

SENATE TAXATION COMMITTEE

Minutes of Meeting Held  
March 27, 1967

The 22d meeting of the Senate Committee on Taxation was called to order Monday, March 27, 1967, at 4:20 p.m. in Committee Room 50, State Capitol, by the Chairman, Senator James I. Gibson.

All committee members were present.

Also present were:

Senator Francis W. Farr  
Senator Chic Hecht  
Assemblyman Frank Young  
Mr. Ed Bowers, Executive Secretary, Nevada Gaming Commission  
Mayor Oran Gragson, Las Vegas  
Councilman Ed Fountain, Las Vegas  
Mr. Robbins Cahill, Clark County Manager and Lobbyist for Nevada Resort Association, Las Vegas  
Mr. Charles Munson, Lobbyist for Gaming Association Industry of Nevada, Inc., Reno  
Mr. Don Ashworth, representing downtown Las Vegas casinos  
Mr. Emmett Sullivan, Las Vegas  
Mr. Joe Vanetti, Nevada Novelty, Inc., Reno  
Mr. Barney Shapiro, United Coin Machine Co., Las Vegas  
Mr. J. J. Parker, J.J. Parker Co. (small casino operator), Las Vegas  
Mr. Mel Wallsinger (Spelling?), Allstate Coin Machine Co., Inc., Las Vegas  
Mr. Sam Boyd, Las Vegas  
Mr. Jackie Gaughan, Las Vegas  
Two newsmen and three other persons, who did not participate in the discussions

The Chairman announced that the purpose of the meeting was to hear two groups whose representatives were present: 1) Restricted licensees affected by S.B. 471, establishing flat rate license fee on slot machines of this category and removing the percentage tax; and 2) Downtown casinos, Las Vegas.

The Chairman called on Mr. Emmett Sullivan from the first group, who called on Mr. Joe Vanetti, Nevada Novelty Company, Reno. Mr. Vanetti, who said he represented slot machine operators having over 1000 machines in Nevada, stated they couldn't live with the increase, that it would wipe out half their operations.

Mr. Barney Shapiro from United Coin Company, Las Vegas, said the increase would be "almost disastrous" for them, that they'd have to pull 50% of their machines and let 50% of their employees go. He said they have

500 machines at scattered locations, and 23 employees; further, that casinos may service that many machines in one location with only four or five employees.

Mr. Sullivan, who said he had been in business 15 years and now has 175 machines at 27 locations, stated that city, county, state, and federal taxes have increased to such an extent that great care must be taken to place machines to insure they will bring in a profit, whereas 15 years ago a slot machine could be put in any place where there was a cash register and would return a profit.

Senator Swobe asked both Mr. Vanetti and Mr. Shapiro if they have machines in nonrestricted areas. Both said about 10% of their machines are in such locations.

Mr. J. J. Parker, who said he represents small operators having 1000 machines, was concerned that the restricted slot machine operators might also be called on to pay a percentage tax due to having some machines located in a nonrestricted casino. Senator Dodge told him that the physical location of the machine determines, in each instance, whether it will be classified as restricted or nonrestricted, and that it is the operator of the location, not the route man, who is responsible for the tax. Beyond that, Senator Dodge said, it is a matter to be decided by contract or other arrangement between the operator of the business where the machine is located, and the route man, what payments are to be made as between themselves with respect to the machines.

Senator Brown asked Mr. Bowers of the Gaming Commission if the present tax on gross income from slot machines varies in accordance with the gross income of a nonrestricted licensee. Mr. Bowers said the tax for machines is always 3% of the gross, regardless of the casino operator's income bracket. Mr. Bowers then asked the operators if they agreed with the flat rate concept as against the percentage tax concept. Several voices indicated agreement, and none disagreement.

Mr. Parker concluded that he does business with most of the "small people" (apparently in liquor stores); that the liquor tax is high, too; that these people are actually in business only because of the slot machine (rather than the liquor) profit; that the revenue yield on restricted licensees will not be large; that the flat rate is inequitable because it hits low-yield locations harder than high-yield locations.

Mr. Wallsinger (spelling?) of Allstate Coin Machine Co., Inc., Las Vegas, stated they have 400 pieces of equipment in 115 locations, operating primarily in restricted licensee locations and primarily in taverns or beer bars or liquor stores. He said the majority of these places depend on the take from machines as the difference between profit and loss. He said the proposed tax will necessitate his company's removing a percentage of their equipment, with an adverse effect on these small tavern and liquor store operators. He agreed a flat rate

fee is best, as it is the easiest for the state to collect and the operators to budget, but he felt the proposed fee is not realistic.

