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how that 50 percent assumption works?

SENATOR CUDABACK: Senator Landis.

SENATOR LANDIS: Essentially, in a bill for construction, the Revenue Department is going to assume that half the bill is for labor and half the bill is for wood, pipes, the materials necessary for the construction. In determining whether something is taxed, and if the sales...if the labor is taxed and there's a bill of \$10,000, the Department of Revenue is going to assume that \$5,000 of it was labor, and will assess the sales tax on the service of repair labor on that contract at \$5,000.

SENATOR RAIKES: Okay. So if I understand it, it would almost by coincidence be accurate that it would in fact be \$5,000, but that's what we're going to assume. My question is this. And there have been several points raised about complexity and complication and so on. Wouldn't it be simpler and more appropriate just to simply say that if a good...the tangible good, the pipes or whatever, are taxable, if the service is also taxable, then the total bill is subject to sales tax?

SENATOR LANDIS: That would make some sense. The way business is done now, the contractor goes off and buys the goods, pays sales tax when they do, then uses the goods in the construction. So it would be logical, as you describe it. But it's not the way business is done. What happens is, the...

SENATOR RAIKES: Well, it's not the way all business is done. But you have some contractors, I'm sure, that have sales tax permits, so that they could buy the taxable parts, if you will, and they would get an exemption because they're buying it for resale. So then when they complete the job, send you the total bill, including the labor and parts, they would simply make that taxable. They would collect the tax for the state and remit it. And I guess one other point here is that doing it the way we're suggesting now is that you would leave a part of the package, if you will, untaxable. That is, again going back to the water heater example...and I apologize for not being more imaginative, but water heaters it is. If the tax is paid at the wholesale level on the water heater, and then the contractor installs it,