

March 10, 1982

final authority on setting the budget, of course, rests with you, the Legislature. Nevertheless, I am here to advise that 23 million dollars has just got to be cut out of there. You now have my detailed proposals on how it can be done. The actual components of the cut will, of course, in the final analysis be determined by you. However, you share with me the responsibility for maintaining the fiscal integrity of our state in this difficult period. Now even with a reduction in the budget of that amount, revenues will fall short by 56 million dollars. If you will exercise your responsibility with respect to the cuts I have called for and approve the recommendations of my revenue package, I am confident that the Board of Equalization and Assessment will discharge its duty by increasing the individual income tax rate to 17% of the reduced federal base retroactive to July 1, 1982. While as chairman I have only one vote, you and all Nebraskans know where I stand. And I might add here parenthetically, I have now visited with the other members of that board and we have an overwhelming majority for that action. Regarding revenues, my original proposal to you called for a four cent increase in the cigarette tax. The Revenue Committee has recommended two cents. Can we consider cutting the budget by more than 23 million dollars, raising the individual income tax by 2% and fail to raise the full four cents requested? I say, no, and I hope that a heavy majority of you will agree with me here. One final item regarding my revenue package. I have asked the Tax Commissioner to begin work immediately with your Revenue Committee under the able leadership of Cal Carsten to revise the proposal for the corporate tax increase. The increase in the personal income tax rate will mean an automatic increase in corporate taxes of about 5.4 million dollars. I want the corporate rate changed to bring in another 14 million dollars in that 18 month period. This will approximately equal my January proposal for 20 million dollars in this year and a half from corporations. I think it is a very, very fair proposal and I know that many of you have been hearing contrary around the state. For some months a major debate has taken place in our state on the raising of the income tax rate. Because we are tied to the federal income tax which is being reduced, increasing the rate does not necessarily increase the tax. The public has a much better understanding of that issue today than it did last November. I have tried to further that understanding. Many of you in this body here have helped very, very much. By the way, the media has done a crackerjack good job on that and I specifically point out Ed Howard from the Associated Press who has done yeoman work in that regard, and Mr. Ed, we appreciate it. As you recall when I became Governor, the personal income tax rate was 18% of the federal level. We reduced that to 15%. Because of our tax cuts, the people