

Senate

COMMITTEE ON TAXATION

Minutes of Meeting -- March 25, 1969

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

Also present were:

D. Hazen	
M. K. Mangum	
Frank Knafelc	O. K. Distributors, Inc.
Samuel W. Belford	U. S. Brewers Association
Jack T. Matthews	Wine Institute
Grover E. Hillygus	Nevada Retail Liquor Dealers
William E. Luce	Luce & Son, Inc.
Pete Barengo	Sierra Wine & Liquor Co., and Harrison Distributors, Reno

Press representatives

Chairman Gibson called the meeting to order, and stated that the purpose of the meeting was to consider Senate Bill 439:

SB-439 Proposed by Committee on Taxation.
 Increases excise taxes on intoxicating liquor and provides for apportionment of such taxes.

Chairman Gibson said that in summary the effect of this bill was to increase present liquor taxes by 25%, and then to distribute the amount of the increase to the cities and the county on the basis of population in the same manner in which the cigarette tax is now distributed. He said that according to Mr. Palmer on the basis of present and projected revenue this increase would produce approximately \$1,048,000.00 in the next fiscal year. He further explained that this bill is not necessarily sponsored by anyone, but they are trying to come up with some answer to the local financial problems of the cities, and this bill is one of the possibilities.

Mr. Barengo, representing the Sierra Wine & Liquor Company and also the Harrison Distributors, spoke first. He said that he wanted to give the Committee some of his observations on this liquor tax as presented in the bill. He pointed out that the liquor tax is lower here in Nevada than it is in the State of California, and that having to absorb this tax would create quite a problem. His own company has approximately 1500 accounts in Northern Nevada, and when you impose a tax, the people that have to collect the tax -- it should be made in such a way that they are protected and better able to collect the tax for the State of Nevada.

Senator Dodge posed the question as to where this would place Nevada with respect to other states, and California in particular. Mr. Barengo answered that they charged \$2.00 on liquor in California, whereas the rate is \$1.40 in Nevada -- and continued on down the list giving comparisons between Nevada and California on different types of liquor.

Mr. Matthews, representing the Wine Institute, which is a Trade Association, which in turns represents the California Wine Growers, was next to be heard on this subject. He gave three main points he felt were pertinent to consideration of this bill: (1) It is important to compare rates with surrounding states; (2) Gave the rates the growers receive for grapes sold to processors; and (3) He hopes the bill will not be enacted.

Senator Brown asked Chairman Gibson if he had the figures indicating the revenue received last year in the four different categories. Chairman Gibson gave them as follows:

1968-69:	Beer	\$ 689,897.00	
	Light Wine	229,282.00	
	Heavy Wine	141,931.00	
	Spirits	<u>3,134,271.00</u>	
	Total	\$4,195,381.00	(Projected on the basis of present taxes.)

The above represents a 10% increase in sales.

Mr. Belford, representing the U. S. Brewers Association, which he said brew about 80% of the gallons of beer brewed in the United States, addressed himself just to the portion which would affect beer. He gave comparisons with other states as requested by Senator Dodge. They were as follows:

Arizona	--	\$2.48
Idaho	--	\$4.65
Nevada	--	\$1.86
California	--	\$1.64
Utah	--	\$1.10

He then gave the figures for barrells in Nevada in 1966 (there has been an increase since then) as a total consumption in Nevada of 342,000. They paid a federal excise tax, in addition to all normal taxes of any business, slightly over \$3,000,000.00, and a state excise tax slightly over \$630,000.00.

Mr. Frank Knafelc, representing O. K. Distributors, gave the figures just for Coors on the taxes paid as follows:

Total State Tax	--	\$ 233,525.00
Total Federal Tax	--	<u>1,129,960.00</u>
Grand Total	--	\$1,363,486.00

From 1965 to 1966 it showed that there was a 13% increase; from 1966 to 1967, there was a 16% increase, and from 1967 to 1968 there was another 15% increase. Mr. Knafelc added that there is approximately a 15% increase every year, without asking for another 25.

Mr. Hillygus, representing the Nevada Retail Liquor Dealers, stated that he wished to reiterate what Mr. Barengo and Mr. Matthews had said and added that it goes without saying that the Nevada Retail Liquor Dealers are opposed to all three categories of increase.

Senator Dodge then wanted to know if any other increases would result from the increase in the tax, in addition to the seven cents a bottle. Mr. Barengo answered that there is a 15% mark-up that the wholesaler would add, and approximately a 25% mark-up the retailer would add. Mr. Barengo also added that the percentage of liquor business across the bar in Nevada is 70-75%. There was further discussion, and Chairman Gibson thanked everyone for coming and giving their opinions on the possible tax increase.

The rest of the meeting was devoted to inter-committee discussion. Senator Brown pointed out that we want to stay a little below California, where our main competition is, and gave some of his projected figures in regard to the liquor tax. Chairman Gibson gave his figures with regard to the revenue raised on the proposed tax increases as follows:

Three cents on Cigarette Tax	--	\$2,430,000.00
Liquor tax proposal	--	\$1,048,000.00
Motor Vehicle Privilege Tax	--	\$1,318,000.00

Chairman Gibson said there was a further tax which is a Clark County measure, from the Fair & Recreation Board on room tax, which everyone is not in agreement on at this time, representing a 25% increase.

Chairman Gibson further said that there has been pretty strong resistance to any kind of a general heavy tax increase, but he felt convinced the cities need some assistance. Senator Dodge said that he felt it was wrong to impose these general taxes just for the relief of one particular city or county, but there should be some local option type taxation that could be levied in the areas where the problems exist. Senator Swobe concurred in this stating that he felt they were compounding the problem by trying to bail the cities out, and asked if the Committee would be responsive to him talking to Mr. McDonald and see if this could be put on the ballot. Chairman Gibson had no objection to this.

After further discussion, Chairman Gibson stated that there would be a hearing on Thursday, after which further consideration would be given to this matter.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patricia F. Burke

Patricia F. Burke,
Committee Secretary