

Assembly
TAXATION COMMITTEE
March 6, 1973

105

Members Present: Messrs. May Demers
Smalley McNeel
Broadbent Huff
Craddock Bremner
Fry

Members Absent: None

Guests Present: Messrs. Frank Scott, Nevada Tax Association
Harry Allen, Nevada Power Company
Glen C. Tayler, Basic Management Inc.
H.R. Burch, Anaconda Company
R.W. Williams, Anaconda Company
Robert E. Robinson, Assemblyman
Frank Langlinaes, Lander County Schools
Tod Carlini, Lyon County Schools
John Orr, White Pine County Schools
R.M. Prince, Assemblyman
E.L. Newton, Nevada Taxpayers Association
Richard Morgan, Nevada State Education Assn.
John Sheehan, Tax Commission
James C. Lien, Tax Commission
Jim Rathbun, Tax Commission
Daisy J. Talvitie, League of Women Voters
Paul Runnill, Nevada Mining Assn.
R.F. Alkire, Kennecott Copper Corp.
W.H. Winn, Kennecott Copper Corp.

The meeting was called to order by Chairman May at 8:00 a.m. in room 222 on March 6, 1973. At the request of Assemblyman Prince AB 315 was discussed first. Chairman read the summary of this bill for the benefit of the audience.

Assemblyman Ross Prince, White Pine-Lincoln county, stated that the reason for this bill is that when the school monies are figured the net proceeds of mines is not steady, and it fluctuates making it difficult for people to know how much money they actually have to spend. He then called on Mr. John Orr, Superintendent of the White Pine schools, to make the presentation.

Mr. John Orr went over his prepared statement with the committee and indicated that he also had a copy of a letter that had been directed to the authors of the bill from the White Pine School Trustees supporting AB 315. (Copies of the statement and the letter are attached to the back of the minutes as attachment #1)

Questions:

Chairman May commented on the wide fluctuation of the net proceeds of mines and asked if the great discrepancy during the period that the mines were on strike. Mr. Orr stated that he didn't know but that the ore body is just hard to tax. He also stated that the easiest way for the ore body to be taxed is through the net

proceeds of mines.

Mr. Smalley questioned that if this is cut out of the school appropriation how will it be made up, and Mr. Orr stated that the money is known as the local fund available in the state formula so when the district receives its basic guarantee it subtracts 70¢ of the levy of subtraction and that the districts are asking that it remain in the district. He noted that the White Pine county was designated by the Governor's study as having a critical need for school buildings. He commented that if AB 337 was passed they would have an opportunity to hold over these funds and maybe help themselves; he believes that the severance tax should go to the district from which it was taken.

Chairman May, as a point of information, informed Mr. Orr that he had signed for this bill but it was directed to Government Affairs. He said that it would be re-referred to the Taxation Committee but it was not in the bill books as of yet. He then read the bill to the committee.

Mr. Tod Carlini, Superintendent of Schools in Lyon County, spoke next in favor of AB 315. He noted that Lyon county was fortunate in having the Anaconda industry which supports the heaviest load of the tax structure in Lyon county. He stated that in the last 6 to 6 1/2 years they have had decreases and increases in net proceeds of mines, and the way the formula is developed is on an estimated figure. When the budgets are prepared in July of each year, they must operate on this estimate that is presented and prepared on the budget. In Lyon county there has been a decrease in the net proceeds of mines as far as the estimate was concerned. He quoted examples such as:

Year	Estimation	Actual Amount Received
1971-1972	\$18,000,000	14,398,000
1972-1973	\$18,000,000	7,704,393 (1st half received)
1973-1974	\$12,000,000	

Judging from the amount received for the first half, he doesn't believe that the estimated \$18,000,000 will be reached. He then gave an estimation on the past records of the amounts of the net proceeds of mines that showed an increase due to the great amount of production, but he stated that the trend has reversed. He stated that the school district will lose approximately \$70,000 and that in preparing the budget is where this really affects them because they really don't know until April exactly what the net proceeds will be, so in some cases the money has already been spent and cuts have to be made. AB 315 would enable them to work with the actual amount to be received instead of relying on an estimate.

Chairman May read two estimations as to fiscal impact of this bill one requested by Don Mello. J. Dolan, Fiscal analyst, reported that AB 315, Prince, excluding net proceeds of mines from computation

of local funds availability of the distributive school fund has a fiscal impact and should be re-referred to Ways and Means from Taxation. It looks like it would cost the state and additional \$350,000 per year and would presumably benefit White Pine, Eureka, Lander, and Lincoln school district. Chairman May then referred the committee to the letter he received from the Tax Commission indicating the effect of AB 315 and other bills being considered by the committee. (a copy of the letter is attached, re: page 2, paragraph 7; Attachment #2) Mr. Lane further clarified this paragraph to the committee. He indicated that the State Distributive School Fund is only concerned with the 80¢ and not the 70¢ global. The concern is the great fluctuation in the net proceeds receipts. The estimation was based on the basis of what the net proceeds certification has been by the Tax Commission for those particular years and what the school fund would have to make up if the proceeds were taken out of the local support computation.

He stated that the Tax Commission sympathetic with what the school districts have stated, but would like to raise some questions that should be considered. (1) School districts are not alone in having to have concern with the fluctuations of the net proceeds of mines, the county governments have the same problem. Their tax rates are very similar to that of the schools and they suffer much the same way, and they don't receive any benefit from the state distributive fund of some sort to make up any deficit as the school districts might, (2) How the monies will be accumulated and how they are to be expended to eventually allow a reduction in tax rates in those years when they have built up large amounts of money. Would the money be carried forward so they would have to have bond issues, would it go into capital improvements, would it be used for salary increases or tax increases. There are a lot of questions and large amounts of money that would be involved. If it is built up to a certain amount can the state then say that it should be applied automatically against any formula money that is received from the State Distributive School Fund. He believes that the committee should review these questions as it considers this particular bill.

He also mentioned AB 337 which is a companion bill and if AB 315 is passed it really wouldn't be necessary because the local government act would allow the governing body to set up a type of special revenue fund.

Mr. Fry wanted to know if this would have any effect on the tax effort as far as revenue sharing was involved, but Mr. Lane stated that it wouldn't from the school districts standpoint because they are not involved nor would it effect the state. Mr. Fry also wanted to know what this money could be used for. Mr. Lane indicated that it would be up to the school district. How ever the fund is set up the resolution would state how the monies would be utilized.

Chairman May questioned the figure of 370,000 was developed for fiscal 1972-1973 if it was a statewide figure, and Mr. Lane indicated that that was true and that 85-87% of it would go to the four counties stated.

