

Senate

COMMITTEE ON TAXATION

Minutes of Meeting -- April 9, 1969

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

Also present were:

Senator Monroe	
Senator Pozzi	
Senator Settlemyer	
Ray Knisley	
Roy Nickson	Nevada Tax Commission
James Butler	Nevada State Education Association
Robert Bruce	Fiscal Analyst
John Winters	Rancher
Assemblyman Ashworth	
Assemblyman Wood	
Assemblyman Howard	
Carl Soderblom	Southern Pacific Railroad

Press representatives

Chairman Gibson called the meeting to order. Under consideration were several bills.

SB-386 Proposed by Senator Fransway.
 Exempts property of Eureka Water Association from taxation.

Chairman Gibson stated that Senator Fransway asked that the committee "hear their cause" and decide what to do with this. The bill had previously been held. Senator Monroe spoke regarding the bill stating its purpose and saying that he had had similar requests for exemption from Elko County. He stated that these small, non-profit corporations that are formed to provide water service to communities like Eureka, Mountain City, et cetera, are groups of people in unincorporated towns -- who have had to form some kind of formal organization in order to borrow money from the federal government (under various of the relief programs of the government) to help people with their water assistance. It is similar to a municipality -- but since they have no municipality to work through, so they actually work through this organization, get their water system improved with the federal money and eventually pay it back. The rates on these systems is high -- and usually with a minimum amount of service. Senator Monroe said he knew of no reason why they should be taxed any more than a municipal water system should be taxed. There was some committee discussion on this and then Senator Swobe moved that the committee reconsider this bill, seconded by Senator Slattery. Vote was unanimous for this action.

Jim Butler spoke, not in regard to any particular bill, but concerning the school financial situation as it is at this time. Based upon the particular set-up of what the money committees are going to do and are able to do under the current revenues, they feel that the total amount available to be distributed to school funds this coming biennium are roughly comparable to the size of the increase which was supported in the last biennium. He said they were faced with an increased demand for teachers and increased expectations as far as the teaching staff for the State of Nevada -- and this is especially true in Clark County,

Mr. Butler said they had appeared before the Assembly Taxation Committee a week previous in response to the bill they said they were having drafted to recommend a \$.03 sales tax. At that time, his group said that a proposal which they were making would certainly not necessitate such an increase, but would in the combination of current revenues and other sources probably necessitate a \$.01 increase in the sales tax. His group had suggested the \$.01 increase, but it has not been forthcoming.

He stated that the main statement he wished to reiterate at this time was for the \$.01 sales tax and also to indicate that if they are to remain in the position they now have, as far as salary scheduling and support of schools in the State, we are going to be faced with increased demands for a Special Session in 1970 and certainly for an increase in sales tax. The events in Clark County in the past few days and weeks are not something his group is advocating as far as the activity of teachers is concerned. He stated that this disruption is coming partly from the leadership and partly from people who are ignoring the leadership and going on their own. He felt their "vision of reality" is based on the situation in that county and the fact that firemen, garbage men, et cetera, have had significant increases in salaries in the past year and this is making the comparative situation look very bad where the teachers are concerned. The State of Nevada imports 90% of the teachers (classroom) each September from out of state. We do not produce nearly enough teachers to keep up with our growth and this contributes to the need for being competitive. He said that he was making the above statement in order to ask, again, for the committee's consideration.

SB-116 Proposed by Senator Pozzi.
Provides method for county taxation of certain state-owned real property.

SB-307 Proposed by Senator Pozzi.
Allows counties to tax certain state lands.

Senator Pozzi spoke briefly outlining the history of each bill and detailing what each proposed to do. He said that as it stands now, SB-307 needs to be amended and that these amendments have been given to the Chairman for consideration. At this time, it is considered that SB-307 is the most desirable of the two bills. Senator Dodge spoke on the determination of value of state properties and Mr. Nickson stated that this was replacement cost less

depreciation. Senator Dodge also spoke at some length regarding the growth of Nevada, and with this, the growing complexities of funding, et cetera, and stated that he felt SB-307 was desirable. Senator Swobe said he felt the bill should go on a percentage basis -- 17½%-18% -- in order to produce the proper amount of revenue.

