

NEVADA LEGISLATURE - 54th SESSION

SENATE TAXATION COMMITTEE

122

Minutes of Meeting Held  
March 29, 1967  
4:30 p.m.

The 25th meeting of the Senate Committee on Taxation was called to order Wednesday, March 29, 1967, at 4:30 p.m. in Committee Room 56, State Capitol, by the Acting Chairman, Senator M. J. Christensen.

Committee members present:

Senator M. J. Christensen, Acting Chairman  
Senator G. F. Fisher  
Senator Carl F. Dodge  
Senator James Slattery  
Senator Coe Swobe  
Senator James I. Gibson - joined the meeting at 5:10 p.m.  
and assumed the chairmanship

Absent: Senator B. Mahlon Brown

Also present:

Mr. Ed Bowers, Executive Secretary, Nevada Gaming Commission  
Senator Alfred J. Alleman  
Assemblyman Austin Bowler  
Assemblyman James Wood  
Assemblyman Frank Young  
Mr. Robbins Cahill, Lobbyist, Las Vegas gaming interests  
Mr. Charles Munson, Lobbyist, Reno gaming interests  
Mr. Don Ashworth, representing downtown casinos, Las Vegas  
Las Vegas City Officials: Mr. Art Trelease, City Manager  
Mr. Harold Laird, City Comptroller  
Mr. Ogilvie  
Mr. Angelo Petrini, Former Storey County Assemblyman  
Newsmen and other interested persons

Senator Dodge distributed to the committee copies of a March 29 letter and attached table, addressed to him by Mr. Bowers, at his request. This contained a proposal whereby the Zubrow schedule would be increased 50%, restricted slots would be taxed \$100, nonrestricted slots \$50, and the percentage fees would be changed from 5½% to 6% for gross revenue over \$1 million, less present restricted licensee percentage fees of \$227,394. This formula indicated increased revenue to the state of \$3,868,930. Mr. Bowers explained the figures. He also stated that as a result of objections of numerous slot machine operators to the \$150 restricted and \$100 nonrestricted slot fees, he had been requested to work out the \$100 restricted and \$50 nonrestricted slot machine projected revenues. He said he would work this evening to apply these rates to the major casinos and would have the results tomorrow.

Senator Slattery asked Mr. Bowers to work up a schedule for him, based on 3% on revenues from \$0 - \$50,000; 5½% on revenues over \$50,000; \$50 per unrestricted slot annually (NOT in lieu of percentage fees), \$100 per restricted slot annually (IN lieu of percentage fees).

Mr. Munson suggested a formula which would bulge the tax on 16-30 games.

The Acting Chairman then introduced Mr. Art Trelease, City Manager of Las Vegas, who in turn introduced two other Las Vegas officials, Mr. Harold Laird and Mr. Ogilvie. Mr. Ogilvie distributed to the committee a proposal for a state gaming license and sales tax and a statement explaining the proposal. In essence, the proposal was to turn all local gaming taxes over to the state and impose a 1% county-of-origin sales tax, which would be apportioned by the county among the cities and itself on the basis of assessed valuation. Out-of-state collected sales taxes would be apportioned among the 17 counties in the inverse order of their respective populations, based on the 1960 census. Figures submitted with the proposal indicated a net gain to the state in revenues of \$9,199,449, including a 15% surcharge, or \$9,999,449 including a 20% surcharge. Mr. Ogilvie explained the proposal in some detail.

Discussion ensued between Mr. Laird and Senators Slattery and Dodge.

Upon examining the last page of figures contained in the proposal, wherein the net dollar increase in fees to be collected was shown by counties, Senator Slattery became indignant. He pointed out that Clark County's net increase would be \$86,018, whereas Storey County's net increase would be \$36,420; Douglas County's, \$620,142; Washoe County's, \$488,839, etc. Mr. Cahill and others pointed out that the main reason for this disparity is that at present Clark County is the only county that imposes a county tax on slot machines. This failed to impress Senator Slattery. Senator Dodge's comment was: "I want to make one observation. I'd want to know who would take on the job of explaining this to the people." Mr. Cahill stated that the people he represents are violently opposed to any increase in the gross tax. He reiterated his earlier stand that they would like to see the state go to a flat rate.

Senator Gibson joined the meeting at this point, 5:10 p.m., and took over the chairmanship.

Mr. Munson, representative of Reno gaming interests, suggested that the annual state license fees for games be left the same for 1-16 games; then for 16-30 games, raise the fee to \$2200 or up to \$2500 per game; then, beyond 30 games shade off very rapidly on the fee (perhaps \$200 per game).