Mr. Morgan, Nevada State Education Association, stated that AB 315 was one of the bills that are supported by the NSEA, but he stated that he had a problem with it relative to the \$350,000 being added to State responsibility where they are already \$2,800,000 short in the formula as proposed today. In adding the \$350,000 before they can cure the other amount will present a significant problem in attempting to work for responsible school funding in the state. He believes that if it is passed by committee and sent to the Ways and Means Committee it will become part of the study conducted by the Assembly subcommittee on the K12 funding budget. At that point, if the \$350,000 could be found and not to the detriment of the program in the whole state, he could again support it, but at present he has this problem.

Mr. Frank Langlinaes, Lander County Schools, spoke in reference to Mr. Lane's comments as to how the money would be spent. He stated that the Lander County School District instead of putting the net proceeds into teachers' salaries which would make the salaries go up or down depending on what the net proceeds would be so it would not be realistic to put it into teachers' salaries. Instead, School board has taken the net proceeds and put it into a special building and sites fund primarily to build classrooms that are needed. He feels that if this money is set aside for building facilities then it would remain in the county and be a benefit. He doesn't believe that teacher salaries should enter into the picture.

Questions:

Chairman May indicated to Mr. Langlinaes that perhaps he was arguing more for AB 337 which would allow local government to establish by resolution a special fund to be budgeted and appropriated for such uses. Mr. Langlinaes stated that he puts the money in a transfer account and have created a special building and sites fund. He also stated that he was in favor of AB 315 as long as the net proceeds would go for building.

Chairman May then passed around AB 337 which has been re-referred to Taxation from Government Affairs and read the bill to the committee. He stated that these bills would be a package deal and should AB 315 pass AB 337 would be a companion measure.

Mr. John Orr, Superintendent White Pine, urged support for AB 337 and assured the committee that the money placed in such special funds would be used for building and not for teacher salaries. AB 337 would give the school districts the opportunity to establish these special funds without question of putting all or part of the net proceeds of mines in the fund. He recommends that AB 337 be passed.

Mr. Lane raised some question concerning AB 337 in that he believes that it duplicates what is already available to entities in statute. He stated NRS 354.604 sub sections 9 and 10 adequately handle this particular problem. The only reason he is against it is that he feels it is a duplication of power.

Questions:

Mr. Demers wondered if the school districts wanted to have the money taken out of the distributive fund. Mr. Lane explained that they wanted to take it out from under the formula for figuring it. Mr. Demers wanted to know if they would still get the same amount of money, but Mr. Lane indicated that they would receive money to offset removing it from the formula base and in addition they will continue to receive net proceeds monies that they would place in special funds or whatever the resolution specifies the money to be used for.

Mr. Demers wondered should the committee act favorably on this bill that they should designate that it be used for capital improvements. Mr. Lane stated that he believed this would be a wise move.

Mr. Smalley stated that this bill would remove the money from maintenance and operation and place it in capital outlay, and Mr. Lane indicated that it would allow them to do so, but the committee should direct them to do this.

Chairman May questioned if NRS 354.604 was broad enough to allow the money to be used in subsequent years, and Mr. Lane explained that it was more broad than this particular proposal because it allows the entity to establish whatever funds are necessary for its own operation and does not state that the money has to be held for a subsequent fiscal year.

AB 297 Discussion

Chairman May, for the benefit of the audience, read the summary for AB 297.

Dr. Robinson read his prepared remarks for the committee. (a copy of Dr. Robinson's presentation is Attachment # 3)

Questions:

Chairman May brought up that the word "noise" had been omitted from where air and water pollution was mentioned, and wondered if he might have some objection to the committee taking this into consideration. Dr. Robinson stated that he had no objection because he was hard of hearing anyway so he wasn't particularly concerned with that.

Mr. Smalley brought up the smog devices on automobiles and wondered if when you get into noise would it mean that a person could exempt his muffler too. Dr. Robinson stated he believed that the concern was primarily with the water pollution in the Las Vegas area. In the Las Vegas area where the tourist business is so great the visual effect is of great importance.

Mr. Fry stated that he thought that this was very loosely worded and wondered if a situation might come up where people would start producing items for sale in other states. He also mentioned if a whole plant was producing anti-smog or water devices would the whole plant be exempt. Dr. Robinson stated that it would probably be making some kind of profit and would come under a different connotation.

Mr. Demers was concerned about was that it is so loosely worded and noted that someone would have to make some sort of a sliding scale or apply this to some sort of tax deductions. Would this be the Tax Commission? Dr. Robinson thought that perhaps it would be the assessor. Mr. Demers also brought up a question as to the non-profit operation that Harrahs at Lake Tahoe is using.

Mr. Craddock wondered if it would be wise to get involved with the automobile as far as remuneration on the tax basis is concerned. Dr. Robinson thought that perhaps with the regulations at the DMV they could just make a \$5 slash on all cars manufactured since the date that pollution control devices are mandatory. Mr. Craddock wanted to know if Dr. Robinson would have any objection to having automobiles be excluding from this provision, and Dr. Robinson had no personal objection. He felt however, that to exclude the working man and give it to the industries might create some conflict.

Mr. Newton, Secretary of the Nevada Taxpayers Association, distributed copies of a study that the association did on the actions of other states similar to that proposed in AB 297. (a copy of the study has been placed at the back of the minutes as Attachment #4) He read the report to the committee. He stated that he has considered a possible weakness in AB 297 in that by its terms it might be said as to include septic tanks, sewage control facilities and in order to alleviate that objection he has prepared a proposed amendment to AB 297 which would eliminate from the tax exemption status any air or water pollution control device or facility which provides as stated in the amendment. (a copy of the proposed amendment is Attachment # 5)

Mr. Demers thought that perhaps the designations could be made by the Tax Commission for purpose of uniformity, but Mr. Newton stated that he believed that the Tax Commission would rather follow a guideline to follow. Mr. Demers suggested that they will still have to sit down and establish some kind of a scale, but Mr. Newton believed that the industrial corporation who had a pollution control device would have to convince the assessor that that was its sole purpose.

Mr. Smalley stated that he understood the intent of the bill was for the commercial establishment rather than to the individual.

Mr. McNeel wanted to know if it was Dr. Robinson's intent to give some kind of tax break to the research and development of the pollution devices, but Dr. Robinson stated that it was not but for the instruction, installation, or the expense of the device itself.

Chairman May then indicated that he would like to appoint a sub committee of Mr. Smalley, Mr. Craddock, and Dr. Broadbent to pursue this matter further and that they work closely with Mr. Newton and would welcome any input from industry to develop something workable that will provide a service to Nevada.

