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LB 759

amendments, new construction being exempt from this sales tax, and if you have a remodeling job that doubles the value of the structure, that's exempt as well. So that your construction now is if you add a new room, if you do a major remodeling, but less than doubling the value of the house, that construction labor would be charged. There's two reasons to consider Senator Brashear's approach. One, you do not want a sales tax with a rate that promotes people to try to beat that rate by going to other states, hiding things, changing their behaviors. There is a good reason to make sure that you have a competitive rate and Nebraska is high at this moment; 5.5 is high. So I think he is correct when he argues that this has been a noncompetitive rate. There is a second reason, and that is that the service sector of our economy is growing faster than the goods section, and that our tax base in this state is static rather than dynamic. I had pulled out for me an article in the Lincoln Journal, in which the Ohio Tax Commissioner says that national consumer spending on services has risen from 40 percent of total expenditures in '59 to 58 percent in 2000. In other words, out of the whole pie of economic transactions that portion that used to be services was 40 percent, not it's 58 percent, but if you only tax goods, we used to tax 60 percent of the economic transactions, now we're down to taxing 42 percent of the economic transactions. And that means that we're getting the static portions of the economy, not the dynamic portions. So there's two good reasons to do this. You can expect some amendments coming up. One, the committee has amendments that have been suggested by the Revenue Department. Secondly, I think Senator Brashear has amendments to limit the construction services area to redefine that area as well. However, this is a dividing point in our approach on revenue. It's future oriented. It, I think, has an eye towards making us have a 21st century economic base. However, it is a significant step away from the idea of extending LB 1085. This is an approach I can live with because it has two ideas that I happen to like, expand the base to make it more dynamic and drop the rate. I would yield the rest of my time to Senator Brashear.

SENATOR CUDABACK PRESIDING

SENATOR CUDABACK: Senator Brashear, you have almost five