MEETING: Tuesday, February 27, 1973 2:45 pm

Senator Mahlon Brown called the meeting to order at 2:45 pm, with the following members and guests present:

PRESENT:

Senator Mahlon Brown	Senator Eugene Echols
Senator Archie Pozzi	Senator Carl Dodge
Senator Thomas Wilson	Senator Melvin Close

G U E S T S

Assemblyman Richard McNeel
Assemblyman James Smalley
A. Christopher Zimmerman, Internal Revenue Service
James T. Havel, Legislative Counsel Bureau
C. Don Brown, Bank of Nevada, Las Vegas
E. R. Vacchina, First National Bank of Nevada
Richard L. Morgan, Nevada State Educators' Association
Leroy R. Bergstrom, Nevada Society of CPA'S
F. R. Breen, State Bankers Association
Bert Goldwater, Attorney
George A. Vargas
Maurice Freis, Attorney
George K. Folsom, Attorney--Woodburn, Farman, Wedge, Blakey, Folsom, and Hug
James Rolph III
William C. Sanford

SENATE JOINT RESOLUTION NO. 9 Proposed to amend Nevada constitution to allow imposition of estate tax not to exceed credit allowable under federal law.

Chairman Brown explained the meeting is to hear testimony on the proposed Senate Joint Resolution No. 9; adoption of the resolution could ultimately amend the constitution of the state of Nevada to allow imposition of an estate tax not to exceed the credit allowable under federal law. This is presently in effect in all other 49 states.

Senator Brown informed those present that this legislation was proposed two years ago and passed by the Senate, defeated by the Assembly. The purpose of this particular act is to take advantage of credit allowed by the federal government and, in no way, would it cause residents of the state of Nevada to pay additional taxes at the time of death. If this amendment were adopted, it would provide a substantial amount of money for the state and, for this reason, it should be given serious consideration.

In order to amend the constitution, it would require adoption of the resolution by both houses for two consecutive sessions. The question would then be placed on the ballot and, if approved, the amendment would take effect.

In order to provide as much information as possible on this subject, Senator Brown has requested a presentation from the Internal Revenue Service, represented by Mr. Christopher Zimmerman, from the Legislative Counsel Bureau, represented by Mr. James T. Havel, Deputy Director, Research Division, Mr. Leroy Bergstrom, of Kafoury-Armstrong-Bernard & Bergstrom, and Mr. Bert Goldwater, Attorney at Law.

Mr. Zimmerman was requested to begin the presentation and testified as follows:

"My name is Mr. A. Christopher Zimmerman, and I am at the present time an estate tax attorney with the Internal Revenue Service. As I am sure you all are aware, the IRS has no official or unofficial policy on this, essentially I'm here as an informational type of witness and also to present to you some of the statistics and material which we have at our disposal."

"Essentially I would like to explain briefly what this Act is. Under the provisions of Section 2013 of the Internal Revenue Code, there is allowed a credit for state death taxes in any estate which has a taxable estate of over $40,000. This in essence means that where a net estate after debts and liabilities and other deductions are taken exceeds $100,000 there is allowable a credit for death tax purposes. The first $60,000 is, of course, tax free and the next $40,000 only the Internal Revenue gets a share. As Senator Brown stated, Nevada is the only state which has no form of death tax."

"There are at the present time six states which have what is generally called a pick-up tax. That is a tax which is essentially limited to the amount of federal credit allowable. These are Alaska, Alabama, Arizona, Arkansas, Florida, and Georgia. In essence, these six states have a statute which makes their death tax policy one which states that since a resident will have to pay a certain amount of death tax, the state will take its share rather than the Federal Government getting everything. I would point out that Arizona has a very rare situation which might result in some additional tax, but from what they told me this simply went into law because of an oversight and was not intentional, but essentially their's is a pick-up tax."

"To give an illustration of what this means, if an estate whether it be any place in the United States consists of 1.2 million dollars with a husband and wife, and if you assume expenses of $100,000, there would be $142,500 in federal estate taxes. If these people die in any one of the six previously listed states or if they die in the state of Nevada, this $142,500 will be paid. The difference comes in the fact that in these other six states, the state will collect $12,000 and in the state of Nevada, the state will collect absolutely nothing. If the estate were larger than $4 million, and this is not a rare situation, although obviously not common, the death tax can be as high as $238,000. Which again, these estates will be paying, whether it is to the state or the Federal Government is unimportant, but that amount of money will be paid. The amount of the credit which would have been allowed if Nevada had a federal pick-up tax policy as is being advocated here."

