

regressive taxes are the type that tax individuals regardless of their means of support. And the types of support that they have, the type of income they have, the type of assets that person has really doesn't make any difference when you start taxing on services, much the same as tax on sales. The tax on... sales tax is a regressive tax because even though an individual may have an income of \$8,000 a year or \$10,000 a year, that individual is still paying the same type of taxes, the same rate of taxation as an individual that makes \$1 million a year. The taxation level is the same and that's what we mean by a regressive tax. Now an individual that makes a lot of money then they are taxed at a greater level when it comes to income tax. Because that individual is making more, the state says they should pay more and that's why we have tax tables that progressively move upwards so that individuals that make more money pay a larger proportional share. That's been our basic equitable tax philosophy in this state as throughout the nation. The U.S. government, other states throughout the nation all take the perspective that a progressive tax rate is much better than having it regressive. And that's probably why individuals back in 1967 chose to have a balanced approach, putting an equal balance between sales and income. And up until we made a change with the Board of Equalization, they had to be proportionally compatible. You couldn't raise the sales tax five cents and not touch the income tax. Now we made some changes when we changed from the Board of Equalization but that basic philosophy has carried through with the Legislature. Last year, with LB 1059, we put on a tax on sales tax as well as an increase on the income tax, trying to balance things out. Now what is the sales tax on services? Is it a fair tax? Is it a tax that taxes the individual with higher income? Of course not. It's just an extension of the sales tax. But why shouldn't we take the approach that was foresaw back in 1967? And they said, let's tax practically everything on sales tax and then we can come back later and see how the tax system works. And if the tax system works great for taxing all individuals, then we should keep it. Or we can take a look at it and say, well, we should probably exempt this particular sales tax or that particular sales tax. You know, it's just a better approach if this body wants to take that step on sales tax on services, take the step. I mean, the one argument that you hear over and over and over again dealing with sales tax is that we have to make it broad so that the rates stay low. And what are we doing? The first thing dealing with sales tax on services, we're shrinking the base, we're making the base so very, very small that it will