

this issue. I agree with Senator Schmit that for most of us we have to trust somebody in this matter. It is, who do we elect to trust? At this time I would like to turn over the remainder of my time to Senator Landis, who has been representing our Revenue Committee, if he is here.

PRESIDENT: Who are you asking for?

SENATOR MOREHEAD: Senator Landis.

PRESIDENT: Senator Landis, Senator Morehead wants to relinquish time to you. You have about four minutes.

SENATOR LANDIS: Thank you. I would like to explain what I think are the reasons why the DeCamp amendment is not superior public policy to 717. First, the normal corporate tax rate is about 6.3 to 6.4 percent, not 5 percent. So, in A, on number one, the pegging there is pegged to a number that is too low. Five percent of net income is not the right amount to begin with. It actually should be 6.3. Secondly, there is a breakdown there, a differential, a subtraction from 5 percent if you will, for the amount of exempt securities that you own. It is pegged at 12 percent of assets or less. You get a half percent of your net income tax forgiven if you are holding between a bond, an exempt security and 12 percent of your assets. Then over 12 percent of your assets you get a full percent off the 5 percent. So all the banks are either going to be paying 4.5 percent or 4 percent of their net income under this mechanism, the theory being that you want to encourage or recognize the amount of municipal, I'm sorry, tax exempt securities. There are only two banks that fall below the 1 percent breakdown, where they have less than 12 percent of their assets. But all the savings and loans fall below 12 percent. Is 12 percent the right figure? Well, if you were going to encourage people, and recognize they are holding exempt securities, you would hold that at the average amount of asset. In other words, you would give the break at the difference between the above average and the below average person. This half percent would be at the place where half the people are below and half the people are above. That would encourage the people that are above, wouldn't it? Sure it would. Where is that point in the asset portfolio? It is about 22 percent, not 12 percent. Twelve percent is a very arbitrary figure. As far as I can tell it is really there to make sure that the tax break goes