

February 26, 1996 Lb 681

have made a change. Oh, I'm asking Senator Kristensen a question.

PRESIDENT ROBAK: Senator Kristensen.

SENATOR KRISTENSEN: Thank you. The limited liability company allowed a different variation because what that did was give tax treatment for people to be taxed just once as a flow-through, as opposed to the corporation where it might have been twice. But for what you're talking about they may well have created another corporation, another business entity and gotten full liability protection over there, too. I think it unfair to say that the LLC allowed for loop holes, but it certainly was another business entity that, quite frankly, a lot of small businesses are taking advantage of that. It's easier to get into, it's cheaper, it's easier for the tax treatment. I've done a couple of LLC's for people who are in the trucking business doing...oh, running trailers and so on for themselves. It's a good way for two people to enter into business.

SENATOR WESELY: Well, I appreciate that. So my concern needs to focus on a different target than LB 681. But I again raise the issue of creating entities that allow for the possibility of having a tax liability passed through onto the individual so that there is not an ability to tax the corporate side and the individual side. This is a great advantage for some and they've taken advantage of it to the point where they have no tax liability whatsoever after having successfully having made millions of dollars on whatever corporate activity they're involved in. Because of that situation you end up with a situation where currently, under typical corporations, you get a corporate income tax and then those individuals involved with the business have income generated from it and pay a personal income tax on it. By melting those two together, what you do is you cut down the ability to collect that corporate income tax, which is what they're looking for. And with the sort of loop holes that we've put into LB 775, now we wipe out the personal income tax liability. So, not only do you not get a return on that investment and benefit from that twice, you not only get it not once, you get it not at all. And so you have a situation, in my view, where we've allowed for some structures to take form here that have provided, I think, tax advantages that are unfair and need to be looked at very carefully. The approach that needs to be taken is either we have to understand the tax