

TAXATION COMMITTEE MINUTES  
MEETING OF  
MARCH 27, 1973

Tuesday 8:00 a.m.

MEMBERS PRESENT: MESSRS. MAY HUFF  
SMALLEY FRY  
DEMERS BROADBENT  
BREMNER  
CRADDOCK

MEMBERS ABSENT: MESSRS. MCNEEL (excused)

SECRETARY LATE:

GUESTS PRESENT: MESDAMES EILEEN BROOKMAN  
JEAN FORD  
MESSRS. JACK SHEEHAN, TAX COMMISSION  
SENATOR MAHLON BROWN  
WILLIAM C. SANFORD, ATTORNEY AT LAW  
GEORGE K. FOLSOM, ATTORNEY AT LAW  
FRANK JOHNSON, HILTON HOTEL ASSOC.  
F.R. BREEN, BREEN, YOUNG, WHITEHEAD, & HOY  
JEROME WILLIS  
GENE MILLIGAN, NEV. ASSOC. OF REALTORS  
JORDAN CROUCH, NEV. BANKERS ASSOCIATION

Chairman May called the meeting to order at 8:00 a.m.; secretary not present. At 8:15 after the secretary arrived, roll call was taken. Chairman May gave a brief summary of Senator Mahlon Brown's testimony for the benefit of the record.

SJR 9 Discussion AJR 20

SUMMARY - Proposes to amend Nevada constitution to allow imposition of estate tax not to exceed credit allowable under federal law.

Senator Brown spoke in favor of this measure. He commented that having passed out of the Senate Taxation Committee they would recommend passage of this bill from the Assembly Committee.

Chairman May explained that Senator Brown noted that approximately four to five million dollars would be returned to Nevada from the federal government at no cost to Nevada taxpayers.

Senator Brown felt that AJR 20 was not the answer because it would be asking Congress to return the amount of money that would be received normally if SJR 9 were to be enacted.

Chairman May explained to the committee and audience that passage of this measure would be the first step to changing Nevada's constitution. It would have to pass both houses of the next Legislature and then be presented to the voters. These steps would take approximately six years.

The Chairman also explained to the committee and audience that AJR 20 whose idea was presented to the committee by Mr. Randy Capurro would enable Nevada to obtain an "x" amount of dollars without additional taxes to its citizens.

William C. Sanford, Attorney at law, spoke in opposition to SJR 9 and explained his background with the newspaper business and how it was involved in the enactment of a constitutional amendment. He stated the people were very anxious about it, and the committee should not disregard the impact that this legislation could have. He added that Nevada was considered a tax haven by many people and for that reason many people from other states were drawn into Nevada bringing approximately \$800,000,000. This image has prevailed. He felt that SJR 9 would have a great psychological effect on people residing or considering residing in Nevada and also on people who have money invested within Nevada. He also felt AJR 20 was an excellent substitute and it would be the better of the two bills.

Chairman May pointed out the basic results would hopefully be the same but the question lies in which is the better approach.

Mr. George Folsom, Attorney at law with Woodburn, Forman, Wedge, Blakey, Folsom, and Hug, and a Certified Public Accountant, spoke representing the banking industry. He stated that SJR 9 would greatly damage Nevada's image. He noted quite a lot of adverse reactions already because people are under the impression that Nevada is going to acquire an estate tax. After reading and considering AJR 20 carefully, and talking with others about it, Mr. Folsom, in behalf of the banking industry, stated that he was in favor of AJR 20.

He added that the theory is great, but perhaps there may be problems with the technical language of the resolution. For instance, on page two paragraph one the intent is the federal government will pay to the respective states the amount of credit that is now allowable to the state estate tax to the extent of the credit. The federal government will pay to the respective states that amount representing the credit. The taxpayer would pay what the state has allowed plus paying a full estate tax. The taxpayer would not be getting a reduced tax because of the amount of money being paid to the State. The taxpayer would pay the state and federal estate tax part of which would go to the state anyway.

Mr. Folsom suggested that on page two paragraph one, line 4 the word "the respective states" be deleted and the words "those states now or hereafter without an estate tax" be inserted. Also on line 6 of page 2 delete "the respective states" and insert "such".

In conclusion, Mr. Folsom stated that the passing of AJR 20 would not damage the image of Nevada, and a lot of good would come out of maintaining Nevada's "no estate tax" image.

Chairman May expressed some concern as to whether use of the words "death taxes" on line 6 would cause a problem, but Mr. Folsom did not believe that it would.

Mr. Frank Johnson, Hilton Hotels Association, spoke in opposition to SJR 9. He stated that because 49 other states had estate taxes and Nevada did not, it was a great asset to public relations and revenue wise. He felt that AJR 20 would be the better bill.

Mr. Huff pointed out that this bill would have to pass other Legislative bodies of other states, and he felt that this prospect did not look too favorable in regard to its passage.

