

the stamps on the cigarettes for us and collect the tax for us, i.e., the tobacco wholesalers, we have historically allowed them to retain for their services 5 percent of the taxes collected. This bill reduces their commission from 5 percent of the taxes collected to 3 percent of the taxes collected. This bill will generate, if passed in its form, \$4.3 million for the balance of our fiscal year and \$7.9 million for an entire fiscal year. Now, I should give you some of the rationale that I believe was utilized by the Revenue Committee in advancing this bill to the floor. You have three items on your desk. One of the items is a state cigarette tax rate chart and you will note that some of our sister states have in the last several months increased their cigarette taxes very substantially. Iowa has increased its tax to 26 cents a package. Kansas has increased its tax to 24 cents a package and South Dakota has increased its tax to 23 cents a package. Now, other sister states who have lower taxes than Nebraska are Wyoming which still only has 8 cents a package tax so it is a very low tax state and Colorado whose tax rate is 15 cents a pack. The Revenue Committee felt that notwithstanding the lower rates in Wyoming and Colorado, given the significantly higher rates in Iowa and Kansas and the identical rate in South Dakota, that the State of Nebraska could increase its cigarette tax rate without incurring serious bootlegging problems with the border states. In other words, we would be essentially in sync with three of the border states, though out of sync with two of the border states. Secondly, with respect to the wholesalers commission, one of the other charts that you have is a chart that was prepared by the American Commission on Intergovernmental Relations. It's listed as Table 4-3, and that chart showed as of January 1, 1984, what the wholesalers discounts were per case of 12,000 cigarettes. And if you look at that chart very carefully you will note that the State of Nebraska has retained historically one of the highest discount rates for wholesalers nationally. You will note that in effect the State of Nebraska at an 18 cent per pack tax rate was allowing its wholesalers \$5.40 discount per case of 12,000 cigarettes and you can compare that to Iowa which was then using the same 18 percent cigarette tax rate and the discount was \$2.16 per case of cigarettes and of course the wholesalers in Iowa do the same thing as the wholesalers in Nebraska do. They buy the stamps and they put them on the package. The thesis behind the reduction of the discount rate was the discount rate was, (a) overly generous to the