

SENATOR WARNER: Madam President, Senator Wesely, as a general comment, and then I'll get to the specifics, general comment is that we've attempted to have some kind of consistency in the Revenue Committee and we developed a number of broad guidelines as to exemptions and what should or should not be exempt. I'm talking specifically sales tax now. And one of those which we generally have as component parts that go into an item for production are exempt. Now, literally, that's not true in every extent. The general assumption is that roughly 30 percent of our sales tax currently is collected from businesses that are component parts, but a good portion of that would be items that are not directly involved in the manufacturing, like if they buy desks, those kind of things, they pay. If they buy certain kinds of equipment, they pay the sales tax because they're the ultimate user. But in those areas where it is a component part of a manufactured product that generally the tax policy has been not to apply sales tax because it's not...they're not the end user and that's the general guideline. In these cases, Nucor had been exempt for...presumed to be exempt for tax, they went to court to be exempt. They lost the court case. The court said that...I don't recall the reasons for it, someone, maybe Senator Schellpeper does, but in any event, they could not be exempt and when we looked at that issue with our component part concept it was clear that all of those items, in the case of Nucor, eventually they either were sold in the steel where they could be subject to sales tax or they were sold with a slag, these parts that are...this stuff that is used up, the refractory, and sales tax was paid at that time. The same is true with the cement. That brick that lines where they heat the cement becomes a part of the cement blocks and, therefore, are used up. Even when they tear them out they grind them up and put them as part of the cement so the sales tax then is paid on the cement block to properly be consistent with the other areas. In the case of Senator Lynch's, it's somewhat of a different situation but it still is a...generally would be a component part and this, particularly this Nebraska company. Other states do not charge sales tax on these molds that may be used for some item that's being made and they were at a real distinct disadvantage to sell out of state because of that sales tax provision and it was not greatly different than the other broad tax policy. You are correct that there is some loss of revenue as in the amount that you indicated, but in the case of cement we're not collecting it now, although there was...we would have been perhaps if they would have proceeded. It was a declining loss of revenue in the case of Senator Lynch's because the