR MOREHEAD: Thank you, Speaker Nichol. Since this sales tax on food would be eliminated, the food sales tax credit no longer will be needed, and to me as I have said, this would eliminate the gross inadequacy of the sales tax credit along with its administrative cost. We have talked about the details of this bill. We know there is a fiscal impact. I have said to you that I see it as senseless recycling. I have passed out to you this morning a couple of items that should be of interest to you. First of all, from the Department of Revenue figures on the sales tax on food statistics, if you look at the far right hand columns, 1980, 1981, go to the bottom of the page, you will find that in 1981 the State of Nebraska paid out \$7,826,793 more than it took in on sales tax. In 1980 you will find that the State of Nebraska paid out some \$10 million more in tax credits. Now I propose to you that our system is not working. Because it is a system that is so difficult to track, I feel that the food sales tax should be eliminated. I feel that the credit should be eliminated. This is a regressive tax. It hits the hardest on low income, large families, and middle income families for that matter. Food expenditures per capita, 65% of the meals are eaten at home, 34% away. As the income level lowers the greater the percentage of food eaten at home. As the income level rises, obviously the greater food income spent away from home. This is going to address that particular problem. In addition I have had passed around to you an item from the Omaha World Herald, Tuesday, March 15th, that indicates that the state's city sales taxes may be cut. We recognize fully that Omaha and Lincoln would be faced with a problem in this matter. We will address that problem. We are already attempting to address that problem. I respect