

NEVADA LEGISLATURE - 54TH SESSION

SENATE TAXATION COMMITTEE

Minutes of Meeting Held

April 11, 1967

4:30 p. m.

The 33d meeting of the Senate Committee on Taxation was called to order Tuesday, April 11, 1967, at 4:30 p.m., in Committee Room 50, State Capitol, by the Chairman, Senator James I. Gibson.

All committee members were present except Senator James Slattery.

Also present were:

Senator Emerson Titlow (4:30 - 5:00 p.m.)
 Senator Cliff Young (4:30 - 5:10 p.m.)
 George L. Vargas, Reno attorney (4:30 - 5:00 p.m.)
 Ernest Newton, Nevada Taxpayers Association (4:30 - 5:00 p.m.)
 Dick Horton, Reno attorney (4:30 - 5:00 p.m.)
 Bob Horton, representing Western Oil Producers (4:30 - 5:00 p.m.)
 Assemblywoman Eileen Brookman (5:10 - 5:20 p.m.)
 Allen James, Executive Secretary, Indian Affairs Commission,
 Carson City (5:10 - 5:20 p.m.)
 Bob Hunter, Executive Director, Tribal Council of Nevada
 (5:10 - 5:20 p.m.)
 Five Indian tribal representatives (5:10 - 5:20 p.m.)
 One other person interested in Indian legislation (5:10-5:20 p.m.)
 Cy Ryan, Newsman (approx. 5:00 - 5:25 p.m.)

The Chairman called for consideration of -

S.B. 26: Titlow. Imposes tax on oil and gas production in Nevada.

The Chairman called on Senator Titlow for a statement. Senator Titlow explained the background and purpose of the bill. He said it would produce \$18,000 annually in revenue, to be distributed in the same manner as the net proceeds of mines tax. He said oil people are claiming this tax will deter exploration, but the tax is simply on production.

Mr. Dick Horton, Reno attorney, then spoke on behalf of Western Oil Producers and in opposition to S.B. 26. He objected to a statement by Senator Titlow that the tax proposed by this bill is a usual one. He said that in fact it is a fairly unusual tax, that the standard tax is in the nature of a property tax, which is the equivalent of the mine production tax that Nevada now has. He said, in response to a comment by Senator Titlow that a major Nevada oil producer is not paying the net proceeds of mines tax, that his client is that producer, that his client will be happy to make its report and pay its tax as soon as it can get worked out with the Nevada Tax Commission a suitable report form--that the standard form is for use by hard rock mines and is simply not applicable to oil wells. (The report is some 18 months overdue.) He mentioned earlier efforts of the Legislature to encourage the search for oil in

Nevada and asked: "Why put a tax on this new industry?" He mentioned legislation currently pending before the Legislature to encourage other new industry to the state through authorizing the issue of revenue bonds. He said his client has a plan to build a \$1.5 million refinery in Nye County; that this would bring additional property onto the county rolls; and threatened that Senator Titlow's espousal of this bill might very well cause his client to build the refinery elsewhere. He then introduced his brother, Bob Horton, who is associated with Western Oil Producers.

Bob Horton then addressed the committee, placing figures on the blackboard to illustrate the importance of every penny in the cost of exploration, production, and refining of oil. He stated that the oil fields of Nevada are in competition with those of every oil producing area of the world.

Senator Titlow read a letter from the Nye County Assessor, saying the state had realized only \$13.60 out of 738 barrels of oil produced. He said, "We are taxing the net proceeds and nothing else. Further, if those people are not filing those reports now, how can they say they go along with the present tax?"

The Chairman called on Ernest Newton, who addressed the committee in his capacity as Secretary of the Nevada Taxpayers Association. (He is also Secretary of the Nevada Tax Commission.) In opposing S.B. 26, he discussed taxes on oil producers in various other states. He, too, mentioned the factor of competition with the rest of the world and with the rest of the United States.

George L. Vargas, Reno attorney, representing the 10 major oil companies in Nevada, addressed the committee in opposition to the bill, and read from letters he had received from counsel for Standard Oil Company of California and Phillips Petroleum Company, expressing objection to a severance tax such as proposed by S.B. 26.

The Chairman thanked those who had appeared before the committee relative to the bill. Senator Titlow and Messrs. Bob and Dick Horton, Newton, and Vargas left the meeting at this point.

The Chairman next called for consideration of:

S.B. 196: Young. Increases tax on malt beverages for benefit of Fish and Game Fund and outdoor recreation.

Senator Young explained that the bill had its genesis in a meeting of the Nevada Wildlife Association, at which a resolution was passed to place a tax of 1¢ a can on each can of beer sold. Upon checking into this matter, it was found that this would pose administrative problems and that the same effect could be obtained by taxing the gallonage of beer. He gave statistics on taxes on beer in other states and on consumption of beer in Nevada. While he preferred that revenues from the tax be earmarked as set out in the bill, he felt that, whether the funds were earmarked or not, it is meritorious legislation, worthy of consideration. He

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estimated it would bring in \$600,000 new revenue annually, according to figures given to him by Ernest Newton, Secretary of the Nevada Tax Commission.

The Chairman then called on Senator Young to comment on two trading stamp measures he had introduced:

S.B. 187: Young and Bunker. Regulates the sale, distribution, and redemption of trading stamps and provides for tax based on value of unredeemed stamps.

