

chinery which is represented by the trade-in allowance on used machinery, will cause a loss well in excess of \$100,000.00 in State revenue. Officials of the Sales Tax Division have publicly stated that this measure will make for administrative difficulty since there is wide variance among tax experts, as well as among dealers and farmers, as to what constitutes machinery.

In connection with the vetoing of Senate Bill No. 376 today, I pointed out that prevention of discrimination is a fundamental prerequisite in declaring an exemption such as this to be either desirable from a policy standpoint or feasible from a revenue standpoint. An exemption from sales tax which grants a special privilege to some, while denying it to others, presents possible constitutional difficulties aside from the policy questions involved. If an exemption of the trade-in value is allowed in connection with *farm machinery*, why should it not be extended to *farm equipment*? Automobile dealers, appliance sellers, typewriter distributors and every other seller of personal property can rightly ask why similar trade-in exemptions are not extended to their business. While I obviously favor all possible reductions, not only in the sales tax, but in other fields of taxation utilized by the State, such reductions or exemptions from the sales tax should operate equally and uniformly for the benefit of all rather than for any select class. Broad general unqualified exemptions present a minimum of administrative difficulty, avoid possible constitutional objections of discrimination, and operate freely for the benefit of the general public at large. Examples of broad general application of reductions or exemptions in taxation are to be found in the 15% income tax cut and in the large scale sales tax reductions at the special session of the General Assembly in 1950. Any further reductions or exemptions which may, and I hope will be possible in these or any other taxes should be so framed as to operate in similar fashion.

For the foregoing reasons, which I have also expressed in connection with Senate Bill No. 376, I am returning this bill, without my approval.

Respectfully,

(s) THEODORE R. MCKELDIN,

Governor

TRMcK/A