

Minutes of Public Hearing on Cabaret Tax
Conducted at Joint Meeting of
Senate and Assembly Committees on Taxation
on
March 6, 1967

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A public hearing on cabaret tax bills (Senate Bills 134 and 162) was conducted at a joint meeting of the Senate and Assembly Committees on Taxation in the Senate Chamber at the State Capitol, beginning at 4:05 p.m., Monday, March 6, 1967, presided over by Senator James I. Gibson, Chairman of the Senate Taxation Committee.

Committee members present:

Senator James I. Gibson, Chairman
Senate Committee on Taxation
Senator B. Mahlon Brown
Senator M. J. Christensen
Senator G. F. Fisher
Senator Carl F. Dodge
Senator James Slattery
Senator Coe Swobe

Mr. William D. Swackhamer, Chairman
Assembly Committee on Taxation
Mr. Austin H. Bowler
Mr. Arthur Espinoza
Mr. Bud Garfinkle
Mr. Paul A. May, Jr.
Mr. M. Kent (Tim) Hafen
Mr. James E. Wood
Mr. Frank Young

Absent: Mrs. Mary Frazzini

Chairman Gibson explained the purpose of the meeting was to discuss the effect and impact of Senate Bills 134 or 162 relating to the cabaret tax--either or both or alternatives thereto. He stated that those who had asked to be heard would be called on in order as listed on the agenda, and that others who wished to speak could then do so.

The first speaker was Ed Allison, representing the Governor's office, who delivered a message from Governor Laxalt expressing opposition to the cabaret tax on the grounds of economic prejudice and because of the fact that the field could be pre-empted at any time by the federal government.

The Chairman next called on Mr. Lou Paley, Executive Secretary-Treasurer of the Nevada State AFL-CIO, who also urged repeal

of the cabaret tax, saying it has hurt the economy of the state and has hurt the income of waiters and waitresses. He noted that a bill is before the Legislature calling for additional unemployment funds and was of the opinion that the cabaret tax was a contributor to the recent high rate of unemployment resulting in the need for these additional funds.

Merl Schneider spoke next. He stated that as President of the Reno Musicians Union he represented 1700 musicians who reside in Nevada and more than 2500 nonresident musicians who perform regularly in the state. He, too, claimed the cabaret tax was a contributor to the widespread unemployment in Nevada. He felt that customers are antagonistic about the 10% entertainment tax to the extent that it has an adverse effect on the convention business and on the tourist business generally, especially with the jet service now available to whisk people off to more attractive places, taxwise.

Jeff McColl, representing the Nevada Alliance of Culinary Workers and Bartenders Union, Las Vegas, also felt the tax was injurious to the state's economy in that it injures tourism. He, too, felt the decrease in employment opportunities during the past year was due in part to this tax. He stated the workers he represents definitely are not for an increase in any type of gaming taxes, as anything that hurts gaming hurts these people. As to where to obtain substitute revenue if this law is repealed, he said he could offer only one theory--that perhaps the current tax structure would be satisfactory if the assessment programs of the various county assessors were placed on a uniform basis. He questioned seriously that uniform programs are being followed now. He stated he had a petition signed by approximately 2000 workers asking for repeal of the cabaret tax, and handed the petition over to Chairman Gibson, who placed it in the files of the Senate Taxation Committee.

Val Ruggerio, Reno, spoke next, on behalf of the operators of small establishments. He handed to Chairman Gibson a petition bearing the signatures of over 200 tavern owners, and this, too, was placed in the file of the Senate Taxation Committee. Mr. Ruggerio felt the cabaret tax is a heavy burden on small operators, who are additionally faced with other high taxes by the city, county, and state, and who must compete with large operators that hire professional entertainers of national reputation and that employ give-away programs on a large scale.

Roy Pagni, Reno, stated that his was one of the first casinos to drop gaming when the cabaret tax was levied. He cited figures on the amounts lost to the city, county, state and

federal government in taxes and to dealers in wages when he discontinued gaming, and questioned whether the state really gained by instituting the cabaret tax.

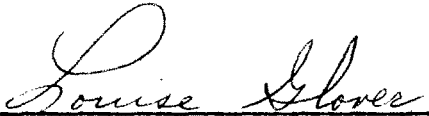
The Chairman asked if there were others who wished to be heard, but there were none. He then explained to those present the dilemma faced by Taxation Committee members: They face a revenue gap of \$13 million a year, even with the cabaret tax still in effect, and this complicates their consideration of matters which have to do with revenue.

He then called on Ed Bowers, Executive Secretary of the Nevada Gaming Commission, who had an alternative to offer in connection with Senate Bill 162. Mr. Bowers stated that this bill would be difficult to administer, due to the fact that juke box and dancing facilities are also covered by the casino tax. He suggested basing any exemptions upon the number of games or slot machines in an establishment, rather than upon the number of musicians employed. In this field he stated that for the quarter ending December 31, 1966, there were 112 licensees contributing \$1 million in tax; that of these licensees, 58 produced well over \$900,000, and the remaining 54 licensees, operating less than three games and 50 slot machines apiece, paid only \$11,000 in tax. This would be a much simpler tax to administer than one based on the number of musicians employed.

Discussion then followed between Mr. Bowers, committee members, and proponents of the cabaret bills who had previously addressed the committee. Mr. Ruggiero expressed the belief that if the small operators could be relieved of the burden of the cabaret tax, they could create more employment. Senator Dodge asked Mr. Bowers whether it would be equitable to the other people in the industry if the state were to exempt those operators having fewer than three games and 50 slot machines apiece. Mr. Bowers said he had not approached it from that viewpoint, but apparently the Legislature, in presenting Senate Bill 162, wanted to give relief to small operators, and that the method he had suggested would help both the small operator and administratively. Mr. Pagni felt the proposed exemptions would be equitable, because large establishments are able to provide professional entertainers to attract customers, while the little establishments are small league. Assemblyman Frank Young noted the presence in the room of Mr. Robbins Cahill and Mr. Charles Munson, who represent large-scale gaming establishments in Las Vegas and Reno, respectively, and asked whether they had any comments as to the equity of the proposed exemptions; but they declined comment.

Senator Alleman, one of nine cointroducers of Senate Bill 162, stated that the bill had been introduced primarily to bring about discussion by the committee and to indicate that small operators need relief.

The hearing adjourned at 5:10 p.m.



Louise Glover
Secretary for the Hearing

I certify that the foregoing minutes are correct.

Senator James I. Gibson
Chairman of the Hearing