Mr. F.R. Breen, Breen, Young, Whitehead, and Hoy, also representing the bankers, spoke in opposition to SJR 9. Mr. Breen first wanted to clarify a statement that was made to the Senate Committee by a CPA representative that the bankers were in favor of SJR 9. He presented a copy of a letter written to Mr. Jordan Crouch, President of the Nevada Bankers Association, from Mr. James L. Murphy, President of the Nevada Society of Certified Public Accountants, stating that the organization does not have any position for or against SJR 9. (copy is atch #1) He believes that SJR 9 would have a harmful effect on Nevada public relationwise. He noted examples of clients that were drawn to Nevada specifically for the tax climate and they were anxious about the legislation concerning extate taxes. He stated that people do not understand that there will be no cost to them and it was difficult to try to explain the intent of the bill. Mr. Breen concurred with the feelings of Mr. Folsom and Mr. Sanford.

Mr. Keith Ashworth spoke briefly about how the money would be used for the benefit of the people of Nevada. He believed that AJR 20 might be the better approach. Mr. Huff commented that the possibility of passage of this bill seemed quite low, but Mr. Ashworth commented that other measures that seemed unlikely to pass are in existance now and no matter how negative passage seems it should be tried.

Mr. Jerome Willis of Las Vegas commented that the size of accounts and the size of wealth that comes into Nevada and the quality is a result of the tax climate enjoyed in Nevada. He commented that from a practical standpoint, a vast amount of people with substantial wealth have retired to Nevada. primarily because there is no estate tax. He added that in the last two years 60% of the new accounts were opened by retired persons. He cited examples of people who have their money invested in Nevada but do not live within the state, and these people would most likely move their money else where if this tax were imposed.

The money that they invest in savings and loans in Nevada are used for the benefit of Nevadans and the removal of it would do alot of damage to the State.

Mr. Gene Milligan, Nevada Association of Realtors, stated that their business is based on the availability of money and they deal with approximately a million dollars a year directed to residential business only.

He was very much in favor of AJR 20 and opposed to SJR 9 and felt that SJR 9 would not have a beneficial effect on the realty business.

AJR 11      Discussion

SUMMARY - Proposes constitutional amendment prohibiting personal income tax.

Chairman May indicated that a similar measure had been introduced in the Senate and had been "Indefinitely Postponed".

Assemblyman Smalley made a motion to "INDEFINITELY POSTPONE AJR 11".

Assemblyman Bremner seconded the motion.  
The voting results were as follows.

Voting Yea

May  
Smalley  
Craddock  
Fry  
Bremner  
Broadbent  
Huff

Voting Nay

Demers

The motion was carried.

AB 713      Discussion

SUMMARY - Provides for submission at next general election of question proposing availability of a lesser penalty for failure to pay sales and use tax on time.

Assemblyman Eileen Brookman testified in favor of this measure. She cited an incident involving her own family where they were not able to pay the tax for a very good reason but were penalized because the Tax Commission by law was unable to allow a lesser penalty because of lateness.

Assemblyman Jean Ford also testified in favor of this measure. She noted that this matter was brought to her

attention by Mr. Cochran who is head of the Las Vegas office of the Tax Commission, and he cited some very legitimate reasons why certain companies are late in paying the tax. The penalties can amount to a considerable amount of money. She felt that the Tax Commission should be allowed a discretion up to 10%.

She explained that the change would be on page two lines 13 and 14 where the wording would be changed to add "not more than 10% of the tax or amount of the tax, as determined by the tax commission,". The "not more than" should also be added in lines 38 and 39 instead of "impose a penalty of less than 10 percent" to keep consistency in the wording and make a accurate explanation of the question.

Mr. Jack Sheehan, author of this bill, explained that one of the most difficult tasks that he and the members of the Commission have is to impose a penalty when they do not feel that a penalty should not be imposed. By law, the Tax Commission is now required to impose a penalty of 10% of the amount of Sales and Use tax. He concurred with Assemblymen Ford and Brookman in regards to this measure.

He further explained the summary of the bill, and the summary would be more meaningful to the people that the Tax Commission is trying to reduce the penalty rather than add a new one.

Mr. Demers wished to know how much is collected on the penalties each year and if it is a substantial amount of money and is it reflected in the anticipated revenue. Mr. Sheehan explained that it is not anticipated and the amount would not have a great impact on the general fund.

Mrs. Ford added that Mr. Cochran had the precise figures, and he believed that the administering and hearings of the penalty cost would about even the amount of the penalty lost.

AB 698 Discussion

SUMMARY - Repeals provisions permitting taxation of tax exempt property used for profit.

Chairman May indicated Mr. Dreyer and Mr. Burn were in opposition the measure and Mr. Kevin Eferson was in favor. These men were not able to appear today but wanted the Chairman to indicate their opinions.

Assemblyman Bremner made a motion to "INDEFINITELY POSTPONE AB 698."

Assemblyman Broadbent seconded the motion.  
The motion was carried unanimously.

Assemblyman Bremner made a motion to "DELETE THE WORD 'LESS' IN LINE 38 ON PAGE 2 AND INSERT THE WORDS 'NOT MORE' AND DO PASS AB 713 AS AMENDED."

Assemblyman Demers seconded the motion.