Senator Dodge wondered what the impact would be of a \$75 fee per slot. He then mentioned a plan that had been mentioned by one group of small county operators, i.e., that, instead of applying a flat surcharge across the board, the tax be graduated in an inverse order, with the higher income casinos paying a lower percentage, and the lower income

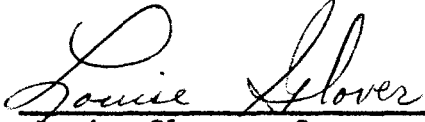
casinos, higher--the percentages of increase to range from 30% down to 15%. Senator Dodge said he did not know if the plan had merit--that it is not in accordance with what Zubrow contended.

Mr. Bowers stated the Gaming Commission is most interested in having a flat rate on the restricted slot machines, from an administrative standpoint. Senator Gibson assured him the committee is committed to that.

Senator Dodge updated Senator Gibson on the requests that had been made earlier in the meeting to Mr. Bowers to prepare various formulas on flat rate figures. Mr. Cahill, representing Las Vegas gaming interests, asked if Mr. Bowers could work up something that showed the results of the higher rate on the 16-30 game category. General discussion followed on rates, methods, formulas. Senator Dodge, concerned with the great volume of work involved for Mr. Bowers and the Gaming Commission in computing the various schedules handed to him at the meeting, told Mr. Bowers, "Don't work on anything that's not in the ball park. . . Play it by ear."

The meeting adjourned at 5:25 p.m.

Respectfully submitted,

  
Louise Glover - Secretary

I certify that the foregoing minutes are correct.

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Senator James I. Gibson - Chairman

Presented by City of Las Vegas  
3/29 Tax. Com. mtg.

It is our understanding that the State of Nevada is in need of \$3 to \$3.5 million in additional revenue, and that the school districts need an additional \$6 to \$6.5 million. Also, there is an urgent need for additional revenue to be distributed to the various counties and cities throughout the State. In an attempt to resolve these problems, the City of Las Vegas has devised a plan which we feel will generate the needed additional revenue without imposing an oppressive burden upon any segment of our economy.

Simply stated, our proposal is as follows:

- (a) All locally imposed gaming taxes would be abolished.
- (b) A 15% (or 20%) surtax would be added to the gross revenue gaming taxes imposed by N.R.S. 463.370. Based upon the amount of revenue derived by the State from this tax during the 1965-66 fiscal year (approx. \$16 million), a 15% surtax would generate an additional \$2.4 million or, if 20% were imposed, \$3.2 million.
- (c) All of the gaming taxes collected pursuant to N.R.S. 463.380 would be retained by the State, rather than being distributed to the counties on the present 17-way split. This would result in an \$822,000 gain to the State, based upon 1965-66 figures.
- (d) The so-called "County Gaming Tax" imposed by N.R.S. 463.390 would be doubled, and the present 25% (State) - 25% (County) - 50% (City) split would be changed to 12-1/2% (State) - 12-1/2% (County) - 75% (State, for school purposes). During the 1965-66 fiscal, approximately \$4 million was collected under this section. By doubling the fees imposed therein, an additional \$4 million would be generated, plus the \$2 million presently remitted to the cities and towns would be retained by the State, resulting in a net gain to the State, for school purposes, of \$6 million.
- (e) A 1% "county of origin" sales tax would be imposed, all of the proceeds of which would be apportioned by the county of origin among the cities and itself on the basis of assessed valuation. Also, the out-of-state collected sales taxes would be apportioned among the 17 counties in the inverse order of their respective populations, as determined by the 1960 census.

With respect to doubling the fees imposed by N.R.S. 463.390, it should be pointed out that this does not, in actuality, result in much, if any, increase to the majority of Nevada gamblers. For example, the City of Las Vegas and Clark County are presently imposing license fees, on a local basis, equal to the fees prescribed by N.R.S. 463.390. In these areas, then, this doubling would

amount only to a transfer of these locally imposed fees to the State. It should also be noted that, although the percentage of the "390 tax" distributed to the State and county of origin will be reduced from 25% to 12-1/2% each, this reduction will not result in decreasing the dollar amount presently received by the State and counties, since the new percentage will be applied to the doubled fees.

Presented by City of Las Vegas  
© 3/29 Tax. Com. mtg.

PROPOSAL

STATE GAMING LICENSE AND COUNTY SALES TAX

1. Present licenses issued pursuant to NRS 463.390 would be doubled, Cities and Towns would be removed from the field entirely, and Counties would share to the extent of 12.5% of the new fee.