Discussion ensued between Senator Brown, Mr. Sullivan, Mr. Vanetti, Senator Slattery, Senator Swobe, and Mr. Bowers as to the proposed increase in terms of increased tax per day, increased play needed to pay the increased tax, the impact the annual \$250 federal tax had when it was imposed in 1951. The discussion also brought out the fact that the last increase in state gaming taxes was instituted in 1955.

Mr. Parker again raised a question as to the collection of taxes for slot machines for nonrestricted licensees. Upon being assured by Senators Dodge, Gibson, and Swobe that the location determines the category of the machine and that the operator of the location is responsible for the tax, Mr. Parker seemed satisfied and said, "I think this makes it better and easier for all of us."

Discussion then centered on the amount of revenue anticipated from the \$150 rate and on anticipated diminution and growth in the number of slot machines. Asked by Senator Slattery what they considered to be a realistic figure for the flat rate fee, since opposition had been expressed to the \$150 rate, one representative thought \$60-\$80 a year total fee would be about right; another felt that the state might save enough on bookkeeping and administrative expense by going to a flat rate so that no increase over the present fee would be necessary.

Senator Gibson thanked the group for giving the committee the foregoing information and stated several bills have been introduced relative to gaming increases and that the matters brought to the committee's attention by the group would be given consideration in studying the proposed legislation.

Senator Gibson then stated that the group from the downtown Las Vegas casino area would be heard, and called on Mr. Don Ashworth, who distributed to the committee two sets of figures on each of the downtown casinos and strip hotels, one set showing the dollar increase, and the other set showing the percentage increase, under the proposed gaming taxes. (A copy of each set is attached to the Committee Secretary's copy of these minutes.) Mr. Ashworth pointed out that the figures show the preponderance of the proposed tax lies in the downtown hotels by some \$90,000. He said it was true that four downtown casinos would be helped, but conversely that 12 downtown casinos would be hurt, some quite drastically, percentage-wise. Therefore, he said, his group was there to register a protest against the type of taxation being proposed, on the grounds it is not fair or equitable to the 12 downtown casinos. He said his group realizes the difficulty of the task faced by the committee in raising necessary revenues, but wanted to point out the inequalities in the proposed formula. Asked by Senator Dodge what method he thought would be best, and whether the committee should go back to the gross tax, Mr. Ashworth said he had mixed emotions, but felt perhaps the gross tax would be the fair and equitable method of taxing. Senator Slattery

stated he had received no complaints about the proposed tax from Reno operators, although he had received some phone calls from Reno casinos and had supplied them with information on the proposed tax increases. He questioned that the proposal was very far out of line if Reno operators had voiced no objections. Mr. Ashworth thought the answer was that perhaps the Reno operators were not as alert to the effects of the legislation as were the Las Vegas operators. Senator Dodge asked if the provision in the bill for quarterly, rather than annual, payments on the slot machine tax would be helpful to offset the impact of the increased tax. Both Mr. Ashworth and Mr. Boyd felt that quarterly payments would be helpful in resort areas, such as Lake Tahoe, but would not help in a year-round tourist area like Las Vegas. Mr. Bowers verified, upon a question from Senator Slattery, that the slot machine installations at Lake Tahoe vary quite a bit from season to season. Senator Christensen commented that the downtown operators' formula varies from the committee's formula. He asked Mr. Ashworth whether, if the committee doubled the downtown operators' formula of \$25 per slot and \$500 per table, that would be better than the committee's formula. Mr. Ashworth said yes. Mr. Ashworth then suggested it would be helpful if, instead of dropping the fee for 16 games or more in an establishment to \$200 per game (a formula designed to help the larger operators), the committee placed "X" dollars tax on slot machines and "X" dollars tax on tables, regardless of the number of games over 16. In a discussion between Senator Dodge, Mr. Boyd, and Mr. Ashworth, it was agreed that a tax based on a graduated number of machines would not be beneficial. Mr. Ashworth said he had one thought to leave with the committee: That the men in city hall in Las Vegas are toying with an idea which they will present to the committee later this week, whereby the city, which now collects \$120 a year per slot machine, would give up this city tax to the state, with the idea that the state would give the county the proceeds of a 1% county-of-origin sales tax. Senator Dodge voiced the opinion that this plan would not be well received by the taxpayers.

Mr. Jackie Gaughan of Las Vegas stated five marginal operations in Las Vegas would go under if the proposed tax is instituted. He suggested cutting the slot machine tax to \$50 a year and raising the table tax to where the state would realize the same amount of money as it would receive from the proposed \$150 slot machine rate.