Mr. Howard Winn, Manager of the Kennecott operation, gave testimony in favor of the bill. He stated that at the present time they have four accepted compliance plans that are in the process of completion and the capital investment will have an annual tax of approximately \$300,000 a year. Therefore, his company would favor this type of legislation. He stated that he thought the committee should look at it from two directions. (1) from the direction of the existing kind of business that was in operation before the present laws and regulations went into effect and had their economic premise based on the facts without their requirements, (2) from the direction of new industry being put into operation. Kennecott is the former. The installation of these devices will place a burden on them. On a statewide basis the maximum amount that they could spend on these devices would be 25 million dollars. He stated that this would give the people a chance to contribute to some of the expense of installing these devices for pollution control.

He also mentioned the competitive aspect of this relief. Since, as Mr. Newton stated, over 30 states have some kind of tax relief for environmental devices and if Nevada wants to be competitive in getting new business into the state they must comply. He felt that this law may need some limitations. For one thing, this kind of an incentive should be limited to a non-profit kind of an air pollution device. He believes that if it should become profitable in the future that it should be taxed as such. He feels that this could be controlled by an audit by the Tax Commission.

He also felt that the air and water quality regulations have a requirement to get approval of the State Environmental Commission of any air quality control devices and an operating permit. He thought that by stating the any device requiring an operating permit in the state could qualify.

Questions:

Mr. Fry wanted to know if Kennecott is paying any tax any of the devices, and Mr. Winn stated that if they are it would be less than \$200,000 on the total value.

Mr. Craddock wondered if the operating permit is not the original permit for sewer installation on a private home it would have to have an operating permit, and Mr. Winn indicated this as correct.

Dr. Broadbent asked if Kennecott had any experience in any other states that had this type of legislation. Mr. Winn indicated that Utah had just passed a law but he didn't know if any others had. He did state that if they did which they most probably will it would create competition for his company.

Chairman May decided to enlarge the subcommittee because of the importance of the measure and appointed Mr. Bremner and Mr. McNeel to serve on the subcommittee.

Testimony in opposition to AB 297

Daisy Talvitie, League of Women Voters, stated that the League feel that if a tax exemption is to be considered for Nevada that the tax exemption only be given if it can be effectively demonstrated that there is actually a reduction in pollution and effectively demonstrated that the equipment installation resulted in an actual increase in overall production cost.

She further commented on cost studies that have been made and reports on a national level. She noted instances where a company could do a far better job of pollution control by changing its process rather than adding a device. The question she had on the broad wording of the bill is whether or not alterations in process will be included. These may include extensive remodeling to the inside of the plant would that mean that the whole plant would be exempt. She also stated that perhaps the control officer should be involved to determine whether pollution is actually being decreased. The idea of determining between normal maintenance and pollution control was also brought up.

She also stated that the greatest problem with air pollution in the Las Vegas area is the automobile and not the industry. She felt that the committee actually define terms and the administrative process by which this will take place. She also didn't feel that the operating permit alone would solve the problem because there are many different sources of pollution such as unpaved parking lots or construction sites.

Questions:

Mr. Huff wanted to know if Mrs. Talvitie stated that the industry in Las Vegas was cleaned up or in the process of being cleaned up and that the car is the primary source of pollution. She indicated that this was correct.

Mr. McNeel had a question on the caution the Mrs. Talvitie had that some companies may have something to gain by adding a device that did not necessarily control pollution. She state that she meant that someone would have to make the determination.

Chairman May directed persons interested in meeting with the subcommittee to do so.

Mr. Harry Allen, President of Nevada Power Company, spoke in support of AB 297. (a copy of his statement is attached as Attachment # 6)

Mr. Glen C. Taylor, Manager, Basic Management, Inc., also spoke in favor of AB 297. (a copy of his statement is attached as Attachment #7)

Chairman May asked if the Tax Commission at this point could give any indication as to the fiscal impact. Mr. Sheehan stated that they could not until they knew the ballpark of the legislation.

Chairman May indicated that the bills that were on the agenda for today that were not discussed will be rescheduled for March 8, 1973.

There being no further business before the committee, the meeting was adjourned at 10:00 a.m.

Respectfully submitted,



Cindy Benjamin
Assembly Attache

ATTACHMENT #1

SUPPORTING AB 315

Presented to:

Assembly Taxation Committee
March 6, 1973

for

White Pine County School District
by
John Orr, Superintendent

MARCH 6, 1973

JOHN ORR, SUPERINTENDENT, WHITE PINE COUNTY SCHOOL DISTRICT

SUPPORTING: A.B. 315 and A.B. 337

I am in support of both A.B. 315 and A.B. 337. Together they can solve a problem for mining centered school districts. A problem that was never intended to be.

1. The original proceeds of mines law specified the tax was to be levied on the ad valorem rate. There has never been any legislation saying this is permanent real property or personal property.
2. The proceeds of mines tax is a severance tax and is good tax for the mining industry. If a severance tax was levied against a known ore body it would have the definite advantage of being a known stable amount for the period of the ore body. This was not possible, so a tax was levied upon the net proceeds. The disadvantage is the extreme fluctuation from year to year. White Pine's history since 1955-56 has been as follows:

WHITE PINE - PROCEEDS OF MINES

	<u>ACTUAL</u>	<u>ESTIMATE</u>
1955-56	10,306,717	N. A.
1956-57	12,618,055	N. A.
1957-58	3,654,620	9,000,000
1958-59	4,689,083	1,250,000
1959-60	3,855,009	7,500,000
1960-61	10,252,980	7,500,000
1961-62	8,476,266	5,000,000
1962-63	6,100,490	8,500,000
1963-64	6,594,873	5,000,000
1964-65	2,119,998	6,300,000
1965-66	2,018,771	3,000,000
1966-67	6,257,488	4,000,000
1967-68	4,112,454	4,000,000
1968-69	3,875,924	None
1969-70	15,474,693	4,500,000
1970-71	16,581,531	17,000,000
1971-72	8,551,812	7,000,000
1972-73		6,000,000

JOHN ORR, SUPERINTENDENT
March 16, 1973

3. The stability of the real property tax is further eroded by excluding the \$500 minimum assessed valuation on patented mine tax when yearly development work of \$100 is done.
An additional factor is that unpatented claims are exempt from taxation. The proceeds of mines tax eventually compensates for this but its fluctuation is the problem.
4. A severance tax such as the net proceeds or a tax on motor vehicles is not a good stable base to establish bonded indebtedness.
 - (a) NRS 387.400 excludes motor vehicles from the 15% allowed for bonded indebtedness.
 - (b) Proceeds of mines are not excluded. In 1970-71 the White Pine proceeds were \$16,581,531. This decreased by \$8,029,719 into 1971-72. A bonded debt of \$1,204,467 could have been incurred on this. I do not believe this is the intent of the law.
5. A severance tax such as the net proceeds should be used entirely in the district where it is raised. There is nothing to carry over to the future, so the district must use it when it is available.
6. The inclusion of the tax on net proceeds of mines as a local fund available to the basic school support is not reasonable, was not the original intent if the net proceeds severance tax and is not consistent with the present exclusion of motor vehicle privilege taxes and P.L. 874 receipts.
 - (a) The present Nevada Plan proposal shows the following P.L. 874 funds for Nevada districts. They are in lieu of a severance

JOHN ORR, SUPERINTENDENT
March 6, 1973

type tax on federal properties, and compare quite closely to the net proceeds severance type tax. They are not, and ^{should} ~~shall~~ not be, included as a local fund available. The net proceeds tax should be treated exactly the same.