Result:

Present Total License Fees	\$3,984,716	
Add to Double	<u>3,984,716</u>	
New Total License Fees		\$7,969,432
Deduct County Share, 12.5%		<u>996,179</u>
Sub-total		\$6,973,253
Deduct Present State Share		<u>996,179</u>
Net Gain to State		\$5,977,074

2. No further licensing would be permitted on behalf of, Cities, Counties, Towns, or other political subdivisions of the State.

3. Annual table license pursuant to NRS 463.380, now shared equally between the seventeen Counties would revert to State,  
Net Gain to State

822,375

4. A surcharge would be applied to Quarterly State License Fees, pursuant to NRS 463.370, present annual gross \$16,000,000.

Assuming an increase of 15%, Net Gain to State	2,400,000
Sub-total	<u>\$9,199,449</u>
If needed, an additional 5% would generate	800,000
Total Net Gain to State	<u><u>\$9,999,449</u></u>

5. A 1% Sales Tax would be collected by the State and remitted to County of origin, after deducting a reasonable administrative fee.

6. Counties containing incorporated cities would share the tax with Cities on the basis of pro-rata assessed valuation.

7. Counties would also share the tax with towns (unincorporated) to the extent of 10% of that town's current ad valorem tax levy.

8. Additional amounts could be shared with political subdivisions of the County only in the event that the combined rates had reached the constitutional limit. This would be subject to the discretion of the County governing body and would be permissive only.

9. In order to resolve the financial difficulties of the smaller counties an amount derived by "Out of State" collections would be allocated to counties on the basis of population rank at the most recent decennial census. This total amount would be divided by 153, representing the sum of the digits in the numbers 1 to 17 inclusive. As of 1960, Clark County would receive 1/153 and Storey County 17/153 of the total.

10. An analysis is attached showing the result of such a program.

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STATE GAMING LICENSE  
AND COUNTY SALES TAX STUDY

Explanation of column headings:

1. Population Index. Rank by County in population per 1960 census.
2. Assessed Valuation. 1966-67 Fiscal Year.
3. 1% Sales Tax Yield. Based upon information furnished by Nevada Tax Commission for the year ending 12/31/66.
4. Tax Rate Equivalent. 1% Sales Tax Yield in terms of assessed valuation of the County of origin.
5. Present Gaming Revenue Loss. Loss to County, City, or Town occasioned by relinquishing license revenue presently received.
6. Gain, 12 1/2% Proposed License. Represents County portion of proposed doubled license fee per NRS 463.390.
7. Gain 1% Sales Tax. Pro-rated Sales Tax distribution between County and Cities on basis of assessed valuation.
8. Gain, Out of State Sales Tax. Out of State Sales Tax collections totaling \$764,719, divided by 153 and allocated to County in accordance with population index, each unit representing approximately \$4,998. For example, Churchill County ranks fifth in population and would receive 5 x 4,998.
9. Distribution to Towns. Represents an amount equal to 10% of the ad-valorem tax levy for fiscal 1966-67 allocated to unincorporated towns from the County portion. This would be a mandatory allocation. Note that counties may grant additional relief to any agency which has reached the constitutional tax limit.
10. Net Gain or (Loss). Represents net result of additions and subtractions of columns No. 5 through 9. Note that some agencies incur a net loss. Where the tax rates are at the constitutional limit an asterisk appears and the agency would be eligible for additional grants from the County.
11. Net Tax Rate Equivalent. Net result in gain or (loss) in terms of tax rate.

