

NEVADA LEGISLATURE - 54TH SESSION

SENATE TAXATION COMMITTEE

Minutes of Meeting Held
March 31, 1967

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The 27th meeting of the Senate Committee on Taxation was called to order Friday, March 31, 1967, at approximately 3:30 p.m. in Committee Room 50, State Capitol, by the Chairman, Senator James I. Gibson.

All committee members were present.

Also present:

Mr. Ed Bowers, Gaming Commission
Mr. Harlan Elges, Gaming Commission
Mr. Charles Munson, Lobbyist, Reno gaming interests
Mr. Robbins Cahill, Lobbyist, Las Vegas gaming interests
Senator Alfred J. Alleman (joined the meeting at 4:10 p.m.)
Two newsmen

The following Assembly Taxation Committee members joined the meeting after 4:30 p.m.:

Mr. William Swackhamer, Chairman
Mr. Austin Bowler, Vice Chairman
Mr. Arthur Espinoza
Mr. Bud Garfinkle
Mr. Paul May
Mrs. Mary Frazzini
Mr. James Wood
Mr. Frank Young

The committee secretary entered the meeting at 4:00 p.m., at which time Mr. Bowers and the committee were reviewing the projected revenues from individual casinos under the formula which was given to Mr. Bowers at the close of yesterday's committee meeting. Discussion then turned to the advantages to operators of having fees on games payable quarterly instead of annually.

ACTION: Senator Slattery moved that S.B. 478 be amended to make payments on games payable quarterly. Senator Swobe seconded the motion. It passed with the following vote:

Aye - Senators Brown, Christensen, Fisher, Slattery, Swobe
No - Senator Dodge
Not Voting - Senator Gibson

Senators Gibson and Dodge discussed the mechanics of amending S.B. 478 to incorporate the new formula and the above change in due dates for payments on games. A lengthy discussion then ensued between the members

and Mr. Bowers on proration of payment of fees on games by quarters. Mr. Bowers urged that game fees be left payable annually and that slot machine fees be payable quarterly; further, that fees on both restricted and nonrestricted slots be payable in advance on the 25th day of the last month preceding the new quarter, in order to cut down on the number of reports due at varying times from licensees. It was felt it might be necessary to draft two bills, one to provide for state gaming fees and one for the county fees. The Chairman asked Mr. Bowers to go with him to Russ McDonald's office to draft a new bill or amend the present bill.

At this point (4:35 p.m.), Messrs. Swackhamer, Garfinkle, Frank Young, and May and Mrs. Frazzini, of the Assembly Taxation Committee, joined the meeting.

Senator Gibson brought the Assembly committee up to date, saying: "Our committee decided to go ahead and get the necessary changes in the bill that will implement what we're proposing here. What we've proposed is a \$60 slot machine tax; elimination of the 5% step in the graduated percentage tax (which would put that category up to 5½%); increase the table tax for the first 16 tables by 50%; the tables from 17-35 at \$3,000 per table (we got this out of Zubrow); the tables above 35 will drop back to \$300. This raises approximately \$3.7 million, probably a little over that next year. We still have a problem with it that it does not apply in uniformity; of course, nothing does, off the percentage tax, but it is the feeling of the majority of the committee that they want to get off the percentage tax with this increase that we put through this time."

Mr. Swackhamer asked if the Senate committee could give some relief to seasonal operators by putting the payments on a quarterly basis. Senator Gibson stated the bill is drawn to provide for quarterly licensing of slot machine operators to allow seasonal operators, some of which will pay a much higher tax, an opportunity to control the impact on them. (Mr. Espinoza entered the meeting, 4:42 p.m.) Mr. Swackhamer asked if the Senate were going to have quarterly licensing on games in this bill or would go to S.B. 392 (county gaming fees). Senator Gibson: "We're going to correspond to 392."

Mr. Swackhamer said it would be helpful to make the gaming tax increase effective on passage and approval. There was a short discussion on how the fees would be collected, and by whom.

Mr. Swackhamer then said that if the Senate and Assembly Taxation Committees can agree on the terms of this bill, "perhaps we can push this right through." He called on his committee members for questions, so that they could get them resolved and get some unanimity of thinking. Mr. May said he would like to see the bill amended in print before commenting. Mr. Swackhamer said: "The thing is, are we all thinking in the same direction? . . ." (Mr. Wood entered the meeting, 4:45 p.m.)

Senator Gibson reviewed the basic decisions made by the Senate committee: Separated the restricted and nonrestricted operators; put restricted in

on a flat rate tax, apart from the percentage tax; set that fee at \$100 per slot machine. (This flat rate will save the Gaming Commission a lot administratively, as "It will take about 1100 operators out of their hair.") Senator Dodge inserted: "This will leave about 400 licensees in the nonrestricted area."

