

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office
FLOOR DEBATE

April 6, 2004

LB 1017

on AM3586.

SENATOR RAIKES: Thank you, Mr. President and members. Senator Beutler, I'll try to give you my take on the issue that Senator Landis was talking about. What you've got is a competitive situation between an option one and an option two contractor. One of them deals as a...where...with a tax-paid inventory; the other one deals with a tax-free inventory. So suppose you had a project in which labor cost \$600 and materials cost \$400. If you're an option one retailer, you would collect tax on \$1,000, \$600 plus \$400. The total project is taxable. If you were an option two contractor, on the other hand, you would pay tax on the \$400 worth of material and then you would be...let's say that's \$28, 7 percent. So then the total bill is \$1,028. Without the correction, you would have to pay tax on 60 percent of \$1,028, which means you would be double taxed on a part of that, part of that total cost. So that's the issue. I think it's a...it is a legitimate concern. It's...we're trying here to maintain the flexibility for contractors. If they've operated as option one contractors and want to do that, they can. If they would prefer to stick with option two or if they want to change, any of that is possible. What we're trying to do, though, is to make so that they cannot only keep doing business the way they have, but doing so will not put them at a competitive disadvantage with other bidders. And again, this I think is a legitimate part of the proposal and something that is very sensible. We've had some concerns expressed about the revenue impact of these sorts of things, and I certainly have those concerns as well, but I will tell you that we're in a situation now that I think it's very difficult to accurately estimate what sort of sales tax revenue is incoming, because it is the situation at the moment that I think you have contractors out there that want to do the right thing, they want to obey the law and pay the taxes, they just can't figure out how to do it. This, I think, would take that difficulty, as near as I can tell, completely away, particularly if you adopt the bright line amendment which is yet to come. So, yes, there are some provisions in here that may be costly in terms of revenue, but on the other hand, is it costing real revenue? Is it costing something you can actually expect to collect, or is it something that will net you revenue because it makes the system workable?