

recap what's in the bill I would refer to you Section 1, which is a substantive provision. LB 106 simply exempts veterinary medicines and agricultural chemicals used in livestock production from the sales tax. Veterinary medicines are grouped together with existing exemptions relating to livestock production inputs, namely feed and water, under one statute. The remaining portions of the bill are harmonizing changes, striking language that becomes obsolete or redundant with the enactment of Section 1. I've introduced LB 106 for several reasons. The primary purpose is simply to bring Nebraska's tax policy, with respect to veterinary inputs in food production, in line with surrounding states. Each of our neighboring states exempts veterinary inputs to a certain extent. Kansas, Missouri, and Iowa's exemptions are the most comprehensive. Obviously, there is a significant disadvantage to veterinarians and other retailers when competing with similar businesses across the border. The temptation exists, and I know it happens a lot, although there is no way of pinning down the volume for veterinarians, retailers, producers to go across state lines to purchase items exempt from the tax. In addition, Nebraska retailers compete with mail order companies, buying co-ops, and other purchasing options available to producers today that often escape taxation. But most importantly, it places Nebraska producers at a disadvantage competing with producers in other states. My evidence is mostly anecdotal, but there's certainly reason to believe that the sales tax can make a difference in the producer's choice of where he purchases these products and the Nebraska retailers are losing a significant amount of business. The American Veterinarian Medical Association conducts periodic surveys on this issue in a report it entitles, The U.S. Livestock Market for Veterinarian Medical Services and Products. Comparing '85 to '93, the survey found that producers were increasingly turning to other sources than local retailers. In a survey of purchasers in my own office conducted this fall, producers themselves indicated they spent 4 to 5 percent of their animal health care expenditures at out-of-state retailers and about 20 percent of all purchases were at sources other than local retailers. I've also been approached by veterinarians who relate personal incidents where producers confident that they, or confided that they went out of state because of the price differential. My second point is that veterinarian products are indeed an essential ingredient in livestock production. Obviously I'm not arguing that veterinarian products are a component part of livestock products, as that term is understood