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LB 759

think we ought to reconsider how we're going to approach a single package in LB 759. It has always been my goal to include all of this type of labor in the sales tax base, because we continue heading toward a service economy, and that's where our growth is occurring. When our tax base is less dynamic than our economy, downturns, like the one we are experiencing, have a disproportionate effect on our tax revenues. Therefore, I have attempted to eliminate the types of distinctions that I've just been belaboring with you. It is the intent of the bill to tax installation, repair, and maintenance labor. This amendment also adds clarifying language to carry out that intent by adding the phrase "or maintenance" to the repair of personal property language. Eliminating these fine distinctions, however, runs into another problem, taxation of labor for new construction projects. Not only do we...have we made a decision thus far that we do not want to deter the economic growth that comes from new construction; we also need to recognize that very, very few states tax new construction. The only state in our region that imposes a tax on new construction is South Dakota. And of course, they more than compensate for that, in the minds of many people, by having no income tax. Therefore, in accordance with my approach of broadening the base while remaining competitive in our economic marketplace, I wanted to exclude new construction from the tax on construction labor. Unfortunately, this leads to a new set of definitional problems. First, we start with the bright lines. On one side, we want to tax repair labor. This eliminates the false distinction between the water heater and the washing machine. A fair tax on repair labor does not make a distinction between repair of personal property and fixtures, things attached to real estate, because there is no good policy basis, in my judgment, for making that distinction. On the other side, we do not want to tax labor for new construction. Although it may be tempting...a tempting revenue source, the economic disadvantages of taxing new construction are simply too great and would put us at too great a disadvantage, in my opinion. The challenge then is to come up with distinctions in between repair and new construction that are workable and make policy sense. In prior work on the bill, we adopted several of those distinctions. We agreed that an addition of an entire new room or floor was more like new construction. We agreed that finishing an unfinished structure