

distinguish, it doesn't make a separate little entity. I mean that is anybody who has that sort of equipment, I mean motor vehicles could be a pickup, could be a car, could be a station wagon, a mini van, or Senator Cudaback's big semi. Now on the real estate it's the same side. A developer, Senator Robinson wanted to say it's so big I...anybody who has real estate, it can be a farmer if they have a tract of land with building sites that they...and that building site they're going to depreciate out parts of those sorts of things, in a landlord-tenant situation, or if they're retiring go off the farm and rent it out and are going to take those as expenses. This doesn't distinguish, this is not a farmer versus anybody else. And what becomes dangerous is that 100,000 limit is the artificial limit of who's big and who's not. I mean with...with 20 out of 21 people that limit can change very quickly. And so I'm talking about policy changes that a depreciation add-back is a change in the income tax system, taking away the advantages of...and the legitimate purposes of depreciation versus making the changes we need to make in our personal property tax system. I see them as two different things.

SENATOR BOHLKE: Thank you.

PRESIDENT MOUL: Thank you, Senator Bohlke. Senator Warner.

SENATOR WARNER: I want to pursue a little further a comment Senator Kristensen made relative to using income tax for...to address the personal property tax issue. As has been repeatedly pointed out, depreciation is a legitimate expense. It is an expense of doing business, any way you look at it. I have a lot of concern that the \$100,000 that we're talking now, which means we assume a lot of people will not be affected, but we all know that when you got in revenue binds that could be dropped, in fact we'll have an amendment to drop it even here following to something less. The point I wanted to make, however, is that if we go the route of making depreciation income no longer an expense for state income tax purposes, the way I believe the amendment is...or the bill is written, and under federal income tax laws, in a great many instances, you have to, if you sell that property, you have to pay a gain on the value over the depreciated value of that property, whether you depreciated it or not. You have the option of not doing it, but when you sell that property it will be assumed, on your federal income tax, that you have depreciated it, whether you did or not, and you will pay a gain on the sale of those items based on its