

February 21, 1992 LB 829, 1120

The purpose of the amendment is simply to say if you're going to have a depreciation add-back, and if your rationale is we want to pick up some revenue from those people that aren't going to have to be paying this personal property tax anymore, we ought to leave it there. That was the rationale of the depreciation surcharge in 829. That, I think, is about the only public policy justification for the depreciation add-back.

PRESIDENT MOUL: One minute.

SENATOR WITHEM: If we're going to leave it in the bill, let's leave it in that sense. If they're already paying real estate taxes at the local level, they're already paying motor vehicle licenses or taxes at the local level, let's not make them also pay this, in essence, 7 percent of anything above the \$100,000 on their state income tax. So that's the purpose of the amendment and I hope you'll support it.

PRESIDENT MOUL: Thank you, Senator Withem. Senator Kristensen, followed by Senators Warner, Nelson, and Moore.

SENATOR KRISTENSEN: Thank you, Madam President, members of the body. When I opened on the amendment I talked about don't get confused between a property tax and an income tax. What we're doing here, by the depreciation add-back, is you are using the income tax system to levy a property tax in effect, because you're wiping out the ability to expense, through the system of depreciation, the real purpose of buying that piece of property, or having that piece of semi or a motor carrier was to produce income. That income has legitimate expenses which need to be done so it can earn money, that's the depreciation. That's an income tax method. Through this LB 1120 you take away that expensing, you take away the income tax incentives or the income tax purposes for allowing someone to buy a piece of property in the hopes of being able to tax it as a property tax. Don't be confused, if you want to tax property tax, tax it as a property tax, don't pervert the income tax system, because that's what this does is pervert our income tax system, taking away the reason for depreciation. And depreciation, we've never taxed it, it's always been a legitimate expense because you need it for the production. Instead of taking it in one year, you spread it out over a number of years. You're going to penalize these people. Keep the system straight. What is at fault, what needs to be fixed is the personal property tax system. That's the area we ought to fix instead of perverting our income tax