

decrease in net sales because of an increase from neighboring states. Did you hear testimony that addressed that?

SENATOR V. JOHNSON: Oh, yes. Senator Rupp, your question was such a good one yesterday, or the day before, whenever it was first asked, and my answer was a tremendous one at the same time. But it wasn't persuasive because you still voted against the bill. Now maybe this time around I can be more persuasive. Without any question in my mind state rate differentials tend to promote the bootlegging of cigarettes so that if a state like Wyoming, which only has a tax of eight cents per package, abuts a state like Nebraska, which could have a tax of 23 cents per package, there is a considerable probability that entrepreneurs will buy cigarettes by the truckloads in Wyoming and bring them to Nebraska for sale and they will be sold in Nebraska much cheaper than cigarettes taxed in Nebraska would be sold. That is the bootlegging issue. The only way to impede or to impair the bootlegging issue is to have vigorous enforcement of the antibootlegging laws. In 1978 Congress passed an act to stiffen criminal penalties on bootlegging and in addition increased the funding of the Alcohol, Firearms and Tobacco Division of the Department of the Treasury, and I quoted from a study, and I know you didn't hear my quoting it because you were getting a cup of coffee when I quoted from it, I quoted from the study by the American Commission on Intergovernmental Relations which said that as a result of the 1978 legislation bootlegging in the United States has gone from ten percent of the cigarettes sold to five percent of the cigarettes sold. In other words, there has been a 50 percent decrease in bootlegging. Bootlegging will be with us, just like murder seems to be with us, just like arson seems to be with us. Bootlegging will be with us. But aggressive collection and enforcement practices impair and inhibit bootlegging. I am not as fearful as Senator Clark was that we will have enormous bootlegging problems with Wyoming. Of course we should have none at all with South Dakota, Iowa and Kansas since their rates are equal to or higher than the rate proposed by LB 3.

SENATOR RUPP: Thank you. The second half of the question I guess is specifically a rationale. Why cigarettes, an item that is already taxed so heavily?

SENATOR V. JOHNSON: It is...I find it almost impossible to