

that represents, in my view, unfair competition with the Nebraska merchants. We have written a bill that is as constitutional as we can get it. We took out of this... Illinois does have a provision which is substantially similar to that of Nebraska except Illinois required the merchant to collect and remit the tax. This bill doesn't require that to be done. It has an alternative to that measure. We think this measure is likely to be constitutional, but this is the closest we can come literally to dealing with a major revenue loss because of interstate merchandising that works a hardship on our own merchants. I think it would be foolish for us not to support the measure because not to support the measure really puts our own Nebraska merchants in a worse position than out of state merchants.

SPEAKER NICHOL: Senator Labeledz, please.

SENATOR LABEDZ: Thank you, Mr. Speaker, members of the Legislature, for seven and a half years I was in charge of the Omaha Field Office and the field auditors that collected the sales and use tax. The use tax is probably the most misunderstood tax in the State of Nebraska. I can tell you one thing, when we went out, when the field auditors went out and audited the books of any company, let's say for instance a contractor, he would have steel or materials delivered into the state from, say from Pennsylvania or Colorado. The sales tax is not due at that point. It is a use tax because it is used in the State of Nebraska and we would find hundreds of thousands of dollars that was due the State of Nebraska because the person receiving the point of delivery of that merchandise, the use tax was not paid by the person that receives the materials. I can assure you that the State of Nebraska regardless how much this would cost to implement, it is very important that we do this for the Department of Revenue because it is very difficult unless we actually send an auditor into that firm or to that contractor and determine that a use tax was not paid. There is a lot of confusion as to what sales tax is and use tax. Use tax is the same as sales tax, but it's because it is delivered from another state and used in this state that the tax applies and there are many, many, many businesses that do receive even computers or office material or supplies into their business and they do not pay the use tax. It is only found out and we cannot audit every business or every individual that is buying from out of state. Until we do we