

magnified in recent years because state legislatures have raised cigarette tax rates frequently and these increases have often been accompanied by higher payments to distributors. When a state raises its cigarette tax rate, the amount of discount per case increases proportionately unless an adjustment is made." And this body has just chosen not to make an adjustment. "As noted above, wide differences in discounts prevail among the states even though stamp affixing procedures are generally standardized throughout the country. No evidence exists to demonstrate that the variance in discounts is the result of regional cost differences. For example, among western states, the discounts vary from 51 cents in California to \$5.40 in Nebraska and North Dakota." It is interesting. We are one of the high discount states. In fact, with LB 3 in place with a 5 percent discount, we will be the second highest discount state nationally. Alabama will be just a hair higher. We will have 40 other states below us in allowing their stamp affixers far less dollars. "In the south the discounts range from \$1.75 in North Carolina to \$7.20 in Alabama." It will still be the high state, Alabama. "The cost of discounts increased 19 percent between 1975 and 1983 although total package sales increased only 5.7 percent. As a result, the discount per package increased 12.8 percent during this period. The wide range among the states in the amount of the distributor discount per case and the failure of many states to adjust discounts as tax rates change demonstrates rather clearly the lack of a relationship between distributor costs and reimbursements received from the state. There is little current data available indicating the appropriate level of reimbursement for affixing indicia. The studies done in the past indicate that overpayment of distributors by the state was the rule, was the rule, rather than the exception. It has been suggested that the states have been generous with discounts in an effort to appease tobacco wholesalers who are generally a major source of opposition in increases in the cigarette tax rate. Whatever the reason, a good case can be made for attempting to more closely relate the costs incurred by distributors to the discounts provided by the state." A 4 percent discount, as I am now offering, is a hold harmless discount in the event LB 3 passes. That is the only discount, that in my view, can anybody support in good conscience because a 5 percent discount simply provides \$365,000 in windfall money to the distributors.