

protection of law, therefore, was unconstitutional and was invalid. Given those two factors, it behooved the Revenue Committee and the Legislature to take a look at what Nebraska had because it appeared that we were in absolute jeopardy. Now the premium tax in Nebraska is a big item. This tax generates \$28 million annually with \$14 million going to the state and the other \$14 million going to city, the cities, counties and schools. So the Revenue Committee appointed a special task force which studied the premium tax issue pretty carefully. The task force was not able to make a recommendation because the task force consisted of basically different concepts, people with different concepts and ideas. In any event, the Revenue Committee itself considered LB 1114 which I introduced. This bill was, in a sense, brought to me by the domestic insurance industry. This bill, as drafted, would provide for an across-the-board premium tax of 2 percent. It doesn't make any difference whether the insurance company is domestic or foreign, but it would then go on to provide a credit against the tax measured by wages and payroll. We requested an Attorney General's Opinion. Yesterday the Attorney General came out with, I'm sorry, the day before yesterday the Attorney General came out with his opinion and to my surprise, to be truthful with you, held that 1114 was, that the credit in 1114 was constitutionally suspect. But when that occurred, that naturally resulted in a flurry of activity on both the part of the domestic insurance companies as well as the foreign insurance companies and I am pleased to tell you that this morning we have been able to negotiate a tentative agreement which would be to simply have the state's premium tax be at 1 percent for all insurance business irrespective of whether it's foreign or domestic except, however, for group health insurance business in which case the state's tax would be .5 of 1 percent. And you may ask what the rationale for separate treatment of the group health insurance business is. It is very simple. The greatest threat today to the group health insurance industry in terms of its ability to sell its policies comes from self-insurance plans. There has been a dynamic growth in our state as well as the rest of society in self-insurance group health coverage. Under federal law a state may neither regulate nor tax, may neither regulate nor tax, self-insurers. And as a result our group health carriers face a form of competition where the deck is somewhat stacked because our group health insurance carriers have to pay a premium tax on the business that they write whereas