

with regard to Nebraska's existing exemption for manufacturing inputs. But veterinary products do indirectly affect the volume and quality of products produced. Healthy animals have better feed conversion, put on more weight quickly, and are otherwise consumed in the production process. LB 106 is more in line with the philosophy of other states which exempt items consumed in production. In fact, in some cases, Minnesota and Kansas, for example, veterinary medicines are not specifically exempted, rather their statutory scheme is that all items consumed in intermediate stages of production are exempt. And the exemption is extended to veterinary inputs by regulation. Agriculture is unique from other production enterprises in that production costs cannot be readily passed on. The onus of the tax on inputs is particularly burdensome to agriculture. That is why I believe a distinction can be made in the case of veterinary inputs, that their exemption is sound policy from both a political and economic standpoint. Finally, I wanted to make a few points about the fiscal note. Last year, I stated that I, stated and I still believe, that the cost arrived at may be somewhat overstated, although I'm not, I'm more confident than, that the fiscal note is in the ballpark. We asked the Fiscal Office to search the actual sales figures for Nebraska. They did finally find a publication by the Department of Commerce which gave a total sales figure for Nebraska. Using that method, the fiscal note was about the same. I also conducted an informal survey of producers asking them to estimate their veterinary costs, and the results also indicate that the fiscal note is pretty much on target. Also the Department of Revenue estimate was originally figured...

PRESIDENT ROBAK: One minute.

SENATOR DIERKS: ...for LB 889 introduced in '94. The numbers for '95-96 to '96-97 are inflated from that estimate and does not take into account that livestock numbers are downsliding from when that estimate was first calculated. However, I should point out that in any case the fiscal note is a total consumption estimate, but may not take into account veterinary products consumed in Nebraska which may already escape taxation. I'm also certain that at least a portion of the cost will be made up by sales returning to the state. Regardless of the cost, I believe 106 is the proper thing to do. It'd be a tremendous benefit to producers facing at least short-term price slump and remove a competitive disadvantage in the long run. I