

TAXATION COMMITTEE MINUTES
MEETING OF
APRIL 5, 1973

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Thursday 8:00 a.m.

MEMBERS PRESENT: MESSRS. MAY HUFF
SMALLEY MCNEEL
DEMERS
CRADDOCK

MEMBERS ABSENT: MESSRS, BREMNER
BROADBENT
FRY

GUESTS PRESENT: MESSRS. JACK SHEEHAN, TAX COMMISSION
JIM RATHBUN, TAX COMMISSION
RICHARD MORGAN, NEV. STATE EDUCATION
ASSOCIATION
DAVID W. HAGEN, CITY OF LOS ANGELES,
DEPT. OF WATER AND POWER
W. HOWARD GRAY, NEV. MINING ASSOC.
ROBERT F. GUINN, NEV. MOTOR TRANSPORT &
NEV. FRANCHISED AUTO DEALERS
DARYL E. CAPURRO, NEV. MOTOR TRANSPORT &
NEV. FRANCHISED AUTO DEALERS
PETE KELLEY, NEV. RETAIL ASSOCIATION
JOE MIDMORE, BUILDERS ASSOC, OF NORTHERN
NEVADA.

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 the constitution now states that the charge will be \$5.00 on every \$100 of assessed valuation, but the assessed valuation has never been defined. It has always been left up to the legislature to determine what the assessed value is as compared to the real or current market value. At the present time it is approved at 35%. He feels that this would be a meaningful type of tax reform because it would guarantee a person in one sense that their assessment will never exceed 35%. This is projected to only real property, and would limit the power of the legislature to increase the assessment percentage.

Mr. Smalley had a question on what would happen if there were a drastic change in Nevada's revenue system. Where would the money come from if we were to lock the limit in by constitution. Mr. Demers explained that one of the things that must be considered is the fact that Nevada is a tax haven, and it is one of the real assets that Nevada has to offer. Mr. Craddock also had some trepidations on this matter and noted that after the bill was passed and an assessment was not meeting the standard than it would be a violation of the Constitution and not simply a statute as it would presently be classified.

There not being a quorum present at the onset of testimony and there being a quorum now present, the Chairman called the meeting to order at 8:15 a.m.

Mr. Richard Morgan, Nevada State Education Association, commented he thought the Governor had requested in his message that a study be done of taxation, and he believes that this is something that should be put in the package for study. Chairman May indicated that a bill was introduced on April 4 in the Senate and of those items outlined one of them is the right to review assessment studies within the counties.

AB 642 Discussion

SUMMARY - Clarifies taxation of rentals and royalties on mines.

Testimony was heard on this measure last Tuesday, and an amendment was proposed to it for the committee's review. Mr. Sheehan had asked to have further time to study it, and he concurs with the amendment as proposed.

SB 550 Discussion

SUMMARY - Provides for transfer of prepaid gaming tax credits between parent and subsidiary corporate licenses in certain circumstances.

Mr. George Vargus, Senior partner of Vargus, Barton, and Dixon of Reno and Las Vegas and counsel for the Showboat Hotel in Las Vegas, spoke in favor of this measure. He explained that the Showboat Hotel had requested this legislation through his office. Prior to seeking introduction of this bill in the Senate, he discussed the matter with the Gaming Control Board and came to an agreement, and in the Senate hearing, the chairman of the Gaming Control Board appeared in support of this legislation. The chairman of the Control Board requested Mr. Vargus to advise the committee that the Gaming Control Board approves this legislation. He explained that the purpose of the bill is because the Showboat Hotel was recently listed on the American Stock Exchange. The gaming act requires that any publicly held company shall have a subsidiary who holds the gambling license and actually conducts the gambling operation. The people in that subsidiary must be licensed by the Gaming Commission. When the Showboat went on the American Exchange they had to then comply with those regulations, and consequently, the wholly owned subsidiary of the Showboat Hotel in Las Vegas was created and application was made to the Gaming Control Board and the Gaming Commission for transfer of the gaming operation to the subsidiary which is a Nevada Corporation and licensed itself by the Gaming Commission and the Gaming Control Board. The problem is that when that sort of a thing occurs in the absence of this bill, the company and its stock holders lose the advantage of any prepaid gaming taxes because prior to this time they were not able to credit their wholly owned subsidiary with those taxes. The Gaming Control Board and the Senate Committee

agreed that it was equitable to provide where a publicly held company had to transfer its gaming operation to its wholly owned subsidiary it should also be able to have credited to that subsidiary the prepaid state gaming taxes so they will not have to be paid twice when the technical move is made. He also stated that this problem was also being faced by the Golden Nugget in Las Vegas and the Union Plaza in Las Vegas.

Mr. Craddock volunteered to handle this bill when it reaches the floor of the House. Chairman May requested any testimony in opposition to this measure, but there was none.

AB 931 Discussion

SUMMARY - Provides for submission at next general election of question proposing amendment to exclude equity value in motor vehicle offered as trade-in on another motor vehicle from definition in sales and use taxes and local school support tax.

