

Assembly

MINUTES OF MEETING - COMMITTEE ON TAXATION - 56TH ASSEMBLY SESSION

March 10, 1971

PRESENT: Kean, Lingenfelter, Smalley, May, Glaser, Smith

ABSENT: Swallow

GUESTS: John J. Sheehan, Tax Commission
 James Lien, Tax Commission
 Leroy R. Bergstrom, Kafoury, Armstrong, Bernard & Bergstrom
 Jim Corey, City of Las Vegas, Commissioner
 Harold A. Laird, City of Las Vegas
 William E. Adams, City of Las Vegas
 Hank Thornley, City of Las Vegas
 Glenn L. Shaw, Jr., City of Gabbs, Mayor
 C. R. Cleland, North Las Vegas
 Aaron Williams, North Las Vegas
 Jack R. Petitti, North Las Vegas
 R. M. Prince, Assemblyman, White Pine and Lincoln
 J. Whitmore, City Council, Ely
 Nick Orphan, City Clerk, Ely
 Juanita White, Assemblyman, Boulder City
 Wendell G. Waite, City of North Las Vegas
 Clay Lynch, City of North Las Vegas
 Gene Echols, City of North Las Vegas
 Dave Branch, Assemblyman, North Las Vegas
 John Brooks, City Manager, Sparks
 Art Pryor, Sparks
 Lloyd O'Connell, Sparks
 Curt Blyth
 Virgil Getto, Assemblyman, Fallon
 Adolph Lipparelli, Elko
 Claud Hunter, Reno

Meeting convened by Chairman Kean at 8:00 a.m.

Subject: Consideration of replacement measure for AB-361, distribution of cigarette and liquor tax.

A sub-committee composed of Mr. Ashworth, Mr. Glaser and Mr. Leon Bergstrom was appointed to study the problems involved in distribution of the cigarette and liquor tax and work out a replacement measure for AB-361, which is not the answer to the tax needs of the city and county governments.

Mr. Bergstrom gave the committee a copy of computations population changes and resulting changes in revenues received from the cigarette and liquor tax. He read the proposed bill and discussed its effects on both the large and small counties. See attachments.

Mr. Lynch, of North Las Vegas, said in the next fiscal year the fiscal benefits would go to the small towns who had not availed themselves of

the opportunity to levy the 1/2¢ city-county option relief tax. Reno, the largest city that would benefit from the present bill, was not at the \$5 limit on ad valorem tax.

Mr. Corey, of Las Vegas, said that several years ago when they came to the legislature for money they were told to exhaust all their revenue sources. They had done that and they were still hard pressed for money. This year their budget is \$1,800,000 short. Now, money that should go to Las Vegas is being given other areas. Until such time as the others levy taxes to the same extent as the Las Vegas area has, it is unfair and unreasonable not to apportion the cigarette and liquor tax on the 1970 census population figures.

Mr. Kean said there was another factor in the assessment rate. If Reno had assessed at a higher rate than Las Vegas, the taxation could still be equal.

Mrs. White, Assemblyman from Boulder City, said she represented one of the small communities that has reached the limit on taxes and she was in favor of this measure. With this gradual reduction in the amount of revenue to the small cities, they would be able to handle it. An immediate cut-off would create a critical situation.

Mr. Echols of North Las Vegas said they were going to be in a critical situation if the bill did go through. Mr. Corey added they had more welfare costs and more costs for police protection; to take money away from them was unreasonable.

Mr. Waite, of North Las Vegas, said they had racial problems last year and these problems were not over. This cost them \$32,000 for police at Ranch High School alone; they had not budgeted for this. It was grossly unfair to raid the city of North Las Vegas to help other cities and counties that were not at the \$5 limit or imposing the 1/2¢ sales tax. They have gone as far as they go in taxing their people and were looking forward to the 1970 census to help solve their fiscal problems.

The meeting recessed until 10:30 a.m.

Mr. Bergstrom read a revised version of the proposed amendment to AB-361. The revision provides supplementary distribution to any entity will be reduced to the extent that the distribution computed, together with the proceeds of a local option sales tax enacted after April 1, 1971, will produce a sum equal to or greater than that which would have been distributed under the 1960 census. Further, in no year shall a supplementary distribution be made to any entity which does not impose the local option sales tax or which has not in that year imposed the maximum constitutional ad valorem levy.

Mr. Blyth said this would eliminate the vast majority of the entities because they would realize more on the 1/2¢ sales tax than they would lose on a 1970 census based distribution of liquor and cigarette tax.

Mr. Corey said he thought perhaps these small areas did need a little help. They wanted to be as fair as they could in this matter. He asked if license fees could be made mandatory condition for receipt of supplementary distribution?

Mr. Ashworth said the small communities now had difficulty getting professional services; licenses fees equal to those of Las Vegas would further discourage location of doctors, attorneys, etc., in these areas. We would be putting more problems on the small towns.

