

only claim \$1,130 per exemption, when the federal personal exemption is \$2,000, that means that you have \$870 per child or per exemption more in state taxable income. And, if you have a large family, you have more and more state income, and your tax goes up. This would make it nondiscriminatory because you would have the same personal exemption on the federal and state level. The third thing it would do, it would eliminate the cliff effect that we discussed here two years ago, and I think last year as well. The problem that occurs when you have personal exemption level on the state that is different than federal is that if a wage earner earns up to the point where he's just below having federal income tax, then under the state system, if you don't pay any federal income tax, you don't pay any state income tax. He gets...he does not have a state income tax or a federal income tax. However, if he crosses over that federal income tax level so that he may have only \$2 in federal tax liability, then the exemptions kick in and the differential between the federal personal exemption and the state personal exemption means that there is a significant amount of state taxable income. So in the one example I think I used two years ago a person that made \$10 more has federal tax liability of \$2, if he had a family with four children he would have a state tax liability of \$159 all of a sudden. It would eliminate that cliff effect and that inequity. There are a lot of benefits of this amendment over the bill in its present form, LB 739. If you look on the fiscal note, this will provide \$25 million of tax relief, as opposed to the approximate 18 or 19 million in the present bill. The \$25 million of relief would go directly to middle income people, it would not be distributed across the board to all income groups, would not be distributed to those higher income people who have child care...who can take child care benefits, it's directly targeted at the people that paid the tax increase. And in that way I think it's a much more logical, it's much more reasonable, it's much more simple, fair, equitable and even easier to administer than this bill. This bill seems to be just kind of a political type of bill that was thrown in to try and be symbolic enough so you can argue you'd be benefiting all these people, and you're not really doing that much. As Senator Hall pointed out, with the aged...or with the elderly credit, it will not benefit that many people, it will be good ammunition for some kind of political speech about what kind of tax relief we're providing. In reality there is not direct tax relief in the present bill. This amendment would provide direct tax relief, it would provide it to the people that paid the tax increase, the middle income taxpayers of Nebraska.