<u>Counties</u>	<u>P.L. 874</u>
Churchill	\$229,694
Clark	2,240,906
Douglas	--
Elko	131,536
Esmeralda	3,849
Eureka	--
Humboldt	80,739
Lander	55,319
Lincoln	17,761
Lyon	47,173
Mineral	372,855
Nye	47,768
Ormsby	73,427
Pershing	14,744
Storey	--
Washoe	208,924
White Pine	25,235
Total	\$3,549,930

(b) The inclusion of net proceeds within NRS 387.124 2, b, (1) is possibly an error of interpretation. A.B. 315 will correct this.

5. White Pine does not have sufficient valuation to keep their maintenance ^{or capital outlay} up to the National average, ~~for capital outlay~~.
(~~National \$44.79 per pupil - White Pine \$2.74~~). A chart for White Pine and National average is attached to this document. Governor O'Callaghan's State School Study recognizes White Pine's critical need for new facilities with no funds available.
6. A.B. 315 and A.B. 337 would solve this problem. The receipts from this severance tax would remain in the district where they originate. A degree of stability would be available from A.B. 337.

Each year School Management analyzes budgets of some 2000 school districts of all sizes and geographic areas and produces per pupil costs and percentages in terms of national averages. Individual districts are provided the same formula to place its own budget in the same perspective.

AVERAGE EXPENDITURES PER PUPIL (ADA)

	WASHOE COSTS		NATIONAL AVERAGE		WHITE PINE COSTS	
	Per Pupil (ADA)	%	Per Pupil	%	Per Pupil (ADA)	%
ADMINISTRATION	16.90	1.9	28.76	3.3	21.11	2.4
Professional salaries	6.10	.7	11.58	1.3	8.72	1.0
Sec. & Cler. salaries	7.38	.8	10.39	1.2	8.83	1.0
Other expenditures	3.42	.4	6.78	.8	3.56	.4
INSTRUCTION	653.44	75.8	655.62	75.0	694.98	78.3
Classroom teachers	529.48	61.4	494.74	56.6	542.49	61.1
Other professionals	59.12	6.8	83.99	9.6	81.96	9.2
Sec. & Cler. salaries	27.44	3.2	31.82	3.6	23.13	2.6
Textbooks	12.64	1.5	6.29	.7	8.74	1.0
Library materials	3.50	.4	3.92	.5	4.56	.5
Audio-visual materials	-0-		2.29	.3	-0-	
Teaching supplies	13.84	1.6	14.87	1.7	17.49	2.0
Other expenditures	7.42	.9	17.66	2.0	16.61	1.9
ATTENDANCE SERVICE	2.30	.3	3.64	.4	2.60	.3
HEALTH SERVICE	6.83	.8	6.94	.8	1.07	.1
Professional salaries	6.17	.7	5.60	.6	-0-	
PLANT OPERATION	84.28	9.8	69.84	8.0	66.37	7.5
Salaries	48.54	5.6	46.27	5.3	36.86	4.2
Heat	10.14	1.2	7.94	.9	13.34	1.5
Other utilities	18.87	2.2	16.23	1.9	16.17	1.8
FOOD SERVICE	1.39	.2	4.40	.5	6.83	.7
PLANT MAINTENANCE	29.42	3.4	30.19	3.5	22.55	2.5
Salaries	8.03	.9	14.61	1.7	9.35	1.0
FIXED CHARGES	66.54	7.7	72.08	8.2	68.05	7.7
Employee Retirement	43.22	5.0	61.37	7.0	43.02	4.8
STUDENT BODY ACTIVITIES	1.05	.1	2.82	.3	4.30	.5
NET CURRENT EXPENDITURES	862.15	100.0	874.36	100.0	887.86	100.0
TRANSPORTATION	16.36	1.8	29.64	3.4	36.02	4.1
Salaries	10.57	1.2	11.90	1.4	22.29	2.5
CAPITAL OUTLAY	13.19	1.5	44.73	5.1	2.74	.3
DEBT SERVICE	105.81	12.2	67.37	7.7	81.30	9.1
GRANT TOTAL EXPENDITURES	997.51	116.7	1,016.13	117.6	1,030.21	116.0

JOHN ORR, SUPERINTENDENT
March 6, 1973

A letter, signed by all White Pine School Trustees, was sent to the authors of A.B. 315. A copy of this letter is attached.

HARRY LONDOS, MEMBER
JOHN L. NOVICH, MEMBER
JAMES WOOD, MEMBER

JOHN ORR
SUPERINTENDENT
MINARD H. MAUS
ASST. SUPERINTENDENT

DEAN
EAST ELY
100
JOHN POLITE
MIDDLE ELEMENTARY
ALLEN RUSHION
NEW RUSH ELEMENTARY
JOSEPH THISEL
WHITE PINE COUNTY HIGH
CLYDE SMEDLEY
LUND HIGH

WHITE PINE COUNTY SCHOOLS

P.O. BOX 400

EAST ELY, NEVADA 89315

PHONE 289-4851

February 26, 1973

The Honorable Assemblymen Prince, Hafen, Young,
Dini, Getto and Howard
State Legislative Building
Carson City, Nevada 89701

RE: Supporting AB 315

Dear Sirs:

The Nevada Plan, on page 1 under the second requirement, states that a reasonable equal educational opportunity should be provided. If AB 315 passes the Nevada Plan will do a reasonable job in accomplishing this. If AB 315 fails the students in our school district will again be under the unequal opportunities afforded under the booms and busts of a mining centered economy.

A mining centered economy does not stimulate a high tax base. Consequently a stable school support bill is the only way an equal educational opportunity can be provided in such an area. The ups and downs of mining were recognised years ago by the adoption of a proceeds of mines tax. A high tax base is not present, but with careful planning a school district can provide good maintenance of busses, buildings and equipment.