Mr. Lynch asked if Reno raised their tax rate from \$4.50 to \$5.00, and this brought in \$1,000,000 -- would they still get the percentage of 1960 census based tax? Mr. Bergstrom replied that if this tax generated as much as the 1960 distribution, they would not get any supplemental revenue from the cigarette and liquor tax.

Mr. Corey complimented the sub-committee on their efforts. He particularly liked the biennial review of population. If this is going to be based on population, it should be based on the 1970 population count. Mr. Corey said he was happy to hear the possibility of the double optional sales tax. This was not new or increased taxes but permissive legislation that allowed the individual entities the authority to levy or not to levy this tax; this permissive legislation would solve the problems of all concerned.

Mr. John Brooks, City Manager of Sparks, spoke as a proponent of the bill. He appreciated the work of the sub-committee and their efforts to make the bill more acceptable to those cities that would lose money. The amendment to the proposed bill would not effect Sparks. They are already at the \$5 limit, have enacted the 1/2¢ option, have pared their costs. They are going to lose \$110,000. They do not have any option available to them in the way of permissive legislation that they have not already taken advantage of.

Mr. Lipparelli of Elko, said they were over the \$5 limit and were in the process of getting the 1/2¢ option. Elko was third in the state in assessment ratio. If we do not have a formula to phase out this cigarette-liquor tax money over a period of a few years, Elko will be in financial difficulties. Forcing counties to the \$5 limit will stymie growth.

Mr. Sheehan, Tax Commission, was concerned that the tax commission, who has no experience at census taking, is responsible for estimating the changes in population biennially. He wished the bill to specify the census data was for the sole purpose of this act so that the tax commission could not be held liable for inaccurate data.

Mr. Lingenfelter suggested the state might contract for computer services for this estimated populated growth on a biennial basis.

Mr. Petitti said the proposal to take the census every two years was in

his opinion unworkable. When the 1970 census was made most communities did not have as many people as they thought they did. They had come to the Legislature in 1965 and asked for a census and were turned down. They have three or four thousand more people now than they did in 1970. If population figures are going to now be updated biennially, the Legislature should go back four years and make the act retroactive. They were entitled to this money. Mr. Petitti said that the system of the past ten years should be continued; that is, take up the 1970 census now. He would like to have an adjustment every two years but did not think it feasible.

Mr. Smith said the total problem in Clark County and the total problem in the state should be looked at, rather than individual problems. Henderson and Boulder City had serious problems. What has been presented today by the sub-committee was better than anything that had evolved to date; but it was not going to solve the problems of those two cities or Sparks. If the apportionment is made on the basis of the 1970 census, Sparks will lose \$111,000, Henderson \$88,000 and Boulder City \$30,000. If an additional 1/2¢ tax is imposed, Sparks, Boulder City and Henderson would still need help.

Mr. May suggested that the money budgeted for the fish hatchery in Clark County be used to help fund the budget of the three cities in financial difficulty. He also made a recommendation for an in depth study to determine means by which these cities could, in the future, meet their own fiscal needs. To meet their immediate needs, he recommended a one-time grant from the general fund of the state.

Mr. Cleland of North Las Vegas said if there were a way to take a reasonably accurate population count every two years, he was in favor of it. The proposal of the sub-committee should have been implemented in 1967 so that now, in 1971, the small entities would be in a position to meet their fiscal problems on the basis of the latest census. They were going to have to meet the problem and he thought this was the time -- not one, two or three years from now. He was not in favor of phasing out the loss to entities.

Mr. Williams of North Las Vegas said that if his city did not get the money needed for necessary improvements, especially additional recreation facilities, the people may well "pick up the torch" and take to the streets with their demands for their rights and equal treatment. They are subsidizing these other entities and it is unfair when the funds are so badly needed in North Las Vegas. Mr. Williams said they wanted no more than what was theirs -- "Render unto Caesar that which is Caesar's."

Mr. Curt Blyth, Nevada Municipal Association presented the committee with a written report of statistical projections of income that could be derived by permissive legislation granting a double 1/2¢ city-county optional sales tax. He stated this would be a stable source of revenue and would generate more money than the small entities now derive from

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the 1960 based apportionment of the cigarette-liquor tax. This type of legislation would not put the Taxation Committee or the Legislature in the position of having imposed or increased taxes. The burden of levying this tax would be upon the city and county and these local officials would be directly responsible to their own constituents for credit or discredit.

Mr. John Brooks, in reference to the sub-committee proposal, said Mr. Bergstrom's figures indicated a 30% expansion of population in Sparks by 1972 and at that time they will have experienced a \$15,000 reduction on this formula. They will have 30% more people to serve and less money to do it with.

Mr. Claud Hunter, of Reno, said the City of Reno anticipated the cigarette-liquor tax reduction on a long term basis could not be of any help to anyone. As far as the City of Reno, we are in favor of increasing the city option sales tax in accordance with Mr. Blyth's program. It would increase the money available to Reno and Sparks.

Mr. Blyth requested the Committee look at his figures, introduce a bill, and have it referred back to this Committee for consideration.

Meeting adjourned.

