

if you are a businessperson and you purchase an item of income-producing business property that in most of the counties that property is brought onto the tax rolls at 70 percent of its purchase price, and then the assessor depreciates that over a period of ten years at a rate of 5 percent a year, and you remain then for as long as that property is in your business and in use in your business at a property tax rate of 20 percent of that value. LB 1063 in its current form, then, provides for a, what could conceivably be a reduction in the business equipment that is currently being assessed, and that that equipment that is being held or has been held longer than seven years would no longer be part of your adjusted base for the purposes of personal property tax computations. So it may well be that we would have a decrease in valuation for business equipment. I wanted to mention that in the context of what the amendment does. The Internal Revenue Service Code provides in what is called Section 179 that a taxpayer, at least a taxpayer with less than \$200,000 of claimed depreciation, can elect to expense up to \$10,000 of the total amount in one year, and then the rest is depreciated by a variety of systems that are provided for. We are narrowing that selection of systems down to the 150 percent declining balance. The language in the...and that, basically, the \$10,000 is used to expense items, two different things, one is to expense items that are relatively low in cost but have a useful life of more than one year, more than one year. And you have either your class, three year, five year, seven year class lives that are applicable as far as federal code is concerned. This language, as I understand it, that is currently in the bill would require a recomputation for personal property tax valuation purposes of a lot of currently existing property, as well as create an infinitely more complicated system for the taxpayer in future years. Now, of course, the other use of 179 in items that cost in excess of \$10,000 is a reduction in the value for federal tax purposes of that particular item. For an example, a \$50,000 lathe in a machine shop could be reduced by up to \$10,000 leaving \$40,000 residue for that business owner to claim over the class life of that property. I think if we follow more closely the available options under the Internal Revenue Service Code we will have two things, one is a simpler system, one that is more understandable by those who must comply, and one that creates a lesser burden on the part of the taxpayer in either bringing back in or changing from the current system of either no property tax, in the case of agriculture equipment, or a different system on the part of business equipment. I don't know what the impact this