A proceeds of mines tax is a severance tax, once it is taxed it is gone forever. The entire proceeds of such a tax should return entirely to the area where it was produced. This then is some return for the uncertainties that cause local residents and businesses to not invest as heavily in permanent properties.

The history of mine proceeds in White Pine County is a very real record of the ups and downs of our economy. Since 1962-63 this has been our record of proceeds of mines:

	<u>Estimate</u>	<u>Actual</u>
1962-63	\$8,500,000	\$6,100,490
1963-64	5,000,000	6,594,873
1964-65	6,300,000	2,119,998
1965-66	3,000,000	2,018,771
1966-67	4,000,000	6,257,483
1967-68	4,000,000	4,112,454

The Honorable Assemblymen Prince, Hafen, Young
Dini, Getto and Howard
February 26, 1963

	<u>Estimate</u>	<u>Actual</u>
1968-69	None	3,875,924
1969-70	4,500,000	15,474,693
1970-71	17,000,000	16,581,000
1971-72	7,000,000	8,551,812
1972-73	6,000,000	?

The 80¢ tax on mine proceeds has created a poor planning base for the County:

1962-63	\$(19,196)	Short
1963-64	12,758	over
1964-65	(33,440)	short
1965-66	(7,849)	short
1966-67	10,059	over
1967-68	899	over
1968-69	31,007	over
1969-70	87,957	over
1970-71	(3,347)	short
1971-72	12,404	over

The Nevada Plan has compounded the problem for the District by including an estimated receipt from the 80¢ tax to establish our base support number. The impossibility of estimating mine profits has now found a trusted spot in the plan that purports to equalize educational opportunity. For White Pine this can be likened to the fighter who is hit with a left jab and now receives the right to the jaw.

The Nevada Plan for financing public education, of necessity, has several basic figures that must be old. The assessed valuation figures are one year old, the enrollment figures two and the transportation costs are two. When one or more year old proceeds of mines figures are also included, the situation is brought from a difficult to an impossible position.

In 1973-75 the Nevada Plan for White Pine is based upon \$6,000,000. No one knows what this will be. Certainly our large company is not prepared to estimate this with any accuracy. How can the author of the Nevada Plan do what the experts of the company recognise they cannot do.

In the 1971-73 the Nevada Plan was based upon net proceeds of \$15,474,693. This error cost White Pine \$55,943 in 1971-72, and based upon \$6,000,000 estimated in 1972-73 will cost the District \$75,797. These are amounts the formula said we would get and which we will not get.

The Honorable Assemblymen Prince, Hafen, Young,
Dini, Getto and Howard
February 26, 1973

The ups and downs of the proceeds of mines as represented by the 70¢ that is locked into the Nevada Plan is not significant to the State level of financing. But, its inclusion in the formula does contribute to an unequal educational opportunity in those districts with proceeds of mines. The scapegoat for years has been lack of maintenance, lack of equipment and facilities that are always a step behind.

The 70¢ tax used locally would have equalized opportunities by providing an average of \$50,110 per year in White Pine over the last 10 years.

Respectfully yours,

White Pine County Schools
Board of Trustees:

JARLE CARP...
JOE LANI, MEMBER
HARRY LONDOS, MEMBER
JOHN L. NOVICH, MEMBER
JAMES WOOD, MEMBER

JOHN ORR
SUPERINTENDENT
MINARD H. MAUS
ASST SUPERINTENDENT

123
DEAN STUBBS
EAST ELY ELEMENTARY
JOHN POLISH
MCGILL ELEMENTARY
ALLEN PUSHTON
NEW RUTH ELEMENTARY
JOSEPH THEILE
WHITE PINE COUNTY HIGH
CLYDE SMEDLEY,
LUND HIGH

WHITE PINE COUNTY SCHOOLS

P.O. BOX 400

EAST ELY, NEVADA 89315

PHONE 289-4851

January 2, 1973

The Honorable Mike O'Callaghan
Governor, State of Nevada
Carson City, Nevada 89701

Dear Governor O'Callaghan:

Several members of the White Pine County Board of School Trustees have had contact with you concerning the undesirable aspects of including proceeds of mines within the state distributive school fund guarantee. There has always been a high degree of fluctuation in the proceeds. Because the State Department of Education statistical information to determine the basic support guarantee per pupil is based upon assessed valuation figures that are two years old, a district with proceeds of mines is generally penalized during the next biennium. As near as we can determine this cost our District at least \$110,000 during the 1971-73 two year period. This reflects the money the State Department of Education said we would obtain from the 80¢ permissive tax and so did not include it within the formula. The net result is these funds were not collected and White Pine programs were cut below the amount represented to the last session of the Legislature.

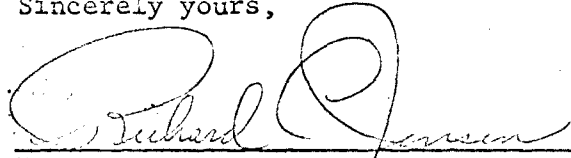
This year's initial proposal of the State Department of Education would do the same thing during the next biennium. Assemblyman Ross Prince has agreed to introduce a bill to correct this situation for those counties with proceeds of mines. The proposed amendment would be:

Amend NRS 387.124, 2, (b), (1) by adding the underlined words;
" (1) The amount computed by multiplying .007 times the assessed valuation of the school district less the net proceeds of mines as certified by the Nevada Tax Commission for the concurrent school year; and"

It is our belief this is a fair solution to this very crucial problem. In our instance this simple change would have erased our loss of receipts over the last biennium.

Governor O'Callaghan, we ask your assistance in this legislation which will help all counties with proceeds of mines. If additional information is needed, we will do our best to provide it.

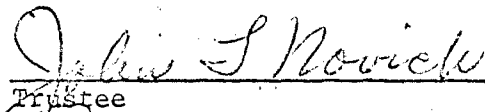
Sincerely yours,



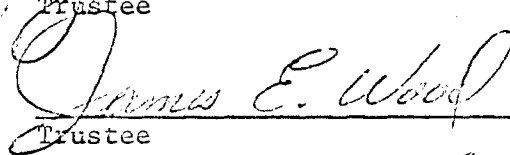
President



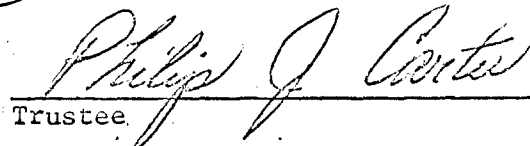
Clerk



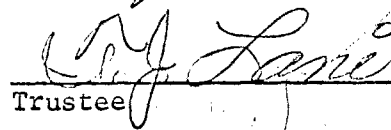
Trustee



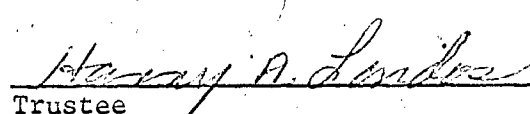
Trustee



Trustee



Trustee



Trustee

Nevada Tax Commission 125

CARSON CITY, NEVADA 89701



MIKE O'CALLAGHAN, Governor

JOHN J. SHEEHAN, Secretary

ATTACHMENT #2

February 27, 1973

The Honorable Paul May, Chairman
 Assembly Taxation Committee
 Legislative Building
 Carson City, Nevada 89701

Dear Chairman May:

Your requested information regarding the impact of certain assembly bills now being considered by your committee; following is that analysis.

