

March 29, 1988

LB 294, 987, 1116, 1143

Journal.) 26 ayes, 17 nays, Mr. President.

SPEAKER BARRETT: The amendment is adopted. For the record.

CLERK: Mr. President, I have an amendment from Senator Dierks to LB 987; Senator Withem, LB 1116; Senators Hall and Ashford, LB 1143. (See pages 1854-56 of the Legislative Journal.)

An announcement, Mr. President, there will be a meeting of the Banking Committee at four o'clock in the senators' lounge.

Mr. President, the next amendment I have to LB 294 is by Senator Conway.

SPEAKER BARRETT: Senator Conway.

SENATOR CONWAY: Mr. Speaker and members, I will...now that the trauma of the cigarette tax is over, hopefully, I will get the attention of the body and we can run this particular amendment. As I was discussing in the opening before the rude interruption, the situation at hand that we're talking about here is corporate income taxes and the extent to which the foreign source income that's received from corporations, outside of the United States, is treated for tax purposes in the State of Nebraska. We've got two different uniquely structured different situations with foreign corporations, one being a foreign corporation that is incorporated in a foreign country but is a subsidiary of a domestic corporation and they, as they generate income, pass that income back into the United States in the name of dividends. The other situation would be a domestic corporation that is incorporated in the United States but has a subsidiary outside of the United States that has the so-called...meets the 80/20 test, or, in other words, 80 percent of their assets and payroll is outside of the United States. And if that be the case, when their income flows back into the United States, rather than being in the form of dividends it comes in in the form of a foreign source 80/20 income. Under Nebraska's apportionment standards that we use, contrary to the so-called water's edge that we say we subscribe to, we don't in this particular respect to the 80/20 corporations. And, if you will look at that buff-colored map that I passed out a little earlier, you will see what Nebraska does with these different types of corporations. If it is a dividend, we offer a 100 percent exclusion of that income into that apportionment formula. If it's an 80/20 corporation or one that is actually