

and those of you who frequently refer to look at our tax structure, if you don't receive it, you might spend some time reading it because every concept that we ought to be looking at for tax structure is commented in there. But one of the things in there, and this summarizes my opposition, which has never changed since the year since it came up relative to local option taxes, and it applies to sales or income tax, and what the statement is, that however local...well, first it says, it is a good thing for local governments, which I don't disagree with. However, local option taxes also reduce state control over these tax sources, and limit a state's ability to raise additional revenue by increasing tax rates. Now why is that important now? I believe there is a maximum sales tax rate that is acceptable. I don't know what that rate is nationally, I would gather from things I have read, it is somewhere around 8 percent. But in our case, I would say that that limit is our adjacent states, and if you look at the combined state and local tax on sales tax around us, Colorado is 7, Iowa is 6, Kansas is 6.9, Missouri, the lowest, 5.225, South Dakota, 6, and Wyoming, 5. I would argue that should we increase municipal or local option sales tax to 7, you have then effectively precluded the state from exercising that option. Is that important now? Senator Moore has made numerous comments, I made a few yesterday, of where we are going to be at when the Legislature meets next session. There is, if I had my druthers, I would have pushed for LB 21 that is out there on General File, before us in the committee, which is adjustment of sales and income tax rates this session. I know it wouldn't go, but I'd do it because you could do a much smaller rate adjustment on either income or sales tax if it was done now than will be the case when we come back next time, and it will be simply a cash flow issue. Next session you probably will eliminate the income tax for a very significant increase, particularly if the economy slows down but you just won't generate the money quickly enough in order to provide adequate cash flow, so you are going to be subject to a sales tax. This proposal runs till January...well, December 31st, 1995, and you are going to be pushing that limit of sales tax rate beyond what I think is acceptable or possible. So we are going to be looking at, in all probability next time, either a sales tax rate increase of some level, and/or an expansion...

SENATOR CROSBY: One minute.

SENATOR WARNER: ...of the sales tax base, and should we give a portion of this away, you are simply going to be creating a much