

income under LB 773. It is my understanding that a state tax system based on federal taxable income would have a distinct advantage in that we could utilize and benefit from the federal audit system and that audit returns on a federal taxable income basis. And, second, there is a significant advantage in that a system based on federal taxable income would not subject the Nebraska Legislature to the special interest groups who in all probability attempt to obtain special exemptions from a system based on adjusted gross income like LB 773. A system based on federal taxable income would incorporate the exemptions provided at the federal level. I am sure that you are all aware of the countless exemptions that special interest groups obtain from the Nebraska sales tax. If LB 773 is enacted, then I fear that special interest groups would accomplish obtaining special exemptions from a state income tax system based on adjusted gross income, just as they have obtained special exemptions from our sales tax. In closing I urge you to replace LB 773 with my proposed amendment to continue our state income tax based upon federal tax liability, and this would be at the rate of 21 percent if the amendment is adopted. Until we at least have the results of the \$350,000 tax study that we commissioned...

SPEAKER BARRETT: One minute.

SENATOR McFARLAND: ...we should not be making major changes in our state income tax system at this time and we should especially not be making a major change like LB 773 which would benefit the rich while penalizing our fellow middle class Nebraskans. Thank you.

SPEAKER BARRETT: Thank you. Senator Johnson, for what purpose...

SENATOR V. JOHNSON: Mr. Speaker, I'd ask for a point of order. I think that the amendment that Senator McFarland has offered is clearly germane to LB 773. I do not believe the amendment, however, is germane to the committee amendment that Senator McFarland asks to amend. Now it's important that I get a good ruling on this only because it would be grossly unfair to the work of the Revenue Committee and this body for Senator McFarland to have an opportunity to offer his amendment when a simple majority of those voting would carry on this amendment to the committee amendment. The committee amendment, as you know, Mr. Speaker, is simply designed to set some rates to the main bill, is designed to make some technical changes to the main bill. Senator McFarland's amendment to the committee amendment