S.B. 429: Young. Imposes privilege tax on trading stamp companies.

Senator Young stated that S.B. 187 introduced a somewhat new concept into taxing trading stamps, i.e., a tax based on the value of unredeemed stamps. He said he has discarded any serious effort to do anything with that because of administrative problems. In lieu thereof, S.B. 429 has been introduced, which imposes a transactions tax on trading stamps. He said that trading stamps have little regulation in Nevada as compared with other states--that in 18 other states the cash value must be printed on the stamps, and they must be redeemable in cash. He commented on restrictions in certain other states. Senator Young said he had asked Art Palmer to determine the value of trading stamps in Nevada, and according to Mr. Palmer's best estimate, \$4.2 million represents the value of trading stamps distributed in one year in this state. If the state imposed a 5% transactions tax, this would bring in \$210,000 annually in revenue. Senator Young said perhaps this was too high a tax, but: "We tax real estate transactions, insurance companies are taxed 2%, there is a tax on gambling, and we've even put a tax on prophylactic devices." He felt that the trading stamp people should not escape some of the onus of supporting the government. (Senator Young left the meeting at the close of this presentation. Senator Dodge left the meeting prior to this time.)

Assemblywoman Eileen Brookman entered the meeting at this point (5:10 p.m.), along with Senator Titlow; Mr. Allen James, Executive Secretary, Indian Affairs Commission; Mr. Bob Hunter, Executive Director, Tribal Council of Nevada; five Indian tribal representatives; and one other person, all proponents of -

A.B. 509: Committee on Federal, Indian, and Military Affairs. Restores exemption of Indian lands held under federal trust from taxation of leasehold or possessory interests.

The Chairman called on Mrs. Brookman, Chairman of the Assembly committee which introduced A.B. 509. Mrs. Brookman introduced Mr. James, who addressed the committee in explanation of the need for the bill. He stated that it is hard to lease the lands covered by the bill, for two reasons: 1) The land is remote and 2) fee title cannot be offered with a lease as it can be with other leases, because the land is held in trust by the United States for the Indians, and the Indians are only the beneficial owners. He stated that, as far as taxes go, the Indian people pay

all taxes, except that they are presently exempt from real property taxes and income from the land if the income is derived from the reservation. He continued: "There are over one million acres of this type of Indian land in the State, and most of them, as I said, are remote. The population of Indian people on these lands is about 4000 people in toto. Originally, before 1965, this exemption from tax on their leasehold was one incentive that the Indian people and groups working with them could [offer]. . . At the present time there has been very little development on Indian reservations, no industrial leases, just one mining lease, at Walker River. That has about \$200,000 income. There are other minor leases that they have. One tribe that is very interested in getting development is the Pyramid Lake tribe in Washoe County. They have the Bureau of Indian Affairs, as well as the Governor, very recently, with the Tribal Council, developing a brochure to try to bring in developers for this land. If this lease exemption is restored, it would be something to offer. We became aware that there would be a tax (S.B. 48) which has gone through and been signed. A clause in that would exclude the Bureau of Indian Affairs and Department of the Interior. The Legislative Counsel advised us that any amendments to A.B. 48 would be inconsistent with A.B. 48 intentions. This bill was to clarify grazing. But they understood our problem; so we have with us today, Senator Titlow."

The next speaker in behalf of A.B. 509 was Mr. Bob Hunter of the Tribal Council of Nevada, a statewide organization of various tribal people from the reservations, whose purpose is to help Indian people through economic development. Mr. Hunter stated his group felt this bill is very vital, that it would provide needed incentive to bring in outside development; and that they heartily endorse acceptance of A.B. 509.

Mrs. Brookman then spoke in behalf of the bill. She pointed out that the bill had come through her committee in the Assembly with a "do pass" recommendation. She stated that the development of a marina at Pyramid Lake would employ many Indians and would be a very good development. "We feel it is a very, very good bill, and urge that you bring it out with a 'do pass.' Many people are interested in developing these lands. It would bring the Indian status way up, by getting them off welfare and giving them good jobs right where they are."

Senator Titlow spoke next, heartily recommending passage of the bill.

Senator Gibson expressed appreciation to the group for coming before the committee, and the proponents of A.B. 509 then left the meeting (5:20 p.m.). (Senator Swobe left during the above presentations.)

The committee, having concluded its hearings for the day, proceeded to act on the bills whose proponents and opponents had been heard earlier in the meeting. At this point, there were present at the meeting: Senators Gibson, Brown, Christensen, and Fisher, and Newsman Cy Ryan.

✓ S.B. 26: DISPOSITION: Senator Brown, "I move we kill this bill."
Senator Christensen seconded. Discussion. The motion passed unanimously.

S.B. 196: ✓ DISPOSITION: It was decided to hold this bill.

S.B. 187: ✓ DISPOSITION: Senator Christensen moved, "Bury that." Senator Fisher seconded. The motion passed unanimously.

S.B. 429: ✓ DISPOSITION: Senator Brown moved, "Kill it." Senator Christensen seconded. The motion passed unanimously.

A.B. 509: ✓ DISPOSITION: Senator Christensen moved, "Do pass." Senator Brown seconded. The motion passed unanimously.

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