"The last time I was here, I presented some statistics for 1967 and 1968. In 1967 the amount of money lost by the state of Nevada was $962,000. In 1968 this went up to $1,610,000. In 1969 there was

a drop, the amount was only $654,000. However, in 1970 the amount has gone up to slightly over $2,250,000. In 1971, I can only make an estimate based on the returns which I have at my disposal. The amount is at least $552,000. I must hedge on my 1971 figure because there are a number of 1971 deaths for which the return has not been filed or is in the process. The statute requires that the return be filed within 9 months. However, particularly for larger estates today, it has become almost routine to get a 6 month extension and then, of course, it takes several months before the return will reach us. The amount of revenues here are substantial."

"I would point out that in 1972 one estate alone is paying the U.S. Government over $1,000,000 in extra federal estate taxes because there is no credit. This is a Nevada resident. This will involve an estate which exceeds $10,000,000. When the federal estate tax reaches a taxable estate of 10 mil, the credit runs at 16%. When you do reach these very large estates, it can mean a substantial amount of revenue to the state of Nevada and in consequence, of course, to the Federal Government."

"As to the administration of this, I would only site an illustration perhaps on the ease of handling this. Mr. Bates, our Director, has indicated that the Internal Revenue Service would obviously be willing to enter into an agreement whereby a state appointed representative could examine our files to ascertain where a credit was due or we could in effect make up a chart quite easily. So, in essence, I would say that alot of states which we are in a sense competing with for the wealthy, are the states of Florida and Arizona. Of course they have no shortage in getting people to move to their states."

"In 1968, when credits were lost to Nevada of $1,6000,000, outside payments to other state inheritance tax agencies by Nevada residents was only $83,000. I think one of the things I noticed in preparing for this presentation is that how very little death taxes are paid by Nevada residents and their estates to other states because of property in these other places like California or any other state in the Union. There are two reasons for this: 1.) The larger estates today are almost pro forma, adopting revocable trusts. My colleagues behing me are doing a very good job of advocating this to avoid probate fees. Secondly, many parcels of real estate held by Nevada residents in other states are being placed in family corporations for a variety of reasons and, therefore, escaping the California death tax. These figures indicate a general upward trend in the amount of death tax credit which is being lost by the state and if I have to make an estimate, I would say you can probably project an increase of at least 20% per year. And with the proposed changes in the Internal Revenue Code, I think one could assume the brackets of estates will increase because of many possible changes coming in."

Mr. Zimmerman was asked to briefly sketch the oversight he referred to in the case of Arizona where the state inheritance tax exceeded the amount of the federal estate tax credit.

It apparently involved an error in drafting but it involved a marginal deduction problem. From briefly looking at their law, essentially there is a pick-up tax and, of course, in the case of this law the statute specifically states that we will not claim the pick-up tax of

another state. I would like to state that in several cases we have had other states where there are limited amounts of assets taking the position, "Why should we not impose the entire pick-up tax since Nevada does not impose any tax?" So far we have been able to pursuade those states that they should only tax a proportionate portion of the estate. To ask an attorney or an executor to fight this problem I think is quite unreasonable because he would have to tell the client "We wish to fight this, we can win but it will benefit the estate not one dime because they will be paying it to us."

Chairman Brown thanked Mr. Zimmerman for appearing at the Hearing and introduced Mr. James T. Havel, Deputy Director, Research Division with the Legislative Counsel Bureau who will present testimony on aspects of the "pick-up" tax.

Mr. Havel prefaced his remarks by stating that under the rules governing the Legislative Counsel Bureau he could not advocate either the acceptance or rejection of any legislative proposal. He addressed himself to the administrative costs of the pick-up taxes in the various states which have them.

Mr. Havel pointed out that the state of Arizona is in a special classification in that it levies eight-tenths of one per cent on the first $50,000 of the taxable estate and thereafter poses an additional estate tax to pick up the balance of the credit. For that reason, Mr. Havel did not include Arizona in his compilations.

In the state of Alabama, in 1971-1972, 3 1/2 million dollars was collected in estate tax credit. The annual cost of administering the program was approximately $10,000. Down from an estimate in 1971 of $12,000. In Alabama there is only one person assigned to the collection of estate taxes in the Department of Revenue. He cooperates with the free exchange of information with the IRS. There is no auditing done in Alabama.

In Alaska this is basically a new tax because of the small amount of revenues collected. In fiscal year 71-72 they collected $39,575 which was up from the previous year of $20,000. The Alaska law does provide for a full pick-up credit. Alaska has three part-time staff members to administer this program. The annual cost for administrative purposes is now estimated to be only $1,900.

