

that they have to do this in order to check those corporates with the income of over ten billion dollars in order to see if they owe us any money from the standpoint of an income tax. Now let's just say you were a foreign corporation and you knew and they have their associations, they do know how often the state of Nebraska checks other states. This is a sort of a thing in which they have an interchange of information and if you had a foreign corporation and you had never been checked by the state of Nebraska in the corporate income tax, you'd probably get fairly loose, not dishonest. You wouldn't evade but could you and would you avoid paying taxes and, basically, it is part of a question whether you'd rather have them to pay us than New York City. Now they have a few objections as they always do why they can't do this. You can always find excuses why you don't do anything, but the fact remains, this state, in my judgment based upon my account with them, is losing literally millions of dollars. This bill would not correct it in whole but at least it would be a step in the right direction. It'd give us some idea what we could recover if we told them to do it and I don't think they are ever going to do it until we tell them to do it. This may be invasion, I presume, of the Executive rights and privileges and that, of course, I have some hesitancy about doing but that's all this amendment does.

PRESIDENT: The chair recognizes Senator Burbach, then, Stahmer, then Whitney. Speaking on the Carpenter amendment.

SENATOR BURBACH: This is getting to be quite a trip up to the speaker here to oppose every one of the amendments Senator Carpenter offers this morning. If we adopt this amendment, we are saying that just because a corporation is large, it's a suspect for auditing. Through the multi-state compact which Nebraska joined immediately upon the adoption of the sales and income tax provision of 1967, lines of communication are open so that we know which corporations are in violation of some other states. We have the opportunity in this multi-state to use them for auditing and we can do this at a much less cost than we can do it ourselves. If we were to adopt this amendment at the moment, there is sufficient money in the budget for forty audit positions. This would not be inclusive of these that we are talking about in this amendment. We would have no money to do those things which are necessary under the proposed Carpenter amendment so we are putting the cart before the horse. We are offering legislation without the finances to perform it. This is annually. There is no audit in income tax which is meaningful unless you use a three year audit. I don't know why I make this statement. I have been told by CPA's and others that the only practical audit is an extended period of auditing over the three years. A foreign corporation doing business in Nebraska is not necessarily suspect. Why audit one that shows that they have a loss. This can happen and does happen in certain railroads. I don't know of any railroads that operate in Nebraska but we have Penn Central, for example, in the eastern part of the state and maybe that would apply to some other corporations we have here. So this amendment should be turned down because we don't have the need for it. We have the multi-state compact. We don't have the monies budgeted for this and it's not practical on an annual basis.

PRESIDENT: Senator Stahmer.

SENATOR STAHMER: I wanted to ask Senator Carpenter a question that Senator Burbach touched on. Namely, if we were to adopt this, would we not need an amendment to put in funds for additional auditors and if we don't have it, do we, in effect, have anything?