

May 23, 1973

no profits for them to pay to the State Government if the co-ops want to do it that way and this is the reason in my judgment, for Senator Duis' amendment, is to encourage the co-ops not to give back all the profits to the farmers in the form of patronage dividends, not to give it all back. Now they have, with inflation, they have certain extra capital requirements that come along. Now why shouldn't they give all of this money back to the farmers? Well, they have a policy in the co-ops that they will sell at prices that are competitive. They try to follow the private business enterprisers and use a price equal to what private industry does. Then they'll have profits arise and they can distribute these back to the, to the owners which would be the farmers. Now, if for example, this goes on long enough, they can simply refuse to have profits and evade the State Income tax anyway. Now the question comes up, well if they don't pay out these profits to the owners of the business, then they'll have money left over. With that money left over they will expand. Well, you don't have to do it this way. All the co-op needs to do is to sell more stock to the farmers so that they can expand, so there's a way the co-ops have of getting around this if they want to but they choose not to. Why don't they choose not to get around it? Because they want to be competitive in their pricing with private industry so in my judgment,

(End of Belt #9)

(Start Belt #10)

Senator Duis' amendment helps the private business enterprisers more than the present law and it's because the co-ops have a principle they follow that they will sell or buy at the competitive prices in order to have a profit. Now the Federal Government, for example, charges the owners who receive the patronage dividends, they charge them in--Federal Income tax on what they receive and what they don't receive. In other words, let's say a person owns a co-op and he has \$1,000 patronage dividends. Half of it is paid off in the form of cash. Well, he will pay Federal Income tax on that. The other half, we'll say, just for purposes here of consideration, the man does not get back in the form of patronage dividends but it's retained with the business. Okay, the owner, namely the farmer, has to pay a Federal Income tax on that portion which is still retained by the co-op. Now in other corporations, private corporations, there's many cases where a man who owns stock just simply pays on the actual amount he receives, and he doesn't pay on that portion that's plowed back into the private corporation so there's advantages and disadvantages both ways with the private corporation as compared with the co-op, but I think this amendment gives this Legislature an opportunity of saying that we are just as interested in agriculture as the Federal Government is. All Senator Duis wants to do is to have a law here with reference to State Income tax quite similar to that of the Federal Income tax. Now the question is, is this Legislature as anxious as the Federal Congress to help agriculture in the State of Nebraska?

SPEAKER: Senator Duis, are you ready to close? Senator Duis is closing.

SENATOR DUIS: Yes, Mr. President. In the first place, in answer to Senator Simpson in regard to the general file