Senator Dodge moved Amend and Do Pass, seconded by Senator Swobe. Vote was unanimous for this action. (Note: The move was to realize \$100,000.00 from this measure with whatever percentage necessary to produce this amount.)

Since this action obviated SB-116, Senator Dodge moved that this bill be held indefinitely, seconded by Senator Brown. Vote was unanimous for this action.

SB-357 Proposed by Senators Swobe and Farr.
Requires same assessment of railroad property not used for railroad purposes as for other property.

Chairman Gibson requested that Mr. Nickson give them the impact of this bill on the evaluation in the county along the line. Mr. Nickson called attention to his letter (attached) to the Chairman which contains information and detailed figures on this. He read the decrease in allocation of system assessed values by county as in a)2 of the letter. Mr. Nickson stated that he estimated that 12% of the so-called non-operative property of Southern Pacific is located in Elko County and about 70% in Washoe County and the balance is distributed fairly equally in the other counties. The net increase on this basis would be \$432,528.00 to Washoe County in assessed evaluation, a decrease to Churchill of \$172,780.00, a decrease for Elko of \$423,943.00, et cetera, (see Chairman Gibson's figures on attached letter.)

There was further discussion with the committee and Mr. Nickson regarding NRS 361.320, the federal law, and the Tax Commission interpretation of these statutes. Mr. Soderblom said that this was the first time he had seen the Tax Commission letter in question, and had worked up figures for the committee which were very comparable to those in the letter. In referring to the letter, and a question from Senator Swobe regarding the "note" on page two, Mr. Soderblom said that in capitalizing the least finances that S.P. gets from their rentals, it would have a tendency to put the assessed values into the cities and areas where these properties are located -- which is primarily the cities. (Reno, and primarily in Sparks.) This bill, therefore, pulls this amount out and puts it into the high rated areas and thereby reduces the amount that's available to the surrounding areas -- even in Washoe County. Chairman Gibson said he didn't think any other state was losing this evaluation and that it was, in fact, the method of evaluation that determined the amounts. Senator Dodge said he felt that if the loss is approximately \$1,000,000.00 and is spread (as shown in the letter) over nine counties in order to benefit Washoe County, it was not a good transaction for the State of Nevada.

Senator Dodge moved the bill be held indefinitely, seconded by Senator Slattery. Vote was unanimous for this action.

SB-329 Proposed by Senators Young, Farr, Pozzi, Harris, Slattery, Hug, Manning, Herr and Titlow.
Enacts tax upon soft drinks and soft drink syrups for park purposes.

Mr. Winters, a rancher, spoke for park sites and spoke for this bill. Chairman Gibson pointed out some of the problems in the mechanics of a soft drink tax. Senator Swobe stated some of the problems he had observed with the problems in South Carolina, with this same type of tax. The bill was not considered for vote at this time.

AB-360 Proposed by Committee on Taxation.
Clarifies methods and procedures involved in valuation and assessment of property.
Executive estimate of cost: None.

Chairman Gibson pointed out that this bill has been amended by the Assembly. Mr. Nickson stated this bill would involve replacement cost and income expectancy on property, as well as market value and the price at which property is sold. Mr. Knisley said that he and Senator Settlemyer had two proposals for amendments. One was to strike out the word "replacement" in line 13 of subsection (c). This is suggested because of the amendment in Sec. 2, subsection 3 -- and if one uses replacement value, the value of the property is raised, in effect, every five years. This would, of course, completely defeat the depreciation factor -- and a new depreciation schedule would have to be set each time it was re-evaluated. This would create a fictitious value on which the land-owner would have to be taxed. Senator Dodge agreed and cited the case of his own home.