Senator Dodge stated that, "Regardless of how you work that flat rate thing around, you're going to find the group most benefited in the state will be the Strip. The indication is that they get more capacity than any other group in Nevada. Maybe they spend more to do this, maybe they're entitled to it, but however you work that around, you'll get more impact on the Strip area." Mr. Gaughan commented that anything that hurt the Strip would hurt the downtown area, too. He felt Reno would be hit hard, too. Senator Slattery commented that Reno people have called him for information, but haven't complained. Mr. Gaughan said, "I don't think they know they're in trouble."

The Chairman called on Mayor Gragson for comments. Mr. Gragson stated that all over the country, cities are struggling to maintain a healthy

downtown area. He said that if the proposed tax goes on, "you're going to darken places in the downtown area [of Las Vegas] that we can ill afford to darken." He said further that Las Vegas is operating on a very close budget; that if this tax is put on and if 1000 machines are taken out, the city will lose \$120,000 in city license revenue; that if some of the places are forced to close, employment will be affected and hence all the downtown area. He told the committee: "We need some kind of a formula that will allow the downtown area in Las Vegas to be healthy." He stated he was not championing the gambling interests, but the interest of the downtown area as a whole.


Councilman Ed Fountain added his plea for relief for the downtown area.

Mr. Sam Boyd, Las Vegas, said he thought the people present were talking about two different businesses: Gaming and slots--although a few places at Lake Tahoe combine both. He expressed the hope that the committee would find some way where the preponderance of the increased taxes is not on the slot machine operators.

Senator Gibson expressed appreciation to this group, also. He said, in addition: "I want to point out one thing, so that everyone will be aware of it: The bills we have introduced have been the result of our hearings and deliberations. We have not had undue influence and have tried to have quite open discussions on the impact of what we might be doing. Everyone on the committee is desirous of coming up with the most equitable answer possible. We'll keep working on it and try to do the best we can."

The meeting adjourned at 5:40 p.m.

Respectfully submitted,

  
Louise Glover  
Louise Glover - Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson - Chairman

Presented by Don Belworth of  
Las Vegas @ 3/27/67 Taxation  
Committee meeting. JLB

Prepared By \_\_\_\_\_ Date \_\_\_\_\_  
Approved By \_\_\_\_\_

COLUMN WRITE	1			2			3			4			5			6		
	CASINO	PROPOSED SLOT TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR	CASINO	PROPOSED SLOT TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR	CASINO	PROPOSED SLOT TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR	CASINO	PROPOSED SLOT TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR	CASINO	PROPOSED SLOT TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR	CASINO	PROPOSED SLOT TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR
1	California Club			Gladden Hotel														
2	161 Slots @ 100.00	16,100.00		355 Slots @ 100.00	35,500.00													59,200
3	9 Games 1/2 Fee	3,000.00	19,100.00	25 Games 1/2 Fee	7,900.00	44,400.00												
4																		
5	CAROUSEL CLUB			CAESARS PALACE														
6	186 Slots @ 100.00	18,600.00		312 Slots @ 100.00	31,200.00	55,360												
7	9 Games 1/2 Fee	3,000.00	21,600.00	30 Games 1/2 Fee	9,400.00	40,600.00												
8																		
9	EL CORTEZ HOTEL			DESERT INN														
10	288 Slots @ 100.00	28,800.00		190 Slots @ 100.00	19,000.00													
11	8 Games 1/2 Fee	3,000.00	31,800.00	22 Games 1/2 Fee	8,600.00	27,600.00												
12																		
13	FOUR QUEENS			DUNES HOTEL														
14	483 Slots @ 100.00	48,300.00		253 Slots @ 100.00	25,300.00	39,780												
15	20 Games 1/2 Fee	8,400.00	56,700.00	33 Games 1/2 Fee	9,700.00	35,000.00												
16																		
17	FREMONT HOTEL			FLAMINGO HOTEL														
18	711 Slots @ 100.00	71,100.00		203 Slots @ 100.00	20,300.00	26,240												
19	46 Games 1/2 Fee	11,000.00	82,100.00	17 Games 1/2 Fee	8,100.00	28,400.00												
20																		
21	GOLDEN GATE CASINO			HACIENDA HOTEL														
22	427 Slots @ 100.00	42,700.00		187 Slots @ 100.00	18,700.00	31,360												
23	13 Games 1/2 Fee	6,500.00	49,200.00	19 Games 1/2 Fee	8,200.00	27,000.00												
24																		
25	GOLDEN NUGGET			PUSSY CAT A 50.00														
26	383 Slots @ 100.00	38,300.00		18 Slots @ 100.00	1,800.00													
27	31 Games 1/2 Fee	9,500.00	47,800.00	3 Games 1/2 Fee	200.00	2,000.00												
28																		
29	HORSHOE CLUB			RIVERIA HOTEL														
30	350 Slots @ 100.00	35,000.00		282 Slots @ 100.00	28,200.00	63,920												
31	25 Games 1/2 Fee	8,900.00	43,900.00	28 Games @ 1/2 Fee	9,200.00	37,400.00												
32																		
33	LAS VEGAS CLUB			SAHARA HOTEL														
34	202 Slots @ 100.00	20,200.00		573 Slots @ 100.00	57,300.00													
35	10 Games 1/2 Fee	3,000.00	23,200.00	35 Games 1/2 Fee	9,900.00	67,200.00												
36																		
37	LUCKY STRIKE CLUB			SANDS HOTEL														
38	201 Slots @ 100.00	20,100.00		265 Slots @ 100.00	26,500.00													
39	10 Games 1/2 Fee	3,000.00	23,100.00	25 Games @ 1/2 Fee	8,900.00	35,400.00												
40																		
41	MINT HOTEL			SILVER SLIPPER														
42	626 Slots @ 100.00	62,600.00		212 Slots @ 100.00	21,200.00													
43	45 Games @ 1/2 Fee	10,900.00	73,500.00	13 Games 1/2 Fee	6,500.00	27,700.00												
44																		
45	NEVADA CLUB			STAR DUST HOTEL														
46	438 Slots @ 100.00	43,800.00		488 Slots @ 100.00	48,800.00													
47	10 Games 1/2 Fee	3,000.00	46,800.00	29 Games @ 1/2 Fee	9,300.00	58,100.00												
48																		
49																		
50																		

