

appropriate percent figure that we would use today to hold us...to give us the same amount of revenues today we had back in 1981, before Congress began to erode the state tax base. So there are two distinct issues in 1142. One is the notion that the tax commissioner can make interim rate adjustments to reflect federal law change, not economic changes, simply federal law changes. And the second one is a starting point of 20.91 percent. Now I've got to talk about the committee amendments. I talked a little bit about the bill. The committee...the Revenue Committee did this with this bill, the Revenue Committee said as a committee it was not prepared to accept a base tax of 20.91 percent. It said let us use 20 percent as the base tax. So 20 percent is the base tax in the committee amendment. It then said let us require the commissioner, the tax commissioner to hold a public hearing before the tax commissioner can make that rate adjustment to reflect federal law change. So we put that in. It then said let us not give the tax commissioner the authority to make that rate change until federal law in and of itself has either increased or reduced our base by at least 2 percent of the overall General Fund appropriation. Now that is supposing the overall General Fund appropriation is \$850 million. Seems like it is getting that way. But if it is \$850 million that means that the federal law change would have to result in either an increase to our tax base or a reduction of our tax base by \$17 million, that is 2 percent of 850 million. Only after that \$17 million figure was realized through that federal law change would the tax commissioner even have the authority to make a rate adjustment. So that is a triggering threshold. Now that is the essence of the bill. That is the essence of the committee amendment. It is a straightforward issue. I don't know exactly what the Legislature is going to want to do in terms of the tax issue. I know there is a lot of talk today about well let's not do anything with the income tax, let's do it with a sales tax. My suggestion is this, I think we should have an active, lively discussion on the concepts in LB 1142. I would support the concepts in 1142, I hope you do too. I think this...after the discussion the bill should be advanced to Select File. I think at that time we will wait to see what we collectively flush out in our budget, and how we ultimately come to grips with the tax issue. I can spend quite a bit of time, which I will this afternoon, talking to you about the propriety of the 20 percent income tax rate and why that is a better adjustment to make than a half a cent sales tax. And if we get into that kind of dialogue, that is fine by me. But I think...I wanted you to come to understand what 1142 does to our state tax