

TAXATION COMMITTEE MINUTES
MEETING OF
APRIL 10, 1973

Tuesday 7:30 a.m.

MEMBERS PRESENT: MESSRS. MAY DEMERS MCNEEL
SMALLEY BROADBENT HUFF CRADDOCK

MEMBERS ABSENT: MESSRS. BREMNER
FRY

GUESTS PRESENT: MESSRS. JACK SHEEHAN, TAX COMMISSION
BILL BYRNE, ASSESSORS OFFICE OF
CLARK COUNTY
ROBERT WARREN, NEV. MUNICIPAL ASSN.
JIM RATHBUN, TAX COMMISSION
COE SWOBE, NEVADA STATE SENATOR
HAL SMITH, NEV. STATE ASSEMBLYMAN
PETE KELLY, NEV. RETAILER ASSN.

The meeting was called to order by Chairman May at 7:30 a.m. on April 10, 1973.

SJR 15 Discussion

SUMMARY - Proposes constitutional amendment to permit assessment of owner-occupied dwellings and land at lower rate.

Senator Coe Swobe gave testimony in favor of this measure. Being a member of the Senate Taxation Committee, Mr. Swobe explained that a hearing had been held concerning equalizing the taxes of all the agricultural, commercial, and home owners interests in the State. However, legislation favorable to home owners often run into a constitutionality question, and therefore, previous efforts of supplying the home owners with some type of tax relief have been unsuccessful.

He further explained the statutes now state the assessor must assess the property equally and at a rate of not more than 35%. This measure would allow the Legislature to set the rate at 25% less than the 35% rate. It is restricted to one acre of land. This would be only enabling legislation, and he felt that it is the only way to give relief to the home owners.

The measure would have to go through two Sessions of the Legislature and to ballot, and by that time, Mr. Swobe feels that the Legislature can determine what amount of money the subdivisions of the State have and act accordingly.

Mr. Smalley questioned if this measure would hurt subdivisions of Washoe County. Mr. Swobe explained that it will have an impact on the subdivisions, but it is still within the prerogative of the Legislature to implement it if it is passed.

In regard to the fiscal impact, Mr. Swobe commented that the loss of revenue would be approximately seven million dollars, but this amount about equals the amount of increase in valuation each year.

This measure was passed almost unanimously in the Senate.

Chairman May questioned if line 15, 16, & 17 referred to the condominium and tract home type facilities and was answered in the affirmative.

Mr. Swobe explained that the 25% was set to put some type of limitation on the measure. It would be 25% of the 35%. He stated that the bill that would set the amount at 35% which has been introduced would not interfere with this measure.

Chairman May indicated that this bill is similar in concept to AJR 23 except that this would provide for a different assessment or reduction of assessment for owner-occupied dwellings. Mr. Swobe commented that AJR 23 provided for the recapture of back taxes but this measure does not.

Mr. Jack Sheehan thought that this bill was meritorious because it gets to the problem of providing relief for the home owner. This would provide the vehicle. Mr. Smalley questioned if this was done, which would mean approximately a five million loss in Clark County, where would the money be made up. Mr. Sheehan explained that the amount needn't be dropped 25%; it could be dropped 5% or 4% or it could be done over a period of five years to reach a goal of 25%. Through inflation and increased market value prices are driven up consistently. He further explained that the passage of this bill would simply provide the vehicle whereby future Sessions could use to establish the mechanics of the bill.

Mr. Swobe explained that when there are major tax increases during a Session, these are usually done in a package, and by this measure of giving the home owners a relief then it can be picked up elsewhere.

The Chairman commented that mobile homes that are affixed to the property and become permanent are being taxed as real property as other homes and would receive the relief only if they were classified as real property. Mr. Sheehan and Mr. Swobe did not feel that this would interfere in any way with the senior citizens tax relief such as dual relief. They wished to leave it broad enough to define when and if this measure passes by the Legislature.

Mr. Bob Warren, Nevada Municipal Association, had trepidations relative to Mr. Smalley's on where the revenue loss would be obtained. He suggested that he hold a telephone poll of the cities to get some insight as to how the cities felt on this matter. Mr. Swobe rebutted that this measure would have to pass through another session of the Legislature and then the ballot and that the matters that Mr. Warren were concerned with would be more appropriate at that time.

SB 304 Discussion

SUMMARY - Provides tax exempt status for joint municipal organizations.

Mr. Warren explained that the IRS questioned the previous executive director if there was anything in the records that his municipal organization have proof of its tax exempt status. Mr. Swobe added that this had been discussed in the Senate Taxation Committee. Mr. Warren stated that this bill was introduced to show that municipal organizations do have a tax exempt status and the IRS would not have any questions on this matter.

AJR 32 & AJR 34 Discussion

AJR 32 SUMMARY - Proposes constitutional amendment to permit taxation of business services.

AJR 34 SUMMARY - Proposes constitutional amendment to allow legislature to exempt any personal property from taxation.