TOTALS

515,500.00

430,000.00

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Prepared By	Initials	Date
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COLUMN WRITE	CASINO	PROPOSED SLOT, TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR	CASINO	PROPOSED SLOT, TAX TABLE TAX	TOTAL TAX INCREASE PER YEAR
1	PIONEER CLUB		518,500.00	THUNDERBIRD HOTEL		430,800.00
2	193 SLOTS @ 100.00	19,300.00		308 SLOTS @ 100.00	30,800.00	
3	8 GAMES 1/2 FEE	300.00	22,300.00	23 GAMES @ 1/2 FEE	8,700.00	39,500.00
4						
5	SHOWBOAT HOTEL			TROPICANA HOTEL		
6	263 SLOTS @ 100.00	26,300.00		259 SLOTS @ 100.00	25,900.00	
7	15 GAMES 1/2 FEE	7,500.00	33,800.00	26 GAMES 1/2 FEE	9,000.00	34,900.00
8						
9	PIONEER HOTEL					
10	57 SLOTS	5,700.00				
11	4 GAMES - 1/2 FEE	3,250.00	5,475.00			
12						
13	BINGO CLUB					
14	151 SLOTS @ 100.00	15,100.00				
15	1 GAME - 1/2 FEE	50.00	15,150.00			
16	TOTAL SLOTS 5114 @ 100	511,400.00		TOTAL SLOTS 3905 @ 100	390,500.00	
17	TOTAL GAMES 264	84,125.00	595,525.00	TOTAL GAMES 328	114,700.00	505,200.00

- Those establishments operating or to operate one game, the sum of \$100.
- Those establishments operating or to operate two games, the sum of \$200.
- Those establishments operating or to operate three games, the sum of \$400.
- Those establishments operating or to operate four games, the sum of \$750.
- Those establishments operating or to operate five games, the sum of \$1,750.
- Those establishments operating or to operate six or seven games, the sum of \$3,000.
- Those establishments operating or to operate eight to ten games, inclusive, the sum of \$6,000.
- Those establishments operating or to operate eleven to sixteen games, the sum of \$1,000 for each game so operating or to operate.
- Those establishments operating or to operate more than sixteen games, the sum of \$1,000 for each game to and including sixteen games and the sum of \$200 for each game in excess of sixteen games so operating or to operate.