STATE GAMING LICENSE  
AND COUNTY SALES TAX STUDY

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
AGENCY	POP. INDEX	ASSESSED VALUATION	1% SALES TAX YIELD	TAX RATE EQUIV.	PRESENT GAMING REVENUE (LOSS)	GAIN, 1 1/2% PROPOSED LICENSE	GAIN, 1% SALES TAX	GAIN, OUT OF STATE SALES TAX	DIST. TO TOWNS
Churchill County	5	23,021,062	158,689	.6893	(58,957)	7,717	117,615	24,991	--
City of Fallon		5,958,820	--	--	(15,099)	--	41,074	--	--
Clark County	1	660,006,384	5,831,562	.8836	(1,086,485)	423,765	2,407,006	4,998	(260,919)
City of Boulder City		7,775,718	--	--	--	--	68,706	--	--
City of Henderson		17,613,558	--	--	(40,636)	--	155,633	--	--
City of Las Vegas		313,013,551	--	--	(1,427,968)	--	2,765,787	--	--
City of North Las Vegas		49,166,017	--	--	(63,258)	--	434,430	--	--
Bunkerville Town		212,738	--	--	--	--	--	--	199
East Las Vegas		5,266,422	--	--	(2,025)	--	--	--	7,109
Logandale Town		471,424	--	--	--	--	--	--	265
Mesquite Town		679,927	--	--	(2,550)	--	--	--	638
Overton Town		782,438	--	--	(1,245)	--	--	--	441
Paradise Town		113,544,521	--	--	(155,378)	--	--	--	146,255
Searchlight Town		811,142	--	--	(4,170)	--	--	--	1,054
Sunrise Manor Town		29,779,888	--	--	(7,582)	--	--	--	25,370
Winchester Town		62,990,664	--	--	(137,415)	--	--	--	79,588
Douglas County	11	38,286,783	324,050	.8464	(538,410)	159,304	324,050	54,980	(3,219)
Gardnerville Town		1,593,992	--	--	--	--	--	--	1,387
Genoa Town		228,740	--	--	(2,475)	--	--	--	68
Minden Town		1,411,415	--	--	(2,475)	--	--	--	1,764
Elko County	3	63,559,357	316,539	.4982	(101,386)	41,192	212,616	14,994	(117)
City of Carlin		2,034,955	--	--	(4,771)	--	10,138	--	--
City of Elko		16,302,806	--	--	(40,487)	--	81,220	--	--
City of Wells		2,522,181	--	--	(12,923)	--	12,565	--	--
Jackpot Town		N/A	--	--	(28,676)	--	--	--	--
Montello Town		377,373	--	--	--	--	--	--	117
Mountain City Town		N/A	--	--	(900)	--	--	--	--



143F  
(11)

AGENCY	(1) POP. INDEX	(2) ASSESSED VALUATION	(3) 1% SALES TAX YIELD	(4) TAX RATE EQUIV.	(5) PRESENT GAMING REVENUE (LOSS)	(6) GAIN, 12½% PROPOSED LICENSE	(7) GAIN, 1% SALES TAX	(8) GAIN, OUT OF STATE SALES TAX	(9) DIST. TO TOWNS	(10) NET GAIN OR (LOSS)	(11) NET TAX RATE EQUIVALENT
<u>Esmeralda County</u>	16	2,799,999	8,433	.3012	(49,095)	300	8,433	79,971	(200)	39,409	1.4075
Goldfield Town		230,000	--	--	(180)	--	--	--	112	(68)*	(.0296)
Silver Peak Town		180,000	--	--	--	--	--	--	88	88	.0489
<u>Eureka County</u>	15	13,430,300	9,728	.7243	(49,305)	930	9,728	74,972	(461)	35,864	.2670
Eureka Town		461,000	--	--	(1,860)	--	--	--	461	(1,399)	(.3035)
<u>Humboldt County</u>	9	31,047,237	149,297	.4809	(63,356)	11,201	110,766	44,983	--	103,594	.3337
City of Winnemucca		8,012,444	--	--	(28,192)	--	38,531	--	--	10,339	.1290
<u>Lander County</u>	14	10,111,165	44,136	.4365	(51,319)	3,251	44,136	69,974	(1,177)	64,865	.6415
Austin Town		248,371	--	--	(500)	--	--	--	124	(376)*	(.1514)
Battle Mountain Town		1,268,634	--	--	(6,002)	--	--	--	1,053	(4,949)*	(.3901)
<u>Lincoln County</u>	13	8,200,000	37,563	.4581	(50,448)	1,713	34,082	64,976	(986)	49,337	.6017
City of Caliente		760,000	--	--	(1,889)	--	3,481	--	--	1,592	.2095
Alamo Town		95,000	--	--	--	--	--	--	71	71	.0747
Panaca Town		255,000	--	--	(200)	--	--	--	382	182	.0714
Pioche Town		460,000	--	--	(1,707)	--	--	--	533	(1,174)*	(.2552)
<u>Lyon County</u>	8	36,728,675	146,412	.3986	(53,591)	3,961	135,021	39,985	(77)	125,299	.3411
City of Yerington		2,858,000	--	--	(8,082)	--	11,391	--	--	3,309	.1158
Dayton Town		258,817	49	--	--	--	--	--	49	49	.0189
Fernley Town		845,014	--	--	(1,680)	--	--	--	--	(1,680)	(.1988)
Mason Town		132,238	--	--	--	--	--	--	--	--	--
Silver City Town		148,893	26	--	--	--	--	--	26	26	.0175
Silver Springs Town		436,583	2	--	--	--	--	--	2	2	.0005
<u>Mineral County</u>	7	8,274,874	90,734	1.0965	(59,754)	8,715	90,734	34,987	(418)	74,264	.8975
Hawthorne Town		3,804,689	--	--	(17,300)	--	--	--	380	(16,920)*	(.4447)
Luning Town		63,022	--	--	(350)	--	--	--	6	(344)*	(.5458)
Mina Town		328,285	--	--	(1,475)	--	--	--	32	(1,443)*	(.4396)

\*County may contribute an additional amount since the combined rates are at the constitutional limit.

