

with the DeCamp proposal. The first problem is that the DeCamp proposal is probably not constitutional. We have asked the Attorney General for an opinion on the DeCamp proposal. The Attorney General has not responded yet with its written opinion, however, the Attorney General has said, in informal discussions, that it is probably unconstitutional, and I will tell you why. I will tell you why. We currently do not levy an income tax on interest on municipal bonds and we don't do that by reason of statute. So if somebody is rich enough to own a bunch of municipal bonds, and they get the interest on those municipal bonds, they don't have to pay any taxes on that interest that they receive. Well the DeCamp proposal contemplates municipal bond income being factored in, being factored in to the income tax liability of those financial institutions that hold municipal bonds. Now there is case law, there is case law which holds that when a municipal bond that has been in existence for some period of time, when the interest on that municipal bond is not taxes, and when a legislature changes the law to even make that interest indirectly taxed, that change is known as an impairment of a contract and that new tax system is unconstitutional.

PRESIDENT: One minute.

SENATOR V. JOHNSON: I can give you case law citation for that holding, for that decision. It is that factor which has caused the DeCamp proposal, the Nebraska Bankers Association proposal to be treated as probably unconstitutional. Secondly, the DeCamp proposal is not an add on to the existing bank tax law. It is not an add on to 619, instead it is let's wipe the blackboard clean and start all over again. And it will cause the Department of Revenue to have to literally do a whole new set up for the way we tax banks. That is going to cost us a lot of administrative dollars, in fact the estimates are about a half a million bucks in administrative dollars. It is hard to believe that it would cost that much money. In any event, in any event I simply tell you that the DeCamp proposal, while we have considered it, we have thought about it, is a proposal that the negotiators ultimately rejected because of its probable unconstitutionality and because of its ultimate administrative costs.

PRESIDENT: Your time is expiring.