Another proposal Mr. Knisley suggested was on line 20, subsection (d). The words "fair economic income expectancy" is really "pie in the sky" language. They suggested going back to the original language and substitute for these four words "net income". A case was noted in Las Vegas where a block of apartments had been vacant for some time. If such a situation were taxed on the basis of income expectancy, the owner could not afford it, and this method of taxation would allow assessors judgment decisions that might be questioned. There was further Committee discussion. Senator Dodge stated that replacement cost on properties rises faster than the scale of depreciation, until a point of no return is reached. Market value should be the consideration, or actual income value in businesses.

Senator White moved Amend and Do Pass, seconded by Senator Slattery. Vote was unanimous for passage.

SE-454 Proposed by Committee on Taxation.
Transfers responsibility for licensing liquor importers and wholesalers to Nevada tax commission.

Senator Brown raised the question as to what the law would be as to local licensing. There was extensive committee discussion. Suggestion was made to drop out Section 5 -- to make the bill palatable, but this was deemed insufficient.

Senator White moved the bill be held indefinitely, seconded by Senator Swobe. Vote was unanimous for this action.

AB-425 Proposed by Messrs. Wood and Ashworth.
Raises amount received by Civil Air Patrol from motor vehicle fuel taxes.

Senator White questioned the reason for this -- stating that he understood that the federal government pays for gasoline for Search and Rescue (C.A.P.) missions. Assemblyman Ashworth said he understood they pay some of the cost -- especially if the search is for federal (AF) or commercial planes. Assemblyman Wood stated that the money involved is an accumulation of money within the Nevada Tax Commission that again is redistributed and with the increase in aviation activities, this amount is proportionately increased. Both Assemblymen stated that most of the time the C.A.P. fliers pay for the gas they use in Search and Rescue missions -- especially those involving private planes with 1-3 passengers. Federal funds are available only upon okay from Hamilton AFB and these missions usually involve airliners or AF craft.

Senator White moved Do Pass, seconded by Senator Swobe. Vote was unanimous for passage.

AB-371 Proposed by Mr. Howard.
Exempts cattle from tax levy for county fire protection districts.

Assemblyman Howard spoke briefly on this bill, stating that rural fire districts had been set up to assess personal property for support of the district. Thus cattle were brought into the personal property assessment in rural fire districts. Both the Cattlemen's Association and the Farm Bureau are in agreement that the cattle should be removed from this assessment -- feeling that it is inequitable.

Senator Brown moved Do Pass, seconded by Senator Dodge. Vote was unanimous for passage.

AB-431 Proposed by Mr. Frank Young.
Clarifies manner of counting slot machines for tax purposes.

Chairman Gibson said this is a clarifying bill which will help administer the statutes on slot machines.

Senator Brown moved Do Pass, seconded by Senator Dodge. Vote was unanimous for passage.

AB-379 Proposed by Committee on Taxation.
Authorizes Nevada tax commission summarily to suspend intoxicating liquor licenses, by authorizing the Nevada tax commission to suspend such licenses; and providing other matters properly relating thereto.

Mr. Nickson said the tax commission has had occasions where there have been violators under the intoxicating beverage act and when the County Commissioners were asked to take action, there was lengthy delay before it was done. The tax commission feels that if there is evidence of direct violation, they should be able to take a summary action to suspend the license.

Senator Dodge moved Do Pass, seconded by Senator Swobe. Vote was unanimous for passage.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patricia F. Burke

Patricia F. Burke,
Committee Secretary

STATE OF NEVADA
Nevada Tax Commission
CARSON CITY, NEVADA 89701



PAUL LAXALT, Governor, Chairman

ROY E. NICKSON, Secretary

April 9, 1969

The Honorable James I. Gibson
Senator, State of Nevada
Senate Chambers
State Capitol Building
Carson City, Nevada 89701

Dear Senator Gibson:

Your Taxation Committee has requested that I provide information relative to the effect of Senate Bill 357 on taxation of railroad owned non-operating property by the individual county assessors in lieu of central assessment by the Tax Commission. A summary of the results are as follows:

a) Southern Pacific Railroad:

1. Current system value in Nevada (operating and non-operating property)	\$29,500,000.
Less non-operating values allocated to Nevada by NATA formula	- 2,100,000.
New system value operating property in Nevada:	\$27,400,000.