1759  
(11)

AGENCY	(1) POP. INDEX	(2) ASSESSED VALUATION	(3) 1% SALES TAX YIELD	(4) TAX RATE EQUIV.	(5) PRESENT GAMING REVENUE (LOSS)	(6) GAIN, 12½% PROPOSED LICENSE	(7) GAIN, 1% SALES TAX	(8) GAIN, OUT OF STATE SALES TAX	(9) DIST. TO TOWNS	(10) NET GAIN OR (LOSS)	(11) NET TAX RATE EQUIVALENT
<u>Nye County</u>	10	19,600,000	68,212	.3482	(55,766)	6,011	59,037	49,982	(7,195)	52,069	.2657
City of Gabbs		2,635,039	--	--	(960)	--	9,175	--	--	8,215	.3118
Beatty Town		1,007,275	--	--	(360)	--	--	--	1,108	748	.0743
Pahrump Town		1,830,700	--	--	--	--	--	--	2,013	2,013	.1100
Manhattan Town		203,200	--	--	--	--	--	--	223	223	.1097
Round Mountain Town		137,650	--	--	--	--	--	--	151	151	.1097
Tonopah Town		3,363,600	--	--	(9,322)	--	--	--	3,700	(5,622)*	(.1671)
<u>Ormsby County</u>	6	32,500,000	241,790	.7440	(71,075)	15,795	77,366	29,989	--	52,075	.1602
Carson City		22,100,000	--	--	(37,800)	--	164,424	--	--	126,624	.5730
<u>Pershing County</u>	12	20,400,000	60,677	.2974	(52,851)	3,661	52,321	59,978	--	63,109	.3094
Lovelock		2,810,000	--	--	(7,561)	--	8,356	--	--	795	.0283
<u>Storey County</u>	17	3,443,712	13,147	.3818	(57,480)	9,105	13,147	84,970	(896)	48,846	1.4080
Goldhill Town		177,842	--	--	(1,310)	--	--	--	184	(1,126)*	(.6331)
Virginia City Town		685,330	--	--	(16,900)	--	--	--	712	(16,188)*	(2.3621)
<u>Washoe County</u>	2	381,277,052	3,301,088	.8658	(440,467)	294,008	858,798	9,996	--	722,335	.1895
Reno, City of		231,853,810	--	--	(1,055,248)	--	2,007,390	--	--	952,142	.4107
Sparks, City of		50,231,005	--	--	(121,873)	--	434,900	--	--	313,027	.6232
<u>White Pine County</u>	4	32,400,000	241,357	.7449	(55,920)	5,550	199,643	19,993	(5,823)	163,443	.5045
Ely, City of		5,600,000	--	--	(21,753)	--	41,714	--	--	19,961	.3564
East Ely Town		2,090,000	--	--	--	--	--	--	2,926	2,926	.1400
Lund Town		89,115	--	--	--	--	--	--	124	124	.1391
McGill Town		1,543,511	--	--	--	--	--	--	2,160	2,160	.1399
Ruth Town		438,266	--	--	--	--	--	--	613	613	.1399
TOTALS					(6,188,202)	996,179	11,043,414	764,719	--	6,616,110	--

SALES TAX SUMMARY:

By Counties	\$11,043,414
Out of State	764,719
TOTAL	<u>\$11,808,133</u>

\*County may contribute an additional amount since the combined rates are at the constitutional limit.

RESULT OF PROPOSED GAMING LICENSE INCREASE  
BY COUNTY

	PROPOSED INCREASE IN LICENSE FEES PER NRS 463,390	PRESENT LOCALLY IMPOSED LICENSES	NET INCREASE
Churchill	30,868	2,529	28,339
Clark	1,695,060	1,609,042	86,018
Douglas	637,216	17,074	620,142
Elko	164,768	17,194	147,574
Esmeralda	1,200	--	1,200
Eureka	3,720	--	3,720
Humbolt	44,804	9,570	35,234
Lander	13,004	--	13,004
Lincoln	6,852	729	6,123
Lyon	15,844	3,096	12,748
Mineral	34,860	--	34,860
Nye	24,044	--	24,044
Ormsby	63,180	13,115	50,065
Pershing	14,644	1,054	13,590
Storey	36,420	--	36,420
Washoe	1,176,032	687,193	488,839
White Pine	22,200	12,649	9,551
<b>TOTAL</b>	<b>3,984,716</b>	<b>2,373,245</b>	<b>1,611,471</b>

\*