DOWN TOWN CASINOS	STRIP HOTELS
5114 SLOTS @ 100.00	3905 SLOTS @ 100.00
264 GAMES	328 GAMES
TOTAL TAX INCREASE	
511,400.00	390,500.00
84,125.00	114,700.00
595,525.00	505,200.00

7106

Presented by Don  
Calkworth of Las Vegas  
@ 3/27/66 Prepared by  
Approved By  
Committee meeting  
el

COLUMN WRITE	CASINO OR CLUB	SLOT TAX + TABLE TAX PROPOSED	TOTAL TAX INCREASE PER YEAR	GROSS TAX PAID 1966	20% OF GROSS TAX	INCREASE + OR DECREASE - ON PROPOSED TAX	Percentage of Increase OVER 20%
1	California Club						
2	161 Slots @ 100.00	16,100.00					
3	9 Games 1/2 fee	3,000.00	19,100.00	48,688.00	9,739.00	+ 9,362.00	+ 96.18
4							
5	Carousel Club						
6	186 Slots @ 100.00	18,600.00					
7	9 Games 1/2 fee	3,000.00	21,600.00	58,786.00	11,757.00	+ 9,843.00	+ 83.72
8							
9	El Cortez						
10	288 Slots @ 100.00	28,800.00					
11	9 Games 1/2 fee	3,000.00	31,800.00	156,509.00	31,302.00	+ 4,980.00	+ 1.59
12							
13	Four Queens						
14	493 Slots @ 100.00	49,300.00					
15	20 Games 1/2 fee	8,400.00	56,700.00	196,107.00	39,221.00	+ 17,479.00	+ 44.57
16							
17	Fremont Hotel						
18	711 Slots @ 100.00	71,100.00					
19	46 Games 1/2 fee	11,000.00	82,100.00	618,538.00	123,708.00	- 41,608.00	- 33.63
20							
21	Golden Gate Casino						
22	427 Slots @ 100.00	42,700.00					
23	13 Games 1/2 fee	6,500.00	49,200.00	147,526.00	29,505.00	+ 19,695.00	+ 66.75
24							
25	Golden Nugget						
26	383 Slots @ 100.00	38,300.00					
27	31 Games 1/2 fee	9,500.00	47,800.00	450,660.00	90,132.00	- 42,332.00	- 46.96
28							
29	Horseshoe Club						
30	350 Slots @ 100.00	35,000.00					
31	25 Games 1/2 fee	8,900.00	43,900.00	299,936.00	59,987.00	- 16,087.00	- 26.51
32							
33	Las Vegas Club						
34	202 Slots @ 100.00	20,200.00					
35	10 Games 1/2 fee	3,000.00	23,200.00	197,256.00	39,451.00	+ 37,490.00	+ 19.27
36							
37	Lucky Strike Club						
38	201 Slots @ 100.00	20,100.00					
39	10 Games 1/2 fee	3,000.00	23,100.00	62,678.00	12,536.00	+ 10,564.00	+ 84.27
40							
41	Mint Hotel						
42	626 Slots @ 100.00	62,600.00					
43	45 Games 1/2 fee	10,900.00	73,500.00	418,549.00	83,710.00	+ 19,210.00	+ 12.19
44							
45	Mirage Club						
46	438 Slots @ 100.00	43,800.00					
47	10 Games 1/2 fee	3,000.00	46,800.00	109,830.00	21,976.00	+ 24,824.00	+ 112.96
48							
49							
50							

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Prepared By	Initials	Date
Approved By		

COLUMN WRITE	CASINO	SLOT TAX + TABLE TAX PROPOSED	TOTAL TAX INCREASE PER YEAR	GROSS TAX PAID 1966	20% OF GROSS TAX	INCREASE + OR DECREASE - ON PROPOSED TAX	PERCENTAGE OF INCREASE OR DECREASE OVER 20 %	
1								
2	Pioneer Club							
3	193 Slots @ 100.00	19300.00						
4	8 Games 1/2 Fee	3000.00	22300.00	52295.00	10459.00	+ 11841.00	+ 113.21 %	
5								
6	Pioneer Hotel							
7	51 Slots @ 100.00	5100.00						
8	4 Games 1/2 Fee	375.00	5475.00	2570.00	514.00	+ 4961.00	+ 965.18 %	
9								
10	Show Boat							
11	263 Slots @ 100.00	26300.00						
12	15 Games 1/2 Fee	7500.00	33800.00	163607.00	32721.00	+ 1079.00	+ 3.30 %	
13								
14	Bengo Club							
15	151 Slots @ 100.00	15100.00						
16	1 Game 1/2 Fee	50.00	15150.00	14415.00	2883.00	+ 12267.00	+ 425.49 %	
17								
18	12 CASINOS				+ 222063.00	+ 126862.00	+ 56.86 %	
19	4 CASINOS				- 357537.00	- 110737.00	- 30.83 %	