

7

Senate

COMMITTEE ON TAXATION

Minutes of Meeting -- March 11, 1969

The Committee on Taxation met on March 11, 1969, at 3:00 P.M.

Committee members present: James Gibson, Chairman
Carl F. Dodge
James Slattery
Mahlon Brown
Coe Swobe
M. J. Christensen
Marvin White

Also present were:

Del Heidrich	Dir., Finance and Personnel, Reno
B. A. Waller	Reno Police Department
George Slead	Western Cigar Co., Las Vegas
Roy Puccinelli	Southworth Tobacco Co., Reno
Joseph E. DiGrazia	DiGrazia Wholesale, Wells
Louis Vasconcelas	Glaser Bros.
Bruce Sutton	Sutton Vending Service, Las Vegas
Wayne Pearson	Gaming Control Board
Ed Bowers	Exec. Secy., Nevada Chamber of Commerce
C. G. Munson	Gaming Industry Association
Jerry Higgins	Sparks Nugget
Roy Bankoffier	Mayor, Reno
Joe Latimore	City Manager, Reno
Stan Drakulich	Councilman, Sparks
Art Pryor	Councilman, Sparks
John Brooke	City Manager, Sparks
L. Myers	Councilman, Carson City
R. Newton	Nevada Taxpayers Association

Chairman Gibson called the meeting to order.

S3-236 Proposed by Committee on Federal, State and Local Governments.
Increases cigarette tax.

Chairman Gibson explained that the bill had been drafted at the request of the Municipal Association and increases the cigarette tax from 7 to 10 cents a package, with no change in the method of distribution. It would be returned to the cities and counties on the same basis as it is now. The purpose of the bill is relief of the local governments -- as far as revenue is concerned.

Mr. Blyth made a brief statement, noting that the tax money is distributed back through a population factor to cities and counties -- except for the three counties of Elko, Washoe, and Clark, in which case the counties themselves do not participate in any revenues, but in those three counties

the total going back to the counties is subdivided again and goes back to the cities only. The cigarette tax form is one of the basic revenue sources for local governments. In the last fiscal year it provided nearly \$5,700,000.00 out of total expenditures of nearly \$85,000,000.00. He stated that there has been considerable question about revenue increase that might result from the increase in taxation of cigarettes from 7 cents per pack to 10 cents per pack. It is contended that this would reduce the sale of cigarettes, and this perhaps so much that we would not appreciate any particular increase in revenue. He added that the same statement was made some six years ago when the cigarette tax was increased -- and it was not proven true then and there are serious doubts now that it would reduce sales. This additional revenue would add about 40% in revenue to cities and counties.

At this point several persons from various cities spoke in regard to what effect the bill would have on their financial situation. Mayor Bankofier of Reno spoke briefly. Mr. Latimore stated that the previous day the Reno City Council had approved a tentative budget which involves some \$700,000.00 more in expenditure than revenue expected, and unless some relief was coming from the state, this could not be met. The budget, he further stated, was extremely conservative; they have considered only reinstatement of the "step" raises for the employees (3%) and they are hoping to satisfy their employees with this moderate increase. He urged the committee to pass the bill, stating that the cities realized that it was not the complete answer to revenue for the cities.

Police Captain Waller spoke, representing the city employees of Reno, stating that consideration on the bill would be deeply appreciated. Mr. John Brooke, City Manager of Sparks, stated that he really could not add much to the testimony of Mr. Latimore. Sparks also has serious budget problems and they have at this point cut almost \$600,000.00 from their budget. Cities, he said, are in dire need of money -- and in the case of his city, they don't know what more they can do than they have done currently in trimming the budget. Mr. Myers spoke, stating similar problems were existing in Carson City and urged passage of the bill. He cited the need for adequate police and fire protection -- now hampered because of lack of funds.

Mr. DiGrazia, of the DiGrazia Wholesale in Wells, Nevada, said that they were not at this meeting to advise on the increase, but pointed out that when California went to 10 cents several years ago, instead of having an increase, they had a decrease -- they went down 2.8%. Therefore, they respectfully request if this bill goes through, they would like to see the present 4% discount increased to a 5% discount. Mr. DiGrazia then went over the procedure that they go through in the cigarette wholesaler's business. Chairman Gibson requested that Mr. DiGrazia leave his statement (in writing) with the committee.

Senator Dodge posed a question concerning the cigarettes in vending machines as to the price they are sold for. Mr. Sutton, of the Sutton Vending Service in Las Vegas, answered that the price varies -- from 35¢ to 40¢. Mr. Sutton

added that the costs of their company are not going down, and that the customer that has the vending machine makes more of a profit than they do, and that this is where the price is determined. He pointed out that in Las Vegas they have a minimum of what the cigarettes can sell for, and that their company needs relief the same as the municipalities.

There was some discussion with regard to the surrounding states -- California, Utah, and Idaho -- as to their cigarette tax rate. Senator Swobe wanted to know if the tax were increased on a local option, how would it affect their business? Mr. Sutton said that this does not work at all -- California has tried it, and found it completely unacceptable. There was further discussion regarding this bill.

SB-249 Proposed by Senators Farr, Hecht, and Young.
Provides for holiday and special event permits for gaming licenses.

Senator Farr explained that in passing the last legislative act they had failed to make provisions for influxes of tourists on special occasions. He said that he had some representatives at the meeting to answer any questions -- some from the gaming commission and the casinos. Senator Farr further commented on the provisions of this bill. Mr. Wayne Pearson of the Gaming Control Board, said there was a definite need for this bill. He made two points clear from the viewpoint of the Gaming Control Board: (1) They do not see this as resulting in any increased apportionment on their part -- this is done in the ordinary work that they now perform; and (2) that in Section 3, Subsection 3, it is impractical for the small owners as far as the "25 percent" provision.

Senator Dodge then asked Mr. Bowers of the Nevada Chamber of Commerce if this were permitted, would there be any particular inclination on the part of the casinos to reduce the number of permanent tables they have in order to take advantage of the quarter provision on Holidays? Mr. Bowers stated that he did not believe so, if the language in this bill is restrictive enough.

There was further discussion of this bill and explanations from Senator Farr with regard to various provisions. He said there is a lot of merit in this -- not only in the additional revenue that will be gained from the gaming tax, but the additional revenue that will be taken home by the employee -- there are several hidden benefits. Chairman Gibson pointed out that there would be no loss of revenue, to which Mr. Bowers concurred.

Senator Slattery moved Amend and Do Pass, seconded by Senator Dodge. The vote for this action was unanimous.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patricia F. Burke
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Committee Secretary