

this case relative to services but in the sales tax shift. To me, that is a drastic loss to the taxpayers of Nebraska and the bottom line is not how much is in each category but what is your bottom line tax burden at the federal, state and local level going to be for the average taxpayer because that's what ultimately runs the economy in total. I think also Senator Wehrbein started to touch on a philosophical bent that I think is worthy of pursuing. Under the schedule we're talking about under 1120, I think the locals are in a position where they will view the sales tax on services as literally being their turnaround. We're buying down exactly the same amount, we're trying to keep the thing revenue neutral and I think they're going to see any expansion on services as being their cash cow with respect to rather than since we took personal property tax means away from them that all sales tax on services, which puts us up against the wall like local option sales tax did several years ago, now we're saying, well, the state no longer has any flexibility because with the one and a half cent laid out in the City of Omaha and various cities around the state we no longer then have the flexibility to be competitive as a state in terms of our total sales tax burden. And I think we're going to find ourselves in a philosophical twist where we are going to lose the expansion of our sales tax base. I don't have a problem with sales tax on services in the future for the purposes of buying down other sales tax rates or even maybe even substituting as a state function to buy down, whether it be Medicaid or whether it be many of the other services, we hear discussion on the floor as relative to community colleges and on and on in terms of taking over those services. But I am fearful, in this particular case, that we are setting ourselves up in a position where sales tax on services, by this direct buy-down, the local communities will assume all services tax, then is simply flowed through the state and comes right back to them and we lose that flexibility in the future. But my biggest concern and why I'm rising at this point is that trade-off of \$1.38 compared to \$1, because once you lose the deductibility...

PRESIDENT MOUL: One minute.

SENATOR CONWAY: ...of property we are in a position then where we have foregone 38 cents to the federal government for the Nebraska taxpayers and I think that, as we make that trade, it's...we have to remember it's not dollar for dollar, it's \$1.38 to a dollar. Thank you.