Assemblyman Hal Smith explained that AJR 34 and 32 were designed to remove the lock up on personal possessory properties. The constitution provides for fair and equitable tax and it has been physically impossible for assessors to do anything in the personal property area. He felt that the wise thing to do would be to remove the constitutional lock up and let the Legislature provide by appropriate statutes control in these areas. Hopefully the household personal property tax would be removed and never be imposed again. This measure would make this possible.

AJR 32 provides further that the Legislature can adopt a method of taxation to fairly assess and tax the merchants at such time as it becomes necessary.

He stated that the revenue lost under AJR 34 would be approximately five million dollars and suggested that a tax be imposed on business volume of the merchant rather than on possessory property which is totally impossible to assess and collect.

Mr. Demers explained that they are trying to get the personal possessory property tax off the books because there is no way for the assessor to tax everyone's furniture, beds, etc. These bills were considered companion measures because one would provide the Legislature to establish taxation on services rendered by any person, firm, corporation, or association in the ordinary course of business; the other would provide that the Legislature could exempt any personal property.

Mr. Pete Kelly, Nevada Retailer Association, testified in favor of this measure. He stated that there has been a move to eliminate the inventory tax because they are discriminatory and it is very difficult, if not impossible, for the assessor to check the inventory of all merchants. He explained that many merchants lower their inventory when the time comes to pay the inventory tax which reduces business.

As far as retrieving the lost tax revenue, Mr. Kelly added that an Assemblyman in the State of Washington made a report on effects of the inventory tax and how it could be made up. The report shows that a lot of the states have or are in the process

of eliminating the inventory tax. Because of this, the merchants are buying more and sell more and through the increased sales they make alot of the difference that they lost by eliminating the inventory tax. It stimulates business.

Mr. Sheehan stated that he interprets the service tax to be imposed on services such as that of a doctor, lawyer, engineer, or mechanic which would be 3% of his gross. It would have to be declared income or on the gross. Mr. Demers explained that the Legislature has the power now to impose a business income tax. Business licenses are now predicated on income in some cities.

Chairman May explained that these measures have been introduced previously, but have never received favorable consideration. One problem may be that there is a fear that only one of the constitutional changes will be adopted by the voters. Perhaps, it might be wise to these bills drafted into one measure. Mr. Sheehan felt that one would not effect the other.

SB 304 Discussion

SUMMARY - Provides tax exempt status for joint municipal organizations.

Mr. Sheehan stated that this would not have to great an impact. There are few municipal organizations that would be covered.

Mr. Bob Warren of the Nevada Municipal Association stated that the Association has been in business since the mid 1950's and since it is a political subdivision of political subdivisions of the cities has been considered by all of the city attorneys and by themselves and have filed as an tax exempt organization. The IRS thought that these organizations should have something in the records that shows that they are tax exempt more clearly, therefore, the organization introduced this bill, so there would be no further questions by the IRS. Their property valuation is approximately \$3,000.

There was no further testimony on SB 304.

AJR 27 Discussion

SUMMARY - 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.

Mr. Demers explained that this would provide the Legislature could not tax property in excess of 35 percent. He stated his feelings in previous testimony on this measure at the April 5th meeting. In rebuttal to Mr. Smalley's trepidation to locking in the amount and not being able to make it up, he stated that there are many different ways through which the Legislature may go to raise revenue. There is no limitation in the law now, and this would provide that the Legislature could not raise it any further than 35%.

There was no further testimony on AJR 27.

AB 725 Discussion

SUMMARY - Extends provisions requiring taxation of tax-exempt property used for private purposes.

This has had previous testimony. Mr. Demers explained the possessory interest to the committee. The Los Angeles entity that is getting the power from the Hoover Dam which is in Nevada would pay \$300,000 to the State of Nevada in lieu of taxation in the 30's. In 1941 the Legislature preempted that from Clark County for about three or four years the money went to the Clark County general fund, the Legislature then took it away. The county now has a suit going on in view of the Supreme Court decisions saying that if a private profit making firm is making money from a governmental piece of equipment or property that they can be taxed which is called possessory interest. It would be of tremendous benefit to Clark County.

Chairman May indicated there would be two points to be considered. One, the matter of litigation and whether or not to become involved in this. Mr. Demers stated that it would not interfere. Two, the money currently going to the general fund of the State.

It had been decided at the last meeting to amend the bill by taking out the brackets and inserting the word "or" after the brackets so the bill would read " or the property of which..."

There was no further questions concerning AB 725.

AB 931 The subcommittee was not prepared; the Tax Commission was still working on the figures.

SJR 15
Voting

Assemblyman Broadbent made a motion to "DO PASS SJR 15".
Assemblyman McNeel seconded the motion.
Voting results are as follows:

<u>Voting Yea</u>	<u>Voting Nay</u>	<u>Not Voting</u>
May	Craddock	Huff
Broadbent	Smalley	
Demers		
McNeel		

The motion did not carry.

Assemblyman Smalley made a motion to "INDEFINITELY POSTPONE SJR15".
Assemblyman Craddock seconded the motion.

Discussion:

Mr. Demers explained that it is tax relief for the average person. It would only apply to the small home owner. Mr. Craddock felt that any type of special legislation for a group of people is not agreeable because he feels that we are not equitably enforcing our tax laws as they exist and until we have some equalization built into what we have he is opposed to changing them. Mr. Demers stated that he did not believe that there will ever be a time when there is an equitable tax system.

