

## NEVADA LEGISLATURE - 54TH SESSION

## SENATE TAXATION COMMITTEE

Minutes of Meeting Held  
March 30, 1967

The 26th meeting of the Senate Committee on Taxation was called to order Thursday, March 30, 1967, at 3:30 p.m. in Committee Room 52, State Capitol, by the Chairman, Senator James I. Gibson.

All committee members were present.

Also present:

Assemblyman Frank Young  
Assemblyman Jim Wood (joined the meeting at 3:50 p.m.)  
Mr. Ed Bowers  
Mr. Robbins Cahill  
Mr. Charles Munson  
Mr. Cy Ryan  
One other person, who did not participate  
in the discussion

The Chairman asked Mr. Bowers to explain the flat rate fees in the first of two proposals that were handed to the committee at the meeting. Before Mr. Bowers began the explanation, Senator Gibson told the press that any figures given at the meeting were presented at the request of the committee and were not necessarily recommendations of the Nevada Gaming Commission. Mr. Bowers outlined the formula for the members: 50% increase in the present rates on the 1-16 game category; a bulge in rates in the 17-35 game category, a fee of \$80 (instead of \$100, as called for in the present bill, S.B. 478) for each slot machine in the nonrestricted category. Senator Dodge asked Mr. Bowers whether this formula narrows the wide range of impacts. Mr. Bowers said he felt concern about the 17-35 game category; that the rate is not objectionable, but he felt it would lead to increased traffic in moving machines in and out and hence cause greater variation in state revenues. Senators Dodge and Swobe objected to the reduced fee for slot machines. Mr. Bowers had figures for each of the larger casinos in the state, showing what revenue the new formula would raise. He read these to the committee for their comparison with the revenue that would be realized under S.B. 478 as presently drawn. After these figures had been compared, Senator Gibson said: "I don't think this does enough on the slot machine tax to take care of what we need to do there. So let's go on to the next proposal and see what it does."

The next proposal was Senator Slattery's formula: 3% on \$0-\$50,000; 5½% on all income exceeding \$50,000; impose on nonrestricted slots a \$50 annual fee in addition to the percentage fee; impose a \$100 flat rate fee on restricted slots. Mr. Bowers explained how this formula had been applied; then read the projected revenue under this formula

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for each of the larger casinos. It was agreed this formula resulted in too wide variations in impact on the casinos.

The Chairman asked Mr. Bowers to show the committee the effect of a formula with a 20% flat surcharge. Mr. Bowers said the formula had been worked up on the basis of a 25% surcharge and contemplated a \$50 flat rate for nonrestricted slots, a \$100 flat rate for restricted slots, a \$50 increase in the annual fees on games in lower categories, but raising the top bracket of games substantially. He said these applications are the most constant from a percentage standpoint. He then read figures showing the effect of a 25% raise, on each casino. Concurrently Mr. Frank Young computed and gave to the committee the corresponding 20% increase amount. After these figures were taken down by the committee members, the Chairman announced a 10-minute break.

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The meeting resumed at 4:45 p.m., with the same persons present as noted at the beginning of the meeting, plus Senator Monroe, State Treasurer Mike Mirabelli (sitting at the entrance to the door), and two additional persons in the room who did not participate in the discussions.

Mr. Cahill spoke about the formula his group had suggested. He said their only change was in the 16-30 game bracket, where they provided a tax of \$2200-\$2500 for each game. He said there are 315 games in that category.

Senator Dodge spoke at some length in opposition to a flat rate tax. His main points: 1) There's too wide an individual variation in application, even if it could be averaged out by groups. "One of the precepts of taxation is that you shouldn't seriously vary the taxpayer's tax situation." 2) By any flat rate procedure you're going to shift the burden from the large body of operations to the small body of operations. 3) If there is any serious diminution in slot machine operations, it is going to affect the financing of city and county governments, who collect substantial license fees on slot machines. He felt the committee should stay with the gross tax concept and should consider: 1) A flat surcharge at the rate decided upon (20%) less whatever we can raise from the restricted slot area (or approximately a 19% net surcharge). 2) Go to the Zubrow schedule: The casinos with larger volume are in a position to pay a higher percentage than those in the lower volume categories. 3) An idea brought in yesterday by some people from Elko, which recognizes some of the ideas that Cahill has been advancing on behalf of the larger casinos, i.e., the idea of applying a rate increase, or surcharge, in a sort of inverse order (30% increase on the 3% category, 25% increase on the 4% category, 20% on the 5%, 15% on the 5½%). The new rates then would be 3.9% (old 3%), 5% (old 4%), 6% (old 5%), and 6.3% (old 5½%). Senator Dodge then reiterated his stand against the flat rate concept.

A somewhat lengthy discussion ensued as to the evils (accepted or decried-- both viewpoints being represented among the members) of the gross income percentage tax. Senator Dodge then offered the following formula, which he said he was not enthusiastic about, but which Mr. Bowers had said is the closest thing around as to correlation with the present impact or present burden: Increase table fees by 50%; \$100 flat fee on restricted slots; \$50 on nonrestricted slots; 5½-6½% on earnings in excess of \$1 million. Senator Dodge's objection was to the mixture of flat rate and percentage taxes, when neither method was really equitable. He felt it would be just as well to stay with the known inequities. Senator Christensen preferred to have a go at the unknown inequities. Senator Gibson asked if there were agreement in the committee to set the restricted rate at \$100 instead of \$150. Senator Fisher: "We agreed on \$150." Senator Brown: "The diminution factor wouldn't be as great at \$100."

