

NEVADA LEGISLATURE - 54TH SESSION
SENATE TAXATION COMMITTEE

Minutes of Meeting Held
February 24, 1967

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The fifth meeting of the Senate Committee on Taxation was called to order at 11:00 a.m., Friday, February 24, 1967, in Committee Room 50, State Capitol, by Chairman Gibson. All committee members were present. Also present were: Mr. Maurice Davies and Mr. Frank T. Pagnamenta of Lybrand, Ross Brothers & Montgomery, Certified Public Accountants, Los Angeles; Mr. Ed Bowers, Executive Secretary of the Nevada Gaming Commission, Carson City; news reporters; and other interested persons.

Chairman Gibson stated that Mr. Davies had stayed over a day from yesterday's public hearing, to work with the committee.

Discussion followed concerning the disparity between the 10.9% average profit to gaming indicated on page 126 of the Lybrand Report and the 5% profit claimed at yesterday's hearing by Robbins Cahill, for a \$20,000,000 Las Vegas resort casino which Mr. Cahill said was run in an efficient manner using modern business methods. Senator Dodge said he had talked with Mr. Cahill about this disparity after the hearing yesterday, and Mr. Cahill had indicated he thought the operation in question involved a sale and leaseback situation. Mr. Davies explained the Lybrand firm's method of figuring profit for a sale and leaseback operation.

Senator Brown suggested the landlord as well as the tenant be taxed a proportionate share, even though there might be no connection between the landlord and the tenant, so far as the gambling operation itself was concerned.

Mr. Bowers stated that there are situations in the state where a casino is operated by an operating group and rent predicated on the profits goes to a landlord corporation.

Senator Gibson asked whether the Gaming Commission licenses beyond the operator. Mr. Bowers said it does not, but that when the rent is based on profits then the landlord is also licensed by the Commission.

Senator Dodge asked Mr. Davies to explain a letter document prepared by the Lybrand firm, which had just been handed to the committee.

Mr. Davies said that on February 11, 1967, Russ McDonald, Legislative Counsel, had asked him to develop some projections as to what rate of tax would have to be imposed on slot machines, card games, and table games if a tax on capacity were to be substituted completely for the present percentage tax. This letter report was the result of that request. It presents the Lybrand firm's conclusion that, to provide a tax which (1) would substitute for the present percentage tax and (2) would add somewhere between \$4.7 and \$5 million a year to revenues, the annual tax would have to be \$1040 per slot machine, \$2600 per card game, and \$5200 per table game.

Mr. Davies suggested as being more attractive than a complete switchover from percentage to capacity tax, a progressive change-over, i.e., keeping the present

percentage tax and adding enough capacity tax to bring in the added \$4½ million the state seeks. This suggestion was discussed by those present.

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Mr. Bowers stated the Commission now has 1056 gaming licensees and that, of these, 75 contribute 96% of the state's tax; the remaining 981 contribute the remaining 4%. The Commission would like a flat rate on restricted slot machine operations. They service about 7,000 machines yielding \$79,000 in tax per year to the state. To come up with a flat rate, they suggest a fee of \$10 quarterly per machine for a licensee with zero to five machines; \$20 quarterly per machine for six to fifteen machines. This would cover 900 of their licensees and \$106,000 in revenue. From an administrative standpoint, this would be a tremendous asset. As to a flat rate for ALL slot machines throughout the state and then allowing variances due to differing local situations, this would be difficult to administer because so many factors, even within a single community, would have to be considered in setting up the variances. Mr. Bowers wholeheartedly agreed with Mr. Davies that a net income tax would be an administrative nightmare.

Senator Dodge asked how many slot machines are operated by the 75 licensees who contribute 96% of the state's gaming tax. Mr. Bowers said at least 27,000 machines.

The Chairman asked Mr. Davies about legislative access to materials the Lybrand firm had collected in making the Lybrand report. Mr. Davies said they would resist very strongly a demand to give up these materials because, in order to get the information from the individual licensees, the Lybrand firm had told the licensees this information would be kept in confidence. He said information was given to the Lybrand firm which is not normally given to the Legislative Commission by law.

Chairman Gibson requested Mr. Bowers to give the committee copies of the survey the Gaming Commission made on 24 casinos, which survey was discussed at yesterday's public hearing. Mr. Bowers said the survey showed gross gambling revenue and did not include restaurant, bar, etc., income. Mr. Bowers said Mr. Malcolm of the Gaming Commission staff had also made a study of the effect of the Mathews petition (for a 300% increase in gaming taxes) on the 96% contributors to the state's gaming revenue. He gave the study to the committee for their review.

The Chairman asked Mr. Bowers to appear before the committee again next Monday, February 27. Mr. Davies said he would be available to the Committee when needed, that he could be reached by phone at any time.

The Chairman announced that the committee would meet at 4:00 p.m., Monday, February 27.

The meeting adjourned at 11:20 a.m.

Respectfully submitted,

Louise Glover - Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson - Chairman