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LB 312

component of the revenue base for the state. The notion behind sales tax is that it includes all transactions. It is a broad representation of the economic activity in the state. Accordingly, it makes sense to include as many of the different kinds of transactions, to make it as broad as possible. It's more representative of what goes on in the state. We already exempt sales tax under LB 775, or the tiers which will now be LB 312, for the businesses that are supposedly creating jobs. Those credits, for the most part, can be used against sales tax obligations. It makes no sense, in my opinion, to go beyond that. You'll hear that other states do it. Well, maybe so, but we do some things that other states don't do. I don't have the information right here in front of me. I apologize for that. But actually, in terms of at least several rankings, we are now, without LB 312, one of the more business friendly states in the nation. We don't have to match every single thing another state does, particularly every single foolish thing another state does. Sales tax on machinery and equipment fits very much with the tradition of sales tax in the state, as we discussed when we were talking about a base expansion. The default, if you will, on sales tax policy in the state is, if it is a tangible good, it is taxed, unless specifically excluded; if it's a service, it is not taxed, unless specifically included. This is stuff that traditionally is automatically included, and here we go, taking it out of the sales tax base. I tried to make the point the other day about the tax deductibility. We're talking now about businesses. Businesses can claim deductions for all their expenses, including expenses for sales tax. This kind of a proposal has the effect of penalizing the state treasury, the state General Fund, to the benefit of the federal government. To run through the steps: If on my backhoe, which I now pay sales tax on--and I will guarantee you, I will not leave the state just because I have to pay sales tax on my backhoe--but suppose you relieve me of that obligation? Then the sales tax that I would have paid is no longer available to the state's General Fund, but in addition, I have that amount of money less to deduct on my federal income tax return, so I pay more federal income tax. So in effect, you're transferring money from the state General Fund to the federal treasury. I don't think that makes any sense. I don't think that's a good policy in any sense of the word. An additional point: What is the new job