

the amendment and simply recapitulate I think some of the problems with the amendment. First, this makes our ultimate public policy infirm on a 4-R basis. It puts us back in the difficulty of treating certain kinds of personal property differently and, thereby, creating a system that does not have a conceptual whole that supposedly treats personal property the same. That is a problem with it. Secondly, this does have about a \$ 3.5 million impact on the tax base, under current practices. I predict under 1063 that ultimately we will have to absorb that difficulty over time because without this change opportunities exist for farmers and ranchers to take care of this problem, an opportunity that exists now which a vast majority of ranchers utilize. It is quite sensible not to depreciate one's cattle because given the fact that when you purchase livestock and ultimately sell it, you almost invariably sell it for more than what you purchased it for. When that happens, Senator Conway in a quick sketching for us all, points out that you wind up recapturing all that lost depreciated value and have to pay income tax on that new sales price which is larger than the amount that you depreciated over time. For that reason, the majority of ranchers and 80 percent of the cattle or livestock in this state is not now depreciated because it makes economic sense not to do so. If 1063 becomes law without the Hefner amendment, we could predict that that 80 percent that is not now depreciating would grow in number, and by growing in number, eventually take care of this problem, livestock not being on the depreciation system, or the net book system of 1063, and eventually would escape taxation. Why, when we have a method available for ranchers and for livestock, which the majority of them are now using, why, when that option is available, should we shoot ourselves in the foot with respect to 4-R? I would suggest that you, even though you support the notion that livestock should not be taxed, oppose the Hefner amendment and realize that options are available to ranchers, farmers in the disposition of their livestock, and will see to it that they will not be taxed as a depreciable item simply by the elections that they choose to utilize. Actually, it will wind up being a simpler bookkeeping process, and in the vast majority of cases, your ultimate income tax liability will go down. There is a natural process to take care of this problem without the Hefner amendment, without running afoul of 4-R, and imperiling some of the public policy goals that 1063 would eventually achieve. Lastly, in his closing, I hope Senator Hefner will tell us whether the adoption of this amendment is offered as a genuine friendly motion or not.