Mr. Demers explained to the committee that he had been advised by the Tax Commission that this measure would cost more than what was anticipated. However, it could be held down by excluding commercial and business use vehicles. Mr. Demers then requested that a subcommittee be appointed to discuss this matter with the Tax Commission to come up with something a little more realistic. He commented that this bill was designed to be a benefit to the working man and the laborer, school teacher, etc. Chairman May directed Mr. McNeel to serve with Mr. Demers on a subcommittee to investigate this measure.

Mr. Robert Guinn, Executive Secretary of the Nevada Franchised Auto Dealers Association, spoke in opposition to this measure. He commented that he has questioned his Board statewide for individual feelings and he feels the new car dealers would be very much in favor of this measure. However, he stated that almost unanimously with the exception of a few dealers in Las Vegas concurred with his view that this is a totally irresponsible piece of legislation. He wished to note that this bill was not introduced with any knowledge of the State Dealers Association. He felt that the economic impact on the governmental agencies in the State that it would be approximately \$3,000,000 a year. He stated his idea for replacing this revenue would be an additional 1/2¢ tax.

Mr. Demers stated that he did not introduce this legislation for the dealers of Nevada but for the consumers. He added that he did not expect the dealers to support the measure, and he believes that it is a form of double taxation. He also stated that he didn't introduce this bill for dealers, and he wouldn't have done it for them in the first place.

Chairman May directed Mr. McNeel and Mr. Demers to serve on a subcommittee to investigate this measure more thoroughly.

The Chairman then requested any testimony in favor of or in opposition to AB 931, but there was none.

AB 201 and SB 31 Discussion

SUMMARY - Provides property tax assistance for senior citizens.

Mr. Smalley, Chairman of the subcommittee, explained to the committee that three changes were made. A cost ceiling, a time limit, and exclusion of renters were the changes made to the bill. Also the vehicle was changed from AB 201 to SB 31.

Assemblyman McNeel made a motion to "INDEFINITELY POSTPONE AB 201." It was decided to hold this measure. Mr. McNeel withdrew his motion.

Chairman May turned the meeting over to Vice-Chairman Smalley.

AJR 35 Discussion

SUMMARY - Memorializes Congress to enact federal legislation restricting states from withholding income tax of nonresidents.

Mr. May spoke in favor of this measure. This measure is very similar to ACR 21 that the committee gave a "Do Pass", only this bill memorializes Congress instead of California. The intent of the bill is almost the same, i.e., a Nevada resident should not be taxed because their occupation requires them to spend a portion of their working hours in another state.

Mr. Guinn, Motor Transport Association, wished to state that his association endorses this type of legislation.

AJR 37 Discussion

SUMMARY - Memorializes Congress to repeal federal taxes on certain forms of wagering.

Mr. May explained that this is a so called "bookie" tax. It is a burden to have the 10% tax on a race book wager. Mr. Smalley suggested that it might be helpful to direct that the money go to the State.

There was no further testimony in favor or in opposition to this bill.

AB 725 Discussion

Chairman May took the meeting.

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

Mr. David Hagen, City of Los Angeles Department of Water and Power, spoke in opposition to this measure. Mr. Hagen explained for the benefit of the committee the taxation system that covers

federally exempt property. If an industry or if the property were to used for profit it would be taxed by the State property tax. He also explained the problem that has arisen in regard to the Boulder Dam. There is legal action pending on this measure. He feels that because this does effect a matter that is in litigation that it should not be considered at this time. Chairman May questioned the impact should the City of Los Angeles Dept. of Water and Power should win the case it would have on Nevada. Mr. Hagen explained that Clark County will be required to pay to the State of Nevada approximately \$200,000 per year.

Mr. Jack Sheehan felt that this matter should not be tampered with because it is a matter of litigation, but Mr. Hagen felt that this probably would not have any effect on the case. Chairman May believed that there might be a possibility of its effectiveness. Mr. Hagen pointed out that final decision on this matter would most likely not take place for two years, about the time the next Legislature would convene.

There was no further testimony either for or against AB 725.

Assemblyman Demers made a motion to "DO PASS AJR 27".
Motion failed for lack of a second.

Assemblyman Smalley made a motion to "INDEFINITELY POSTPONE AJR 27".
Motion failed for lack of a second.

Assemblyman Smalley made a motion to "HOLD AJR 27 FOR A FULL COMMITTEE"
Assemblyman Craddock seconded the motion.
The motion was carried unanimously.

Assemblyman Demers made a motion to "DO PASS AB 642 AS AMENDED."
Assemblyman Smalley seconded the motion.
The motion carried unanimously.

Assemblyman Demers made a motion to "DO PASS SB 550".
Assemblyman Smalley seconded the motion.
The motion was carried. (Mr. Demers was excused from the meeting)

Assemblyman Craddock made a motion to "DO PASS SB 31 AS AMENDED AND RE-REFERRED TO WAYS AND MEANS."
Assemblyman Huff seconded the motion.
The motion carried unanimously.

Assemblyman McNeel made a motion to "DO PASS AJR 35".
Assemblymand Craddock seconded the motion.
The motion was carried unanimously.

Assemblyman Smalley made a motion to "DO PASS AJR 37".
Assemblyman McNeel seconded the motion.
The motion was carried unanimously.

The meeting was adjourned at 9:00 a.m.

RESPECTFULLY SUBMITTED,

Cindy Benjamin