One Hundred Fifth Legislature - First Session - 2017

Introducer's Statement of Intent

LB52

Chairperson: Senator Jim Smith

Committee: Revenue

Date of Hearing: January 18, 2017

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

The purpose of LB 52 is to levy a modern tax on the rental of money.

LB52 is a first step in the direction of taxing the flow of credit and providing revenue to eventually reduce the reliance on the present taxes which are under great criticism: income taxes punish productivity; sales taxes reduce purchasing power; and property taxes do not reflect ability to pay.

The income, sales, and property tax mechanisms are becoming less and less compatible with modern economies that function on the flow of credit. Although in a few decades credit flow taxation may replace current taxation methods, today precise measurement and identification of credit flow for purposes of taxation remains beyond current tracking and computing capacity. However, most credit flow contains a debt component that correlates to interest. As such interest is an approximation of the volume of the flow and thus the available tax base. The amount of interest paid is reasonably well documented by current accounting and taxing technologies and it may be within society’s capability to levy a tax on.

Early indication is that a LB52-like tax could produce revenue in the range of several hundred million dollars annually. At a 5% interest rate the tax would be about a quarter percent of the outstanding loan. That is less than interest commonly fluctuates as a result of market or central bank activity.

A tax on the flow of credit is also a tax that can be reduced by simply not borrowing as much or by paying off debt. Such behavior is traditionally thought of as wise and historically has been the hallmark of strong conservative economies.

Principal Introducer: ________________________________

Senator Paul Schumacher