

other states that do not currently have the throwback rule and thus are not penalized as corporations in Nebraska are. I think that obviously you can see from the charts that have been handed out that there are companies that have substantial out-of-state sales that also have a substantial economic presence in the State of Nebraska and not only do we want to keep those corporations here, we want to encourage them to expand, to increase their investment and in particular to increase their employment. I think during my long-time involvement with the Revenue Committee I've always been skeptical of anything that looks like it would be simply a tax break for either individuals or corporations. And in this instance, as Senator Warner indicated, I'm convinced that a very good argument could be made for eliminating the throwback rule and thus eliminating the disadvantage that Nebraska corporations have when competing against other corporations in states that do not have the throwback rule. For that reason I certainly will be supporting the advancement of LB 559. I would encourage you to do the same and I would yield the remainder of my time to Senator Jones.

SENATOR COORDSEN: Senator Jones.

SENATOR JONES: Senator Coordsen and members, I rise in support of LB 559 and I just wanted to get a little clearer picture on the phase-in and how it affects subchapter S. Could I ask Brashear a question, please, Senator Brashear?

SENATOR COORDSEN: Senator Brashear.

SENATOR BRASHEAR: Yes, Senator Jones.

SENATOR JONES: Yes, if I had a subchapter S operating in this state and I wanted to sell stuff outside the state and there's several members in that subchapter S, how would this phase-in work for the period of time?

SENATOR BRASHEAR: Senator Jones, I want to be clear. I don't hold myself out as a tax expert. My understanding would be that because there was a subchapter S under federal tax law there would be no impact whatsoever. This is a corporate throwback income tax. It would not apply to subchapter S corporations which are taxed as individuals.

SENATOR JONES: Yes, they are taxed as individuals and a corporation pays tax, a subchapter S don't pay tax.