1. AB 30 - Section 1 of that bill would grant a \$1,000 exemption to persons 65 years of age or older. Based on census data and studies of the American Council on Governmental Relations would indicate the following:

Real property exemption - 8,332 persons x \$989 average = \$8,240,348
 Unsecured property exemption - 5,376 persons x \$769 average = \$4,434,144
 Total property assessed valuation exempt = \$12,374,492.

Section 2 of that bill would extend the veterans exemption to all veterans in the State of Nevada. Currently, there are 19,466 veterans on the tax roll receiving exemptions; however, this would be increased to 63,567 following adoption of this bill. Current exemptions total \$18,305,845; following enactment of AB 30 those figures would be:

Real property - 49,445 veterans x \$989 average = \$48,901,105
 Unsecured property - 14,122 veterans x \$769 average = \$10,859,818
 Total number of veterans = 63,567
 Total assessed valuation exempt = \$59,760,913

The number of veterans is based on census information and data currently reported on the segregations of the roll as filed by the various county assessors. This legislation would increase the number of veterans receiving property tax exemptions by 44,101 persons and increase veterans exemptions by \$41,455,068.

The total impact of AB 30 if passed as written would be to increase exemptions from \$18,305,845 to \$72,135,415 (an increase of \$53,829,570) and the number of persons receiving exemption status from 19,466 to 77,275. Based on the State average of \$4.50 per \$100 assessed value, the additional tax loss would be \$2,422,331 or 2.3 percent of the \$107.2 million total ad valorem tax collected.

2. AB 69 - The effect of this legislation would be to increase the amount of property tax exemption from \$1,000 to \$2,500 for widows and orphan children.

The Honorable Paul May, Chairman
 February 27, 1973
 Page Two

Currently, we have 4,127 widows receiving real property tax exemptions totaling \$4,073,620; 924 receiving an unsecured roll exemption of \$349,121, and 2 orphans receiving real property tax exemptions totaling \$1,900.

Therefore, by multiplying the total present exemption of \$4,925,241 by 2 and 1/2 we find that the impact of this bill would be to increase the assessed valued exemption from that amount to \$12,313,103 or an increase of \$7,387,861. The impact would be a loss of \$332,454.

This would mean that the impact of AB 30 and AB 69 together would increase property tax exemptions by approximately \$61,217,000 and generate a tax loss of approximately \$2,754,784, or 2.6 percent of the total ad valorem tax collected.

3. AB 152 - The effect of this bill would be to allow county assessors in the 15 counties other than Clark and Washoe to receive 6 percent of the use tax collections made on motor vehicles. It should be emphasized that they do not collect use tax only on motor vehicles but also on airplanes, boats and other miscellaneous items. However, based on calendar 1972 we find that the 15 assessors collected \$315,818 which, with a 6 percent commission, would have cost the State General Fund \$11,748; local school districts \$5,874 and county/city relief tax entities \$1,326 or a total of \$18,948.
4. AB 244 - The purpose of this bill would be to exempt from taxation real and personal property owned by a totally disabled veteran. Statistics reveal there are approximately 50 such totally disabled veterans in the State of Nevada. Using average personal and real property valuations, this would be an assessed value exemption of \$446,600 or a tax impact of approximately \$20,097 based on the \$4.50 rate.
5. AB 297 - No material is available to compute an impact.
6. AB 311 - This bill appears to give the same benefit to veterans as would AB 30. To reiterate we find that the impact would be to increase the exempt assessed valuation from \$18,305,345 to \$59,760,913. This would generate an additional tax loss of \$1,265,478 based on a \$4.50 rate.
7. AB 315 - This bill would remove net proceeds of mines valuations from the tax base on which school districts compute the local funds available. The result of this legislation would be to increase that amount of monies distributed from the State Distributive School Fund. In fiscal year 1970-71 the local support dollars lost would have been \$367,773 and for fiscal 1971-72 it would have been \$300,372. These are the amounts which would have been paid out of the State Distributive School Fund. That figure will approximate \$370,000 in fiscal 1972-73.

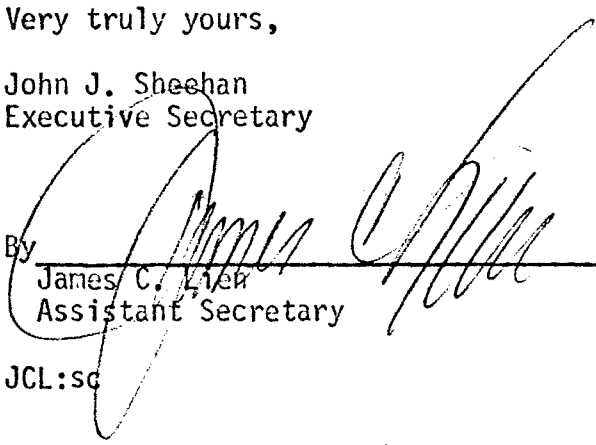
The Honorable Paul May, Chairman
February 27, 1973
Page Three

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Should you have any question on the above information, do not hesitate to contact me. This office will be available for testimony at the time the committee considers the bills.

Very truly yours,

John J. Sheehan
Executive Secretary

By 
James C. Liker
Assistant Secretary

JCL:sc

INTRODUCTORY REMARKS BY ASSEMBLYMAN ROBERT E. ROBINSON:

Mr. Chairman and Committee:

I address you today on behalf of A.B. 297, which I feel has a serious meritorious purpose.

It may well be landmark legislation in which event the members of this committee will forever be known as truly farsighted and deserving of the title "Legislators."

We have for the past 30 or 40 years seen throughout America an ever increasing insult upon our environment. As in the song, where we used to be able to see "forever," it is now getting difficult to see the nearest mountain, at least in the Las Vegas Valley. It not only offends the aesthetic sense but it is becoming a hazard to our health. Unseen pollution seeps through our desert floors to arise in putrid streams in which the wildlife can struggle to survive but which man must shun for fear of death by hepatitis or other serious infection.