2. Decrease in allocation of system assessed values by county:

Churchill County	- \$ 197,193.	- 172,780
Elko County	- 554,143.	- 423,143
Eureka County	- 119,104.	- 44,691
Humboldt County	- 228,132.	- 223,719
Lander County	- 95,522.	- 71,109
Lyon County	- 136,368.	- 111,456
Mineral County	- 130,583.	- 106,171
Pershing County	- 273,335.	- 248,923
Storey County	- 38,648.	- 14,230
Washoe County	- 326,972.	+ 432,528
Total loss:	- \$2,100,000.	

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- 3. Southern Pacific Railroad reports actual non-operating property assessed value in Nevada (rental income capitalized at a rate of 7-1/2): \$1,085,000.

Note: Southern Pacific was unable to furnish a county by county breakdown of the location of this non-operating property. However, I estimate that a minimum of 50% of such property owned by Southern Pacific Company is located in Washoe County. Thus, the loss sustained from the system allocation would be more than offset in Washoe County; however, it is doubtful that the system losses would be offset in any of the other counties for the remaining 50%. Due to the method of calculation, it is noted that a total loss to the State of Nevada in assessed valuation for the Southern Pacific Railroad would be \$1,015,000.

b) Western Pacific Railroad:

- 1. Current system value in Nevada (operating and non-operating property) \$8,400,000.
 Less non-operating assessed values in Nevada per NATA formula - 588,000.
 Net new system value operating property only: \$7,812,000.

2. Estimated distribution of non-operating property by county:

<u>COUNTY</u>	<u>PERCENTAGE</u>	<u>DOLLARS</u>
Elko County	21.14%	\$124,303.
Eureka County	19.81%	116,483.
Humboldt County	20.66%	121,481.
Lander County	-0-	-0-
Pershing County	-0-	-0-
Washoe County	38.39%	<u>225,733.</u>

Total non-operating property to be assessed by assessors: \$588,000.

Note: Western Pacific was unable to separate rental income by states, and thus, it could not be determined whether property values in other states are being imported to Nevada, or whether they are being exported from Nevada as was the case in Southern Pacific.

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- 3. Net effect to counties, assuming that non-operating property allocated to Nevada would remain the same as that now determined by the NATA formula:


Elko County	- \$102,730.
Eureka County	+ 74,567.
Humboldt County	- 24,000.
Lander County	- 31,244.
Pershing County	- 40,139.
Washoe County	+ 123,546.

Your Committee has also requested information relative to Senate Bill 454, which would transfer responsibility for licensing liquor importers and wholesalers to the Nevada Tax Commission. At question was whether or not passage of this Bill would have an effect on the revenues to the local governments. Contacts were made with Washoe County, Clark County, the City of Las Vegas, and the City of Reno. Washoe County indicates that they collect only \$40.00 per year from one wholesaler located in the county area. Clark County estimates receipts of \$2,000 per year in such licenses. The City of Las Vegas estimates revenues from importers and wholesalers at \$11,600 per year. The City of Reno was unable to furnish a breakdown. While the amounts appear insignificant, I would recommend that the proposed revision to NRS 369.320 indicated on page 3, section 5, line 5, of SB 454 be deleted, and that the current phrasing of NRS 369.320 be retained. This statute permits counties, cities and towns to require an importer or seller of liquor to obtain a local license before engaging in such business. The proposal in the Bill would change this to delete the words, "an importer or seller of liquor", and to substitute therefor, "a wholesaler or a retail liquor store to obtain a local business license before engaging in such business".

If I can provide any additional information relative to these Bills, or others, please do not hesitate to contact me.

Highest personal regards,

Sincerely,


Roy E. Nickson
Secretary

REN/hw