

effective tax rate for foreign in his example, foreign company operating in Nebraska, will stay at 2 percent. What if New Jersey does the same kind of taxation policy as we are doing right now and drops their tax to a flat rate tax of 1 percent? What happens to the tax income from a company out of New Jersey operating in Nebraska at that point?

SENATOR V. JOHNSON: If a sister state decides to lower its foreign tax rate, then that lowering will have an automatic effect on the number of dollars Nebraska collects pursuant to the retaliatory tax law. The biggest difficulty for our state in relying extensively on the retaliatory tax is that we now find ourselves at the total and absolute mercy of the Legislature's and Governor's of our 49 sister states. Our current level of reliance on the retaliatory tax is to the tune of 646,000. Under this bill, as amended, our reliance goes from 646,000 to \$10,390,000. So we suddenly find ourselves exposed dramatically to the whims and caprices of foreign state legislatures. However, the big states virtually all have a 2 percent foreign tax rate. It is our belief, it is my personal belief that we will see very little movement in the big insurance states away from that 2 percent rate over the next several years.

SENATOR HANNIBAL: Thank you, Senator Johnson, you're on my time remember. I understand your answer, however, are these other states, big states, do they also have a discrepancy between foreign and domestics or are they at all one rate?

SENATOR V. JOHNSON: No, the big states are big boys and they never discriminated between the foreigners and the domestics unless they were Massachusetts in which case they made the domestics pay more than the foreigners.

SENATOR HANNIBAL: So most of them have a flat tax, it is at a 2 percent rate and we're going to be dealing with a 1 percent rate in the State of Nebraska?

SENATOR V. JOHNSON: Right. You should find on your desk a chart entitled "50 State Summary" and you can quietly look through that and see what the tax differentials are.

SENATOR HANNIBAL: I understand your comment. Thank you very much, Senator Johnson.

PRESIDENT: Is there further discussion on the Johnson