

federal system and the federal audits. Today, by virtue of federal budget cuts, the Internal Revenue Service only audits only 1.3 percent of all personal tax returns. So the auditing process in the Internal Revenue Service has fallen 50 percent in ten years. Today the Internal Revenue Service estimates the level of unreported or underreported income in this country at \$250 billion, \$250 billion, unreported and underreported income. Our own Department of Revenue did a study last summer of underground income in Nebraska and that study...I brought the study up for my own use. I have not laid it on your desk, however, but that study indicates various areas where there is enormous tax losses and tax slippages. Now you figure what kind of losses are occurring in the State of Nebraska as a result of incomplete audits and nonaudits and lacking enforcements. Those losses are very significant and if we, in a sense, increase the probability of those losses by reducing our existing staff at the Department of Revenue, we're simply going to be short more dollars in the end. In my point of view, this is a classic case, and I don't mean to demean either Senator Warner or Senator Carsten or the Appropriations Committee, of penny-wise and pound-foolish, penny-wise by reducing the Department of Revenue 3 percent, and pound-foolish by reducing our income flow very significantly, very significantly. It's a bad thing for us to do. Basically, I am supportive of the kind of cuts that the Governor and the Appropriations Committee are recommending, but there are some cuts that I think need to be examined very carefully and this is one of those. I am of the opinion that we should provide the Department of Revenue its full budget so it can have its full audit staff, its full field service staff, its full travel allowance, its full collection opportunities so that we don't lose additional dollars by virtue of noncompliance, underreporting, nonreporting and the like. We have heard Senator Schmit talk on this floor about the losses in the motor fuel tax by lack of adequate auditing. If we further reduce that auditing, we can expect further losses in that area. It is important that we not make this change. My amendment simply says that the Department of Revenue, in these hard times, should not be underfunded. It restores to them the kind of budget we gave to them at the end of last session.

SPEAKER NICHOL: Senator Labedz, then Senator Hannibal.

SENATOR LABEDZ: Thank you, Mr. Speaker. Approximately