

April 7, 1982

LB 757

SENATOR WARNER: Well, I would rise to oppose. Now immediately I am sure someone can say, well, how come you just moved to increase it? When you go back and look at the history when I first started on this amendment a little bit ago I commented on the fact that we have a tax structure that is exceedingly responsive to the economy which we have, the sales and income tax is, and when inflation is running as it was receipts were accumulating much more rapidly than anticipated. When you have depression or recessions, the economy slows down, the reverse is true. Now I don't know quite how to say what the law says. I guess anybody could read it and report it that...I don't mean reporters, but repeat it and understand it. Up until I think 1973 the Board had no ability to meet other than in November. Then when things got difficult, in fact, we were raising money more rapidly than was needed, the Legislature at that time reduced the income tax down because the Board could not meet, but at that same time we then put in provisions for the Board to meet other than in November under special circumstances, one of which was after the Legislature adjourns and the other time was when receipts were more than 10 percent, and then there was the requirement beyond that... before that that dealt with changes in the federal income tax and dealt with income tax only. This year with 757 the amendments that the body adopted a few days ago now will provide the Board of Equalization with the ability to meet and react to economy...changes in the economy much sooner than they otherwise could. The kind of tool that they needed which did not exist will now exist and they can continue to do it. The argument has always been and I still agree that it is factually a correct argument, that in November a Board of Equalization can more adequately judge the next year's economy than us trying to set it now. Those states that do it carry large, large reserves. You may recall California when they did their Proposition 13. They had something like \$7 billion in reserve because they had fixed rates. Our concept has been not to raise any more dollars than was required to cover the budget and that is what we have done. And the reserve, whatever reserve we did have was only one because if it was above the 5 percent or the 3 percent, whatever it was put at, was only because that the economy was either healthy or less healthy than had been anticipated. But if we want to keep that system in place which is an excellent system and really the envy of most states of only raising the money that is needed, you need that flexibility of the Board's setting the rate as late as possible, and I would hope that it would be understood that it is not an election type process, it is not a political process, understand the circumstances that permit those kind of arguments. But the fact remains that for maintaining

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