

under the system set out in 1063. The reason I am inserting or am proposing that the word "purchased" be inserted is because you can have what is known in the tax business as step-up basis property. Step-up basis property typically is property that you inherit on the death of someone else. That property would become subject to tax under the provisions of 1063 as proposed and as amended by 3068, 3048. I do not believe that it would be our intention to put that property on the personal property tax rolls. Let me give you an example. Let's say you have the owner of a small store, and in the store they have a cash register, and they have a counter, and they have some filing cabinets, and they have some display shelves, and all of those things are more than ten years old, and the proprietor, let's say for this example is the husband, dies. The wife wants to continue the business and one of the things that the attorney representing them in the estate will tell them is that the property, that filing cabinet, that shelf, that counter has a new basis, even though it is zero on the date the husband died because it has been depreciated out. As soon as he died, it had a new basis and that new basis was the fair market value on date of death. Normally, that has been official because you have new depreciable basis for purposes of the tax code, so you get tax benefits. But in this instance, we would take away some of those tax benefits because we would put that property on the personal tax rolls and increase the burden on that wife as she sought to continue the business. Now you could have more extreme examples in a small operation, this applies to both small and large. Let's say you have a farm or a ranch and you have machinery that has been fully depreciated, and all of a sudden it comes back in with fair market value as basis, or you have a herd of breeding livestock and they have no basis because they were raised, or they have been depreciated out, and all of a sudden they have basis, and they would become subject to tax under the proposal that is before you now. I do not think it is our intent to put that kind of property on the personal property tax rolls. There are also other instances in which you can have step up in basis, corporate dissolutions, for example, may result in a step up in basis. I originally proposed this as a simple amendment so that we could bring it to your attention. At this stage of the debate, it will be brought back later with perhaps a slightly different amendment. I simply want to introduce the concept to you so that you have time to think about it and realize that there is more to this perhaps than what you had originally thought. With that, I will ask that the amendment be withdrawn and will bring back the concept later.