Senator Gibson continued explaining the Senate committee's course. He said they had decided to put in the increase on a basis other than the percentage tax, being convinced that the percentage tax is inequitable. Implementing this decision proved to be more complicated than the committee had anticipated, and they had spent hours trying to come up with something as nearly equitable as possible. "This schedule you have is the last of about 10 of these that we've gone through." He said it was not completely uniform in its application, but approaches it. They felt one advantage is that it gives some flexibility to management, in that an operator can remove machines or change his operation around to cope with the tax, something he cannot do with the percentage tax. He said that prior to experimenting with this formula, there was a committee decision to raise at least the equivalent of a 20% increase in the present gross tax, or about \$3.6-\$3.7 million next year. "This plan before you raises about that much money." Senator Dodge interpolated that the surcharge is 19% of the nonrestricted gross tax, because the committee agreed that any money it raised in the restricted category would be credited to the nonrestricted category against the 20% increase--and this credit amounts to about 1% of said 20%.

Mr. Swackhamer asked if, in the area of taxes on games, only the increase in such taxes would go to the state. Senator Gibson: "We're committed to protect the distribution to the counties on the present basis."

Mr. Swackhamer felt the effort to get away from any major increase in the percentage tax was a step in the right direction, since the gross tax is a hard one for a businessman to operate under. He said he would go along on the table tax as long as the small counties are protected.

Questions and discussion followed, among members of both committees and Mr. Bowers, about quarterly payments and the definition of "restricted licensees". The members checked out the application of the formula to various individual casinos.

Senator Gibson spoke about the timing of presenting the bills. He said he had the amendment to the restricted licensee bill and is holding it until the committee decides finally what it is going to do with S.B. 478. He said they would have drafted what the committee had decided today. The committee's intention, he said, is to move these together as soon as they are in agreement on it, probably the first of the week. Senator Brown said: "About 90% of the Legislature feels we should have the gaming tax in back of us. Then we'll follow up with the county-of-origin sales tax. . . . We have already passed the real estate transaction tax. It's in the Assembly."

Mr. Swackhamer: "We're still very much interested in increasing the insurance premium tax 1/2%." He said his committee has evidence that the national average is considerably higher than our 2% state tax and we may be subsidizing the insurance companies to the extent of \$700,000 a year (the amount the 1/2% increase should bring in). He said some of his committee don't believe the increase will relate to any taxpayer's insurance premiums.

Further discussion followed among members of both committees, on the gambling tax. Senator Gibson then stated that in addition to the gambling tax and the county-of-origin sales tax for school support, his committee is considering legislation to get the state out of the cigarette tax field. He said this would increase revenue to cities in the sum of about \$2 million, with an adjustment between the counties and the cities in counties where there are more than two cities. He said if there were one city or less, the tax is distributed strictly on a population basis. He said this was the Senate committee's proposal for relieving the local financial needs; that it would cost the state \$1.6 million; that he would make out a schedule so that the Assembly can see what is involved and pass judgment.

Mr. Swackhamer then explained to the Senate Taxation Committee that his Assembly committee had not contemplated more than a very modest figure in new taxation because the Assembly Ways and Means Committee had accepted until a short time ago a very modest budget for this year, feeling there would be a session next year. "They told us they were figuring on needs of \$4.5 to \$5 million [new revenue]. We figured between gaming and insurance premium taxes, we were covering this thing. This matter of relieving the cities. . . is something the Senate has taken up because of involvement with the 1¢ sales tax. Austin Bowler's committee [Ways and Means] is shifting toward the Senate philosophy."

Mr. Swackhamer then asked: "What the whole thing boils down to: Is the sales tax going to pass? Apparently there are enough votes that it is. So we should accept it."

Assemblyman Bowler, a member of both the Taxation and Ways and Means Committees, commented on the latter committee's approach to the state budget: conservative; left two large budgets open and in a state of flux till other revenues developed; if none developed, they had a formula for the schools; if money is available, their budget will pretty well match up with the Senate's.

Mr. Swackhamer: "I believe we have all agreed that the matter of the gaming tax is of priority. We'll get that to the Governor and then wrestle with the rest of it."

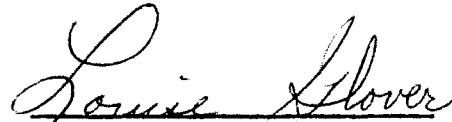
A discussion of school financing developed when Mr. Frank Young asked whether there could be a return to the counties of the determination and control of quality of education. Senators Gibson and Dodge and Mr. Young were the participants in this discussion, and little hope was held out by

the Senators to the Assemblyman for such a return. It was pointed out the school budget already is \$60 million, and it is proposed by the Senate to increase this by 10%, or \$6 million, but this will not provide much relief because the teachers in Washoe and Clark Counties are demanding 80% of any increased revenues for teachers' salaries.

Senator Gibson expressed appreciation for the opportunity to meet with the Assembly committee, and expressed his hope that the tax program would work out well when it gets over to the Assembly.

The meeting adjourned at 5:25 p.m.

Respectfully submitted,


Louise Glover - Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson - Chairman