

you should start from the very basic theoretical construct that once a state has an individual income tax, it must have a corporate income tax. Now, what should the relationship be between the corporate income tax and the individual income tax? Well this state has traditionally established a relationship of about...of setting the corporate tax rate at a level which will generate to the state treasury about 25% of all income tax revenues with the remaining 75% being generated by the individual taxpayer. That structure of 25% corporate tax revenues and 75% individual tax revenues remained very strong through the mid-1970s but in the mid-1970s an interesting phenomenon occurred. That was, inflation ran away with it and what inflation did to the individual taxpayer is it meant that taxpayer got lots and lots of additional wages and earnings as the individual was keeping up, so to speak, with inflation and those wages and earnings kept moving that individual into higher income tax brackets at the federal level. Inasmuch as our state individual tax system is a proportion of whatever the federal tax liability is, we then began to generate inflation induced revenues and bracket creep revenues from individuals at a rate disproportionate to the revenues we were generating from the corporate community because their system essentially is nonbracketed. So by 1981 the corporate community was only contributing 20%, only 20% of the state's income tax revenues with the remaining 80% being contributed by the individual income taxpayer. So one of the things that the 35%, the new 35% tax rate for the corporate community does is it restores the historic balance that has existed in our tax law for a long period of time tending to bring the corporate revenues back into that 25% ratio as opposed remaining at a 20% or even lower ratio. If we were to accept Senator Vickers amendment and Senator Koch's rationale we frankly would continue to perpetuate a distortion caused in the late 1970s by inflation and bracket groups and I think that would be wrong. We would be asking our individual community to pay a disproportionate high portion of the total income tax revenues to the State of Nebraska.

SENATOR CLARK: You have one minute.

SENATOR V. JOHNSON: For that reason I think we should reject the Vickers amendment.

SENATOR CLARK: Senator Dworak.

SENATOR DWORAK: Mr. President, colleagues, I don't believe Senator Johnson really believes what he just said and if he does I can understand why he would be so supportive of this particular bill and opposed to this amendment. If I understood him correctly he said that you can conduct all of your