

NEVADA LEGISLATURE - 54TH SESSION
SENATE TAXATION COMMITTEE

Minutes of Meeting Held
February 27, 1967

26

The sixth meeting of the Senate Committee on Taxation was called to order at 4:30 p.m., Monday, February 27, 1967, in Committee Room 50, State Capitol, by Chairman Gibson. All committee members were present. Also present were representatives of the gaming industry, who, however, did not participate in the discussions.

Chairman Gibson announced that the committee would not discuss Senate Bill 25, shown on the agenda for the meeting, since the introducer, Senator Titlow, is in the process of having the bill amended.

The Chairman stated that Gaming Commission representatives had been asked to meet with the committee regarding profitability study of the gaming industry. He called first on Ed Bowers, Executive Secretary of the Gaming Commission, telling Mr. Bowers the Legislature needs to know how it can assist with legislation for administration of the tax and whether the Legislature should fix the basis of gaming taxes wholly on one method or should gradually shift from one method to another.

Mr. Bowers presented figures, compiled since the last meeting, for the year ending June 30, 1966: The Nevada Gaming Commission then had 1056 licensees, of which 778 licensees were in a restricted category, i.e., having 0-15 slot machines apiece, with a total of 3,914 slot machines. Of these 3,914 machines, the state realized in tax for the year, \$227,394, or \$58 per machine per year. The remaining 278 licenses were considered to be nonrestricted licenses, which provided in excess of \$15 million in revenue. Mr. Bowers said the Commission had been asked to compute what the state would realize from a slot machine fee of \$150 per annum per machine. Eliminating the restricted operators, who would be exempt, there would be 28,262 slot machines at \$150 per year, or \$4,239,000 in tax. Eliminating the \$227,394 income now realized from restricted operators' machines, the net increase would be \$4,011,000. Senator Gibson asked if this analysis anticipated any shrinkage in the number of machines in operation. Mr. Bowers said it did not. Mr. Bowers stated that at present, federal, county, and city taxes, exclusive of the state percentage tax, amounted to \$490 per machine per year in Las Vegas.

The Chairman felt it would be desirable, in the restricted category, to go to a flat rate for slot machines, from an administrative standpoint. Senator Dodge, agreeing, asked Mr. Bowers whether there is more opportunity for skimming, with slot machines, than in better policed areas of gaming. Mr. Bowers said there is; it's not easy to audit slot machines, since their percentage of payoff can be changed so easily and so often.

Senator Dodge said the committee should consider a higher rate than \$58 per machine in the restricted category. Mr. Bowers said the \$58 represented 3% of the gross take of each machine, and he felt the flat rate could be set substantially higher than \$58.00.

SENATE TAXATION COMMITTEE

Minutes of Meeting Held February 27, 1967

Page 2

27

The Chairman asked if a breakdown is available showing the number of slot machines in the various locations throughout the state. Mr. Bowers said this information is in the Commission's biennial report and that he would get the report over to the committee the next day.

Mr. Bowers then called on Mr. Dave Malcolm of the Gaming Commission to review the survey (set out in a letter with attached table) which Mr. Malcolm had made as a result of the Commission's concern over the Joe Mathews petition to increase gaming taxes 200% to 300%. The survey covered the reports of 75 casinos who pay 96% of the total gaming revenue. This means the bulk of the revenue and therefore the renewal fees come from 75 out of 1100 licensees. Mr. Malcolm said the survey showed that the federal government, the state, and the operators each got one-third of the revenue produced by gaming. In applying the Mathews formula, he said the net result on a statewide basis would be a loss of \$9 million. He said under existing rates, 22 enterprises in the state are losing a little money; under the Mathews formula, there would be 43 such places; he fears snowball effect of losses. Mr. Malcolm felt the difference between the Lybrand Report results and the Commission's computations was due to the adjustments the Lybrand people made, which the Commission did not make.

Discussion followed on accounting methods for determining licensees' profitability or lack of profitability.

The Chairman asked Mr. Bowers to consider, and let the committee know, whether the Legislature can help the Commission in the way of giving the Commission additional authority or direction to insure that the Commission can provide the Legislature the information it needs in the future in determining tax rates. He asked Mr. Bowers to appear before the committee at 4:00 p.m. on Thursday, March 2, to discuss the cabaret tax.

At this point, Messrs. Bowers and Malcolm left the meeting.

The Chairman stated he had asked Ernie Newton, Chairman of the Nevada Tax Commission, to come over and discuss:

S.B. 50: Adopts Multistate Tax Compact. Introduced by this committee.

Mr. Newton stated two bills had been introduced, and had died, in the last session of Congress, and one had been reintroduced in both houses at this session, whose purpose was to obviate a problem which interstate industry has suffered, where activities of an interstate operation were taxed in both of two or more states, particularly in the income tax field, but also in the sales tax field. When the original bills were written, they provided for practically total federal domination in the field of interstate sales and interstate income. The reason given for the bills was that the states had failed to solve the problem; hence it was the responsibility of the federal government. The state tax administrators got together and designed an interstate compact, which is now part of S.B. 50. The compact does not meet all

the objections the federal government has voiced to interstate taxation, but it does reach sufficient numbers of those objections that it is the belief of most state revenue departments, tax commissions, etc., that it will sufficiently fill the void so that federal legislation will be unnecessary in that field. One of the major advantages in Nevada would be that credit would be allowed against our use tax for sales tax collected in another state. It could probably mean a loss to the State of Nevada of as much as \$100,000 a year, but this in turn would be a saving to Nevada taxpayers of approximately an equal amount because there is probably that much duplicate taxation of tangible personal property. 28

The auditing concept in S. B. 50 could also save at least \$100,000. Mr. Newton said the Tax Commission has an auditor in Los Angeles, and sometimes sends auditors to San Francisco and Chicago, but has no auditing facilities in any other part of the country. These audits would be conducted on a cooperative basis by the states, and the cost of the audits would be apportioned directly in relation to the revenue.

Mr. Newton said that by joining this compact, Nevada could give Nevada manufacturers and distributors the advantage of this state's not having a state income tax. He said that, "At present, since income is not taxed in Nevada, there is a scramble on the part of other states which do have state income taxes, to get their sticky fingers on that income made in Nevada."

He said the form of the compact sets up a mechanism for dealing with future interstate taxation problems and thus makes it unnecessary for the federal government further to intrude in the field. It would operate to the benefit of the State of Nevada and to the taxpayers of the state. Mr. Newton urged passage of the bill, without amendment, since the bill is part of a uniform code. He said the code has been adopted by eight states and is being considered by 30 others, including Nevada.

Chairman Gibson asked what the actual fee to Nevada would be for belonging to the compact. Mr. Newton said the cost is the audit fee, which is directly tied to the revenue attributable to the audit.

The Chairman stated there are others who wish to be heard on this bill, so it will be held over for further hearing.

The Chairman said he had been given a joint resolution (prepared by the Legislative Counsel at the request of County Assessors) which proposes to amend the Nevada Constitution to exempt mobile homes and trailers from property tax and instead assess them as motor vehicles. The committee agreed to committee introduction of this measure.

The meeting adjourned at 5:45 p.m.

Louise Glover - Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson - Chairman