Mr. Bill Byrne, Assessors office of Clark County, spoke in favor of SJR 15. His office is very much in support. He briefly explained that this constitutional amendment would give the Legislature to make a determination if it saw fit in the future of using a different factor on the assessment of residences as is used on all other property. It could use a factor less than 35% which is the present figure in determining the assessment of residential property. This measure is simply enabling legislation.

Voting results are as follows on Mr. Smalley's motion to "Indefinitely Postpone."

Voting Yea

May
Craddock
Smalley

Voting Nay

McNeel
Broadbent
Demers
Huff

The motion failed. It was decided to hold this bill for future action.

SB 304
Voting

Assemblyman Demers made a motion to "DO PASS SB 304".
Assemblyman McNeel seconded the motion.
The motion was carried unanimously.

AJR 27
Voting

Assemblyman Demers made a motion to "DO PASS AJR 27".
Assemblyman Broadbent seconded the motion.
Discussion:

Mr. Smalley commented that this would be locking the amount, and it would take a long time to change them.
Mr. Demers felt that the amount would be stopped at 35% and could not be raised. It is meaningful tax reform.
Dr. Broadbent had a question on what is meant by the words, "valuation of all property subject to taxation.." in Section 3 of the bill, and Mr. May believed that it was directed to mean real property but the way it is worded it would mean all property such utilities, real or personal, etc.

Voting results are as follows:

Voting Yea

McNeel
Demers
Huff
Broadbent

Voting Nay

May
Smalley
Craddock

The motion failed, and it was decided to hold the bill for future action.

Discussion was reopened on AB 725. Mr. Bill Byrne gave testimony in favor of this measure. He explained that the Congress of the United States, and it applies in relation to states and counties, has agreed that by constitutional mandate all federal property is exempt and therefore no state may tax it. When it is used by others it is taxable.

In Nevada it is stated that when the use is by a person or business in operation for a profit. He stated that this bill would be for the future and would have no bearing on the suit that is in litigation. The change that he proposes would correct an inconsistency in the language of our law. The change would be to delete the brackets and inserting "or" after the brackets. He feels that the people who are in business for profit should be paying taxes.

Chairman May indicated the Mr. Guild, a member of the firm handling the suit on behalf of Los Angeles, had left a copy of their brief that contained their total arguments coupled with their previous testimony.

SJR 32 and 34 Discussion:

Mr. Byrne was in favor of this measure. He stated that he felt that the majority filed legitimate returns, but a reasonable amount do not. He feels that it is a form of double taxation, and it is very difficult to administer. SJR 34 would enable the Legislature to exempt any personal property. He feels that these are companion measures and are enabling acts. He was in agreement with Mr. Smith, Mr. Demers, and Mr. Kelly's feelings regarding these measures.

AB 725
Voting

Assemblyman Demers made a motion to "DO PASS AB 725 AS AMENDED".
Assemblyman Broadbent seconded the motion.
Voting results are as follows:

Voting Yea

May
Broadbent
Demers
Huff
Smalley
Craddock

Voting Nay

McNeel

The motion was carried.

AJR 32
Voting

Assemblyman McNeel made a motion to "DO PASS AJR 32".

The motion died for lack of a second.

AJR 32
Voting

Assemblyman Broadbent made a motion to "INDEFINITELY POSTPONE AJR 32."

Assemblyman Huff seconded the motion.

Voting results are as follows:

Voting Yea

May
Broadbent
Smalley
Craddock
Huff

Voting Nay

Demers
McNeel

The motion was carried.

AJR 34
Voting

Assemblyman McNeel made a motion to "DO PASS AJR 34."

Assemblyman Demers seconded the motion.

Voting results are as follows:

Voting Yea

Demers
McNeel
Broadbent
Craddock

Voting Nay

Smalley
May
Huff

Motion failed, and it was decided to hold this measure for future action.

Assemblyman Demers made a motion to adjourn. The meeting was adjourned at 9:15 a.m.

Respectfully submitted,

Cuidy Benjamin

ASSEMBLYAGENDA FOR COMMITTEE ON TAXATIONDate APRIL 10, 1973 Time 7:30 a.m. Room 222

<u>Bills or Resolutions to be considered</u>	<u>Subject</u>	<u>Counsel requested*</u>
SUMMARY:		
AJR 34 ✓ <i>carried over</i>	Proposes constitutional amendment to allow legislature to exempt any personal property from taxation.	
AJR 32 ✓	Proposes constitutional amendment to permit taxation of business services.	
AB 725 ✓	Extends provisions requiring taxation of tax-exempt property used for private purposes.	
AJR 27 ✓ <i>carried over</i>	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 of appraisal value.	
SJR 15 ✓ <i>carried over</i>	Proposes constitutional amendment to permit assessment of owner-occupied dwellings and land at lower rate.	
SB 304 ✓ <i>AB 931 carried over</i>	Provides tax exempt status for joint municipal organizations.	

*Please do not ask for counsel unless necessary.