Our attempts to correct these problems are met with constant delays. Enforcement of well-intentioned laws is punctuated with extensions of deadlines, postponement of implementation, appointment of new study groups and additional committees. And yet, it is obvious that no responsible citizen wants to close down a plant and put hundreds or indeed thousands of workers onto the unemployment rolls. Is it possible for our industries' contribution to pollution control of air and water to be put into effect?

I think so.

But our mandate to industry so far is analogous to the string demonstration. If you lay a string on a table and attempt by holding one end to push it across the table, you can accomplish nothing - but by grasping the far end and pulling it across, it follows straight and neatly. It is better to lead than to push. We have attempted to get our polluters to accomplish something without one significant non-punitive exercise in leadership.

We have told them to expend thousands and even millions of dollars for the benefit of mankind into capital investments which we would then gleefully add to the tax rolls and penalize them a second time. I say a second time because the original cost of installation of the pollution control devices was a sacrifice on the part of these industries for

1. They serve no productive economic purpose nor do they add value to the plant.
2. They do not increase production nor add to profits.
3. They create no new jobs for our workers.
4. In almost all cases they add to overhead expenses due to operating or maintenance repairs.
5. In some cases they reduce the productivity of the equipment on which they are installed such as is the case with your own automobile.
6. When the profit squeeze is "on" there is less money available for the justifiable wage requirements of our workers.

If this bill, 297, is made into law, I believe you will see a sudden and dramatic race to comply with the present laws we now have for pollution control - where heretofore we have faced a reluctance which is certainly understandable. Yet industry is, and has been concerned - their leaders' and workers' lives and our lives are all interwoven into the fabric of Nevada's future.

To the specifics of the bill, I think it is worded fairly well.

It only exempts that portion of a plant or machine or device that is used for pollution control. Quote " To the extent that such property is used," unquote, is the phrase I believe is a KEY whereby our county assessors can sit down with company auditors and quite readily come up with dollar amounts. Automobile manufacturers can supply our Department of Motor Vehicles with retail value of the devices on every make of car. It may only save \$5.00 to a car owner but even they deserve credit for the contribution they make to pollution control. If a device controls pollution but has an economic return, such as recovering a by-product formerly considered waste, it should be taken into account and deducted from the exemption.

Perhaps an incentive may be added by allowing the exemption when installations are completed by a certain date but with the fines imposed thereafter until control specifications are met.

Are we going to lose any tax revenue for the State? I don't know - this would depend on any retroactive applications

you might make. But certainly we are not giving up any taxes which we are not collecting today because the pollution control device is not yet in existence.

In instances of installations under construction or already built, I leave it to your sense of fair play. In essence, the purpose of this bill is based on the premise of a sense of fairness to all concerned. It should be beneficial to everyone.

Thank you.

NEVADA TAXPAYERS ASSOCIATION

P.O. BOX 633

200 N. Fall Street

CARSON CITY, NEVADA

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PROPERTY TAX EXEMPTIONS ON POLLUTION CONTROL FACILITIES

Actions of Other States Similar to That Proposed in AB-297

(Material for this study is taken from Research Report No. 61, "State Preferential Tax Treatment for Pollution Control Facilities," prepared and published by the Federation of Tax Administrators, 1313 East Sixtieth Street, Chicago, Illinois 60637, revised to January 1971.)

By January 1971, twenty five states had expressly provided for the preferential treatment of pollution control facilities for property tax purposes. (The number has increased due to legislative action in 1971 and 1972, but details of the additional eight states that have provided pollution control tax preference legislation will not be available for another ten days.)

Except for Hawaii, Maine, Montana, and Wyoming, these statutes relate to both air and water pollution. Maine's law applies to industrial disposal systems only. Montana has a classification law applicable only to air pollution control facilities. Hawaii and Wyoming exempt only air pollution control facilities.

In New York an exemption for air pollution control facilities prescribed by state law is effective only if a local government adopts legislation providing for such an exemption. A state prescribed exemption for industrial waste treatment facilities is mandatory on local governments.

Years Allowed

In all but a few states with property tax exemptions for pollution control equipment, the exemption applies irrespective of whether the facilities were acquired before or after the law was passed and with no termination date. In several states, however, the exemption serves only as an incentive for new pollution control facilities in that it applies solely to those acquired after a certain date, while similar facilities in operation at the time the law was passed remain taxable. As another means for encouraging the rapid installation of new facilities, a number of states have a cutoff date after which new facilities will no longer be eligible for the exemption. Other states provide that an eligible facility may be exempt only for a specified number of years.

States with starting dates are as follows: Connecticut, water pollution control, July 1, 1965, air pollution control, July 1, 1967. Hawaii, June 30, 1969. Minnesota, July, 1967. Montana, 1967. New York, 1965. Oregon, January 1, 1967.

Some states provide a specific number of years during which the tax exemption will be effective: New Hampshire, 25 years, Oregon, 20 years, Rhode Island, 10 years.

In about half the twenty-five states exempting pollution control facilities, the statutes provide for exemption if the facility is used primarily for pollution con-

control. In most of the remaining states, the statutes make no reference to the extent of use. In a few states, a facility must be used solely for pollution control in order to qualify.

In about a third of the states with property tax exemptions, statutes limit the exemptions to that portion of the facility used for pollution control. Examples are Idaho, Ohio, Massachusetts, Michigan, Oregon, and Wyoming.

Two states, Florida and Illinois, rather than exempt pollution control facilities, provide for their assessment on a basis which can be the equivalent of an exemption. A third state, Montana, provides for the classification of such property at a fraction of assessed value. In Florida, the law provides for the assessment of pollution control facilities at salvage value. In Illinois, they are valued on an economic productivity basis. Under Florida's law, if it becomes necessary for the operator of a manufacturing or industrial plant to install pollution control facilities that is by reason of a mandatory state or federal law that whatever he must install is exempt from taxation.

PROPOSED AMENDMENT TO ASSEMBLY BILL 297:

Amend Section 1 of the bill by adding the following after Line 6:

Pollution control device means any land, structure, building, installation, excavation, machinery, equipment or facility or any addition to, reconstruction, replacement, or improvement of land or an existing structure, building, installation, excavation, machinery, equipment or device reasonably used, erected, constructed, acquired or installed, if a substantial purpose of the use, erection, construction, acquisition or installation is the prevention, control or reduction of air or water pollution by

- (a) the disposal or elimination of or redesign to eliminate waste and the use of treatment works for industrial waste;*
- (b) the disposal, elimination or reduction or redesign to eliminate or reduce air contaminants or air pollution or air contamination sources, and the use of cleaning devices;*
- (c) however, pollution control device does not include air conditioners, septic tanks or other facilities for human waste, nor any property installed, constructed or used for the moving of sewage to the collection facilities of a public or quasi-public sewage system.*

Gentlemen:

I am Harry Allen, President of Nevada Power Company, and I am here to speak in support of AB 297.

