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kinds of things, incidentals?

SENATOR CONWAY: Housing, books, tuition, the very specific items that belong...(interruption)

SENATOR SMITH: Not incidentals?

SENATOR CONWAY: Pardon?

SENATOR SMITH: Not incidentals?

SENATOR CONWAY: I don't believe there is incidentals in it, no. It would have to be all approved by the institution as part of their financial (inaudible)

SENATOR SMITH: Okay. And would they then have to pay, at any time, taxes on the account, those people that are the recipients?

SENATOR CONWAY: Only if they use the money for something other than those prescribed educational expenses.

SENATOR SMITH: So it really is a tax loss to the state because of the money being set aside by individuals who are also receiving the benefit of not having to pay it? And then the people who receive it don't have to pay a tax on it either?

SENATOR CONWAY: The only loss to the state would be the fact that there is some income set aside that is not taxable income in that year. Then there is some, to some extent, I assume we could say there is recapture to the extent that what is happening is then you have cash dollars out of those accounts ultimately going back to the educational institutions, but, no, there is no recapture of that tax as long as the money is used specifically for educational purposes.

PRESIDENT: One minute.

SENATOR SMITH: Well, you know, these are questions that I think you're answering that make me feel very uncomfortable about the bill, quite honestly. So, at this point in time, I'm not sure that I'm going to be able to support it. Thank you.

PRESIDENT: Thank you. Senator Conway, followed by Senator Warner.