

body. This, LB 1004, is a bill that was introduced by Senators Landis and Hall. Neither of them is here today, so I agreed to handle it for them. LB 1004 deals with what is called a generation-skipping transfer tax, and I will try and put it in common terminology for you. When you get into the realm of estate taxes and inheritance taxes, the federal government has some unique provisions. Both the federal government and state government tax an estate, and what the federal government does is they establish essentially what amounts to a credit that can be used against your federal tax in the amount of the state tax that you pay, and they put a maximum amount on that credit. Now what we discovered a couple of years ago when we rewrote the estate tax laws was that Nebraska was not at the maximum federal credit allowance, and as a result, an individual was not able to claim that maximum credit against this federal estate tax, and the federal government was picking up money that, in essence, the State of Nebraska could have taxed if they wanted to, and we changed the law, and brought the Nebraska statutes up to the allowed federal maximum, so we could take full advantage of what the feds offered us. This, and it is important, I want to emphasize this, this does not in any way, shape, or form increase an individual's total tax burden at all. What it does is it just increases the share that goes to the state, decreases the share that goes to the federal government. But we discovered there is an area that we missed in this, and this is where this bill comes into play. This is the generation-skipping transfer, and this is when an individual that is more than one generation apart from another transfers some property to that individual, so this is like a grandparent giving property to a grandchild. At that point, in some cases, the individual has an option of paying, rather than an estate tax, a generation-skipping transfer tax. Well, the same federal provisions apply in this area with a credit provided with a maximum in the amount of the estate tax to be paid, and we, again, in this area had fallen short in that we were not taxing at the maximum allowable level as far as the federal government was concerned, with the result being that we are giving money to the feds that actually could be going to the state. So, in essence, this is the perfect tax bill. This is the bill that could increase state income, increase state revenue, without increasing the total tax liability on an individual at all. So, obviously, this is a position we want to be in as a state, I think, to be able to take full advantage of federal laws, not give needless dollars to the federal government, keep them in Nebraska if we can. With that, I would urge your vote to