ACTION: Senator Swobe: "I move the restricted area [of slot machines be taxed at] \$100." Senator Slattery seconded the motion. It passed unanimously.

The Chairman asked if the committee could come back at 8:00 p.m. and work on the flat rate idea some more.

Senator Dodge stated: "Mr. Chairman, I'd like to say that, with all the experience I've had around here, I've never seen anyone accommodate us the way Ed [Bowers] has tried to do." The Chairman and members joined in this expression of appreciation, and Mr. Bowers stated he would continue to cooperate in every way possible.

The meeting recessed at 5:12 p.m. until the hour of 8:00 p.m.

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The meeting resumed at 8:12 p.m., in Room 50, State Capitol, with all members present, plus Senator Monroe and a newsman.

The Chairman announced: "We asked Bowers to work out another schedule which would set a \$60 slot fee and take out the 5% step--go to 5½% and then pick the rest up on tables past 35. They'll be here shortly."

While they were awaiting the arrival of the Gaming Commission people, the committee acted on the following:

S.B. 304: Permits county assessor to inspect property or arbitrarily to increase valuation if property owner's report of property does not contain actual value. Introduced by Clark County Delegation.

The Chairman stated this bill had been given to Russ McDonald to check out the rest of the statute on assessments by county assessors. He then read a letter from Mr. McDonald, stating that the bill was drafted at the request of the Clark County

Assessor; that Mr. McDonald had checked the statute; and that the county assessor already has the authority and duty to inspect all property.

DISPOSITION: Senator Dodge moved, "Kill it." Senator Slattery seconded. Motion passed unanimously.

S.B. 349: Provides for tighter financial control of gaming operations. Introduced by this committee.

The Chairman stated this committee had sent this bill to Finance and they had rereferred it to this committee, indicating they have no objection to it. Discussion.

DISPOSITION: The committee agreed the present wording of the bill is satisfactory and that the Chairman would send it back to the floor of the Senate.

A.B. 466: Makes willful evasion of gaming license fees and taxes a felony. Introduced by Committee on Taxation.

The Chairman stated that the Senate had already passed this bill, but it developed a conflict with A.B. 71. He said he had an amendment which would delete the conflict and then make the act effective 12:01 a.m. on July 1.

DISPOSITION: Senator Slattery moved: "Amend to remove the conflict with A.B. 71 and do pass." Senator Dodge seconded. Motion passed unanimously.

A.B. 188: Specifies standards for classification of agricultural land by Nevada Tax Commission. Introduced by Committee on Taxation.

DISPOSITION: Senator Dodge moved, "Do pass." Senator Slattery seconded. Senator Gibson commented on the bill. The motion passed unanimously. The Chairman asked Senator Dodge to explain the bill on the floor of the Senate.

A.B. 419: Specifies method of computing tax on bank shares. Introduced by Committee on Taxation.

DISPOSITION: Senator Slattery moved, "Do pass." Senator Dodge seconded. Motion passed unanimously. The Chairman asked Senator Swobe to explain the bill on the floor of the Senate.

Messrs. Bowers, Cahill, and Munson joined the meeting (8:25 p.m.).

Mr. Bowers gave figures on the formula referred to by the Chairman when the meeting reconvened at 8:12 p.m. He said there are 26,341 nonrestricted machines. At \$60 a year, this would be a revenue of \$1,580,460. There are

4,159 restricted category slot machines. At \$100 per year minus \$227,394 (percentage fees lost), this category would net \$188,506. The total revenues from all slot machines was thus projected at \$1,768,966. By changing the 5% tax bracket to 5½%, an increase of \$432,665 would be effected this year. All existing games would bring in \$1,315,450 if taxed as follows: An increase of 50% on the present schedule for 1-16 games; \$3000 per game for 17-35 game bracket; \$300 per game for all games in excess of 35 (i.e., 50% increase over present schedule in this category). (During this period Assemblyman Austin Bowler, Newsman Cy Ryan, and another newsman entered the meeting.)

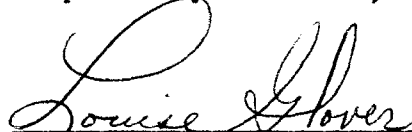
The Chairman asked for figures on representative places. Mr. Bowers then gave figures for specific casinos. The following comments were then made: Senator Gibson, "These are fairly good. . ." Senator Dodge, "By dropping it off to \$60, it brings that sort of thing into proportion." Senator Gibson, "... Does this meet enough of our criteria?" Senator Slattery, "I think so." Senator Swobe, "It comes very close to the 20%." Senator Brown, "Yes, almost down to the line."

Senator Dodge suggested, "What if we take the same coded 60 casinos that we had information on originally, work this through, and show what this impact would be, say, against a 20% surcharge."

ACTION: Senator Slattery: "I move we do [as suggested by Senator Dodge]." Senator Swobe seconded. No vote was taken, but the members appeared in agreement, and the Chairman said to Mr. Bowers: "What we're asking is: Can you take your latest schedule, which is \$60 on the slots, change the 5% to 5½% and work in the schedule on the tables as you related them. Take it on this report of March 15 [coded list]. Show us the effect on this schedule, and against it, the effect of the 19% increase on the gross." Mr. Bowers said he would get the data to the committee tomorrow.

The meeting adjourned at 8:45 p.m.

Respectfully submitted,

  
Louise Glover - Secretary

I certify that the foregoing minutes are correct.

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Senator James I. Gibson - Chairman