

amendment was adopted, the purpose of LB 3, even before LB 3 was adopted, Case-Cummins had made a decision to go down to South Carolina where they relocated and properly went bankrupt. It was a blessing we didn't get Case-Cummins, but we did get LB 3. The fiscal note to LB 3 said, look, this exemption is going to cost us \$2.1 million a year in lost revenue. It is going to cost us \$2.1 million. Well you know what the actual cost has been. According to the Department of Revenue the actual cost of the exemption that was supposed to cost \$2.1 million has been \$10 million. Supposedly manufacturers in our state are spending \$350 million a year in new equipment because they've got \$10 million worth of exempt taxes for that new equipment. Well the truth in fact is, the Department of Revenue has concluded that manufacturers are simply using a wide open exemption today, they're using it to drive every truck, every car, every possible vehicle through to continue a most favored tax treatment. The Revenue Committee did not repeal the exemption. We tightened it up just as Iowa has done. Iowa has adopted the exemption, but it adopted it in a tax refund form, in a refund form. It did not adopt a wide open exemption where somebody could simply walk into the manufacturing...where a manufacturer could simply walk to a tool and die maker and say, here, I'm an exempt manufacturer, sell me the stuff, I don't want to pay the sales tax on it. Iowa says, if you are exempt, what you do is you've got to apply for a refund. That then allows the Department of Revenue to go back and examine it very carefully and they can determine whether or not that was an exempt purchase. That's an appropriate way to monitor your tax law through the refund process. The second item on your desk is a letter from Donna Karnes, our Tax Commissioner. I call your attention to the third paragraph of her letter. She says, the Goodrich amendment would exacerbate the abuse by allowing an even broader exemption. The broader exemption would make it even more difficult for retailers to not accept an exemption certificate for any equipment that could remotely have any connection to manufacturing and processing. The present cost to the state of approximately two times the legitimate exemption cost would most certainly go up. In other words, the Department of Revenue is telling us this very minute, that if the Goodrich amendment is adopted, we will discover that we have at least two times the legitimate exemption costs. That's not right. That's bad tax policy. Back in 1981 we thought LB 3 would cost us \$2.1 million. It's turned out four years later that it cost