Essentially what we are faced with in solving our air and water pollution problems is making large capital investments that produce no additional revenues and only add to our costs of generating power. To the extent that we can minimize these additional costs it is to the benefit of all of our ratepayers. The exemption of these non-productive investments from the reach of real estate and personal property taxes would be a great help in this endeavor.

The Environmental Protection Agency requires that certain air and water pollution be eliminated. We, of course do not oppose this. However, I don't think that one Agency of the Government should pass a law or regulation that is going to cause industry to make large capital investments, and then increase industry's taxes as a result of the industry complying with the law. This seems to penalize them for meeting the requirements.

I would like to give you some facts on our Reid Gardner Plant. The air pollution equipment being installed will cost, when completed, between 8 and 10 million dollars. This represents 30% of the total cost of the plant. It will cost in excess of one million dollars per year to operate the equipment. It will add nothing to the productive capacity of the Plant. In fact, it reduces the revenue from the Plant by 3%. It will increase our taxes in the range of \$175,000 annually. The equipment being installed will use 3% of the Plant's capacity, therefore, it reduces the output of the Plant by 6 MW.

The people of Nevada requested Legislation to control both air and water pollution. You Legislators complied with their request. Inasmuch as

these regulations benefit primarily the residents of the State of Nevada, why should Industry be asked to bear the entire burden, including the additional taxes? Yes, we plan on being able to meet the requirements of the County and, in fact, all pilot tests show that we are able to comply with the regulations.

In fairness to all, I urge you to pass AB 297, and give industry the relief you are capable of giving, and industry is certainly entitled to.

TESTIMONY

ASSEMBLY BILL NO. 297

GLEN C. TAYLOR, Manager, BASIC MANAGEMENT, INC., Henderson, Nevada and its members, TITANIUM METALS CORP. OF AMERICA, STAUFFER CHEMICAL COMPANY, KERR-MC GEE CHEMICAL CORP., AND THE FLINTKOTE COMPANY.

GENTLEMEN:

I wish to thank you for the opportunity to appear before this Honorable Committee today to speak on AB 297.

I specifically refer to that portion of the bill which amends Chapter 361 of NRS to exempt from taxation those devices that are installed for air and water pollution control.

I am sure you are familiar with the fact that in Clark County there has been, or will be, installed approximately 16 million dollars worth of capital improvements in approximately 8 plants.

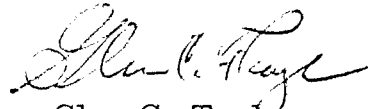
As you probably have heard in past discussions that have been brought before you pertaining to control devices, there is no way the plants can be reimbursed for any money expended for the installation of the equipment. All such costs must be absorbed absolutely by the companies for the benefit of the environmental condition of the county. As these are capital improvements and under existing tax laws would be taxable, the Bill on which I am speaking does exempt these expenditures, thereby giving those who must comply with the environmental problems the opportunity to do so without increasing their taxes.

I am sure you are familiar with the fact that the industries in Clark County have been working diligently to assume their responsibility to the community to endeavor to give clean air and water. Therefore, we ask your consideration in supporting amendments to Chapter 361 of the Nevada Revised Statutes as outlined in AB 297.

The reason I have spoken as to the 8 plants is simply that they are the most glaring examples of the tremendous amount of money expended on behalf of this fine community project. However, this is not limited to these 8 plants and I did not wish to give the impression I was speaking for and on behalf of them only.

Environment is a community problem, as clean air and water flows to all businesses in the community and money must be spent by almost every other type of industry where you have incinerators, automobiles, trucks, equipment and construction. Therefore, I believe you should give this proposed amendment your most diligent consideration so that those who are doing their share towards cleaning up the air and water will not be doubly penalized--that is, making expenditures for such equipment and then paying taxes on the equipment.

Respectfully submitted,



Glen C. Taylor

ASSEMBLYAGENDA FOR COMMITTEE ON TAXATIONDate March 8, 1973 Time 8:00 a.m. Room 222

<u>Bills or Resolutions to be considered</u>	<u>Subject</u>	<u>Counsel requested*</u>
AB 50	Permits division of assessment standards to conduct appraisals for county assessors when any county assessor requests such assistance.	
AB 69	Increases amount of tax exemption granted to widows and orphans.	
AB 101	Exempts casual importers from liquor licensing requirement.	
AB 105	Limits tax exemption on cigarettes exported from Nevada.	
AB 297	Exempts from property tax any property used for air or water pollution control devices.	
AB 358	Provides an annual vehicle license and tax reduction to persons over certain age and within certain income limits.	

ASSEMBLY

AGENDA FOR COMMITTEE ON TAXATION - SUBCOMMITTEE

Date March 7 Time 1:30 p.m. Room 222

Bills or Resolutions
to be considered

Subject

Counsel
requested*

AB 297

Exempts from property tax any property
used for air or water pollution control
devices.

*Please do not ask for counsel unless necessary.

ASSEMBLY

AGENDA FOR COMMITTEE ON TAXATION

Date MARCH 6 Time 8:00 a.m. Room 222

Bills or Resolutions
to be considered

Subject

Counsel
requested*

~~A.B. 337~~

Permits counties to place receipts from net
proceeds of mines tax in special fund.

ADDITION TO PREVIOUS AGENDA FOR MARCH 6, 1973.

ASSEMBLY

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AGENDA FOR COMMITTEE ON TAXATION

Date March 6 Time 8:00 A. M. Room 222

<u>Bills or Resolutions to be considered</u>	<u>Subject</u>	<u>Counsel requested*</u>
A.B. 69 ✓	Increases amount of tax exemption granted to widows and orphans.	
A.B. 50 ✓	Permits division of assessment standards to conduct appraisals for county assessors when any county assessor requests such assistance.	
A.B. 101 ✓	Exempts casual importers from liquor licensing requirement.	
A.B. 105 ✓	Limits tax exemption on cigarettes exported from Nevada.	
A.B. 358 ✓	Provides an annual vehicle license and tax reduction to persons over certain age and within certain income limit.	
A.B. 315	Changes apportionment of state distributive school fund by excluding net proceeds of mines from computation of local funds available.	

*Please do not ask for counsel unless necessary.

H E A R I N G

COMMITTEE ON TAXATION

Date March 6 Time 8:00 AM Room 222

Bill or Resolution
to be considered

Subject

AB 297 ✓

Exempts from property tax any property used for
air or water pollution control devices.