

doesn't make a particular amount of sense. We did pass out a handout to you that is, in fact, available to you on your desk. This is a complicated area of sales tax policy, deals primarily for those individuals that do work along the lines of assembly, installation, fabrication and repair of real property and personal property. We have been finding a number of businessmen in the state that have been subjected to audits in the last few years and find that even though they were attempting to comply properly with the sales tax statutes that they ended up with considerable problems when they...the auditors came in, and it's a matter of definition. Let me explain to you what normally happens and then explain how this would change it. The first sheet I have is sales tax status quo status, status quo, the current situation. Happens a lot to individuals that are working in the area of machinery that's involved in manufacturing. Keep in mind that we have a kind of a belief in this state that we do not tax labor, that labor is not taxed. That is not true. Labor, when it is a component part of assembling a product, is, in fact, taxed. When you buy a new automobile, for instance, you're not just paying sales tax on the raw materials that went into it, you're also paying sales tax on the labor component. So we have the theory that if labor is a part of assembly and fabrication that it should, in fact, be taxed. If labor, on the other hand, is part of installation or repair, it is not under status...under the status quo. So an individual then who is, in fact, doing a job, performing labor, has to answer two questions under current statute. They must first ask the question, is the product they are working on, is it real property or is it personal property? We have now spent about five years in this Legislature attempting to answer the question of what is real property, what is personal property, and we've had a great deal of difficulty doing that. We still have a great deal of difficulty as to whether something is real property or whether it's personal property. If it is real property that an individual is working on, they deal with the sales tax on the materials but there is no sales tax on the labor, if you make the decision that it is real property. On the other hand, if it is personal then you have to...keep in mind it's already difficult to tell whether it's personal or real, the next step you have to take is determine whether you are fabricating a product or assembling it and if there is, in addition, the sales tax on a material, then there's sales tax on the labor involved. On the other hand, if it is installed or repaired, there is sales tax on the material collected but there is no sales tax on the labor. And that's where you get into