

monthly projection. If you read the letter you will see, however, that that kind of an excess in receipts over the monthly projection represents an anomaly. The anomalous portions frankly had to deal with the erratic nature of some of our tax refunds, and in addition had to deal with some unexpected settlements of some contested cases, cases that have been contested for quite a long period of time, that if those analogous factors are taken out of the actual October receipts, the receipts probably would have been pretty much on the projected mark. A projected mark means, very simply, that our 19 percent tax rate today, and our 3.5 percent sales tax rate today simply are not raising for the state the revenues that we anticipated when we passed the original budget at the tail end of May 1985. It is fitting and appropriate that we adjust our income tax rate upward to take care of the budget that we are now adopting. The budget that we are adopting, as you all know, calls for a \$17 million reduction in a budget that we already pared back quite substantially at the conclusion of the 1985 regular session. We have made very significant cuts, as Senator Warner has ably pointed out earlier this morning. Now we have to have the wisdom to increase the state's income tax rates and, yes, to increase it retroactively. Now, of course, by retroactively we simply are meaning that most wage earners have had monies withheld from their pay check at the rate of 19 percent, and when they go to complete their tax returns on April 15, 1986, they will discover, a significant number of them will discover that at a 20 percent rate there has been underwithholding, which means that they will probably have to pay a few additional dollars. As you know from newspaper accounts, those few additional dollars may very well represent \$20 for a family with income of \$10,000 a year, \$25 for a family with income of \$20,000, \$35 for a family with an income of \$30,000. In other words, the additional increases that any taxpaying family of ordinary means would have to pay is relatively small in the greater scheme of things. Of course, the one fact that we all know that doesn't really get told as well as it should be told is that because Nebraska piggybacks the bottom line of the federal tax return, and because Congress, starting in 1981, set federal tax policy to affect a significant reduction over a period of four years of federal tax receipts, about a 25 percent reduction, that our marriage to the bottom line of the federal tax return means that we are married also to congressional decisions to reduce the tax base. Well, we are not really married to the