Question: Mr. Craddock wished to know how much time does a person have from the time the tax becomes due and payable until the deadline occurs. Mr. Newton stated 30 days, and Mr. Craddock felt that the law is good as it stands. He also felt that this measure may create more problems for the Tax Commission in determining who will receive and how much the penalties would be. Dr. Broadbent and Mr. Huff were also not clear on this measure.

The voting results are as follows:

<u>Voting Yea</u>	<u>Voting Nay</u>	<u>Not Voting</u>
Mr. May	Mr. Craddock	Mr. Huff
Mr. Demers		Dr. Broadbent
Mr. Smalley		
Mr. Fry		
Mr. Bremner		

The motion was carried.

Assemblyman Demers made a motion to "DO PASS AJR 20 AS AMENDED".  
Assemblyman Smalley seconded the motion.  
The motion was carried unanimously.

It was decided to hold SJR 9. No meeting for March 29th.

There being no further business before the committee, the meeting was adjourned at 9:30 a.m.

Respectfully submitted,

*Cindy Benjamin*

## NEVADA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Mailing Address:

OFFICE OF EXECUTIVE SECRETARY

290 SOUTH ARLINGTON AVENUE • RENO, NEVADA 89501

TELEPHONE 786-0231

## Officers:

JAMES L. MURPHY, President  
P. O. Box 30  
Reno, Nevada 89504

MALCOLM G. CLARK, President-Elect  
P. O. Box 2070  
Las Vegas, Nevada 89101

J. DOUGLAS SEIFERS, Vice President  
P. O. Box 673  
Reno, Nevada 89504

ALEXANDER C. A. LOGAN, Secretary-Treasurer  
302 E. Carson, Suite 316  
Las Vegas, Nevada 89101

Directors: 193

IRA W. BRADSHAW  
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Eastern Area

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Northern Area

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Southern Area

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J. J. CROUCH March 15, 1973

Mr. Jordan Crouch, President  
Nevada Bankers Association  
Post Office Box 2493  
Reno, Nevada 89504

Dear Jordan:

I am writing to discuss with you a matter that came up in our conversation several days ago. You informed me then that members of the Nevada legislature believed the Nevada Society of Certified Public Accountants has taken a position in favor of passage of SJR 9, the resolution dealing with a possible estate tax for Nevada.

The fact of the matter is that our Society has not taken an official position on the resolution and, to my knowledge, does not intend to. We have established in writing an approved method whereby an individual may speak on behalf of the Society in the legislature and on other matters. These procedures were apparently not followed. Therefore, I am taking this opportunity to state in unequivocal terms that the Nevada Society of Certified Public Accountants, represented by its officers and directors, does not have any position for or against SJR 9.

On February 22, 1973, we had a society sponsored luncheon in Reno with an attendance of approximately 50 certified public accountants. The purpose of the luncheon was to discuss legislation relating to the regulation of public accountants and to review the results of a survey that had been taken in connection therewith. At the conclusion of the discussion relating to accountancy regulation, a few minutes were devoted to an explanation of the provisions of SJR 9. There was virtually no discussion about the merits of the resolution. The members present had previously been asked to indicate on a survey form how they felt about some ten proposals and an eleventh one relating to SJR 9 was added. I have no idea what the vote was on any of the proposals. I do not believe the certified public accountants in the Las Vegas area have been polled on the resolution, so any result would be highly suspect in my mind.

Mr. Jordan Crouch, President  
Nevada Bankers Association  
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Jordan, I do not mean to make a big thing out of this, but you can see the contention that the Nevada Society of Certified Public Accountants has gone on record as favoring SJR 9 is incorrect. Anything you could do to help us correct the record and the erroneous impressions would be most appreciated.

Best personal regards.

Yours very truly,



James L. Murphy  
President

JLM/ck



AGENDA FOR COMMITTEE ON TAXATION

Date MARCH 27, 1973 Time 8:00 a.m. Room 222

<u>Bills or Resolutions to be considered</u>	<u>Subject</u>	<u>Counsel requested*</u>
SUMMARY:		
AB 698 "2016"	Repeals provisions permitting taxation of tax-exempt property used for profit.	
AB 642	Clarifies taxation of rentals and royalties on mines.	
AB 337	Permits counties to place receipts from net proceeds of mines tax in special fund.	
AB 713 "167"	Provides for submission at next general election of question proposing availability of a lesser penalty for failure to pay sales and use tax on time.	
AB 725	Extends provisions requiring taxation of tax-exempt property used for private purposes.	
AB 727	Permits county assessor to subpoena property owner's books and records in order to ascertain valuation of personal property.	
AJR 27	Proposes to amend the Nevada Constitution to restrict the power of the Legislature to tax property in excess of 35 percent of its current market value or appraisal value.	

\*Please do not ask for counsel unless necessary.

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SJR 9	SUMMARY - Proposes to amend Nevada Constitution to allow imposition of estate tax not to exceed credit allowable under federal law.	
AJR 11 <i>Do 16</i>	SUMMARY - Proposes constitutional amendment prohibiting personal income tax.	
AJR 20 <i>"16"</i>	SUMMARY - Memorializes Congress to return estate taxes to states.	

\*Please do not ask for counsel unless necessary.