In Arkansas in fiscal year 71-72 there was $1,300,000 collected in state taxes with $744,000 being collected during the current fiscal year. The pick-up tax is administered as a part of the income tax division of the State Revenue Department.

Florida is the only one of the states mentioned which does not have an income tax. In fiscal year 1970-71 there were $18,000,000 in state tax credits collected. In fiscal year 1971-72 it amounted to $31,000,000 and for the current fiscal year the amount was $17,000,000. The state of Florida employs 14 persons in the administration of its program with an annual administrative cost of $100,000. Florida independently audits the estate tax credit claims.

The state of Georgia does not audit. The state collects approximately 5 1/2 dollars per year in the estate tax credit. The administration in Georgia is handled by two persons, part-time. Mr. Havel pointed out that in almost every state surveyed, the administrative costs are decreasing.

In conclusion, Mr. Havel distributed a document entitled: "State Administration of Pickup Taxes" for the Committee's perusal (copy attached).

Senator Brown asked if there was anyone else wishing to speak in behalf of the Resolution. The following appeared as proponents of Senate Joint Resolution No. 9:

Attorney Bert Goldwater--urged serious consideration of this measure; he stated he has been in favor of this and has worked towards it over the past ten years. Nevada is failing to take advantage of this for the benefit of our residents; we are, in his opinion, passing up the opportunity to collect money which is rightfully Nevada's.

Leroy R. Bergstrom, representing Nevada Society of CPA's--reported his group had conducted an informal poll on this proposed amendment and reported they had voted in favor of adoption, by a 2 to 1 vote. They had, however, expressed some concern in various areas. They were concerned that this would necessitate conducting another audit; hopeful that this would not become embroiled in additional red tape by requiring audits of each estate; question in their minds as to whether this would be handled as a deferred payment of the estate tax where deferred payment is permitted for federal tax; also questioned the effect on the revenue sharing apportionment. They feel it might be another 'plus' factor for adoption of the tax.

In conclusion, he expressed the sentiments of the Nevada Society of CPA's as strongly favoring adoption of Senate Joint Resolution No.9.

Richard Morgan, representing the Nevada State Educators Association expressed concern with the number of bills introduced and under consideration to provide tax exemptions for various citizen groups. Although he understands the need for tax relief in some areas, i.e., senior citizens, etc., he feels we should bear in mind the need for keeping the government solvent and would, therefore, go on record as urging favorable consideration for SJR 9.

Chairman Brown requested anyone speaking against the bill to present their testimony at this time; the following spoke as opponents of the resolution:

Mr. George L. Vargas spoke against the bill, stating it would do more harm than good by driving away potential high income individuals seeking tax relief in Nevada. He has had a considerable amount of experience with this type of tax in other states and strongly urged against the adoption of the resolution. He introduced Mr. Maurice Freis, Attorney for the firm of Pacht, Ross, Warne, Bernhard, and Sears, Inc. from Los Angeles, California who is very knowledgeable in this field.

Mr. Freis stated he is appearing today at the request of the Nevada Bankers Association, whose members, as well as many leading attorneys do not believe passage of SJR 9 at this time is desirable. The following testimony was given by Mr. Freis:

"I am appearing before you at the request of the Nevada Bankers Association, merely as a friend."

"I have been informed that many of your leading attorneys, as well as all of your leading bankers, though greatly in favor of painless taxation, do not believe the passage of SJR 9 at this time is desirable. In my discussions with them, there developed two major reasons why this bill should not be enacted this year and they asked that I appear before you to inform you of them."

"First, no studies have been undertaken to accurately estimate amount of revenue that would be produced from the passage of this bill. Second, and most important, as a part of the tax reform program of the United States, a revision of the Federal Estate Tax appears to be near at hand."

"The House Ways and Means Committee has scheduled hearings on tax reform in general, including the revision of the Estate and Gift Tax Laws. Estate and Gift Tax Law revision, which was originally scheduled for discussion on February 19th in Washington, is now scheduled for discussion today. Testimony of the interested public has been scheduled to begin March 5th."

"A revision of the Estate and Gift Tax Laws has been under consideration for several years, and several changes appear to be near at hand. Without going into the changes in depth which have been considered, I would like to touch on one major reform that has been advocated and apparently has strong Treasury support. This is called the "accession tax" and simply means that the Gift Tax and Estate Tax would be related so that transfers at death would be added to the transfers that were made by gift during lifetime. The tax would then be computed on the cumulative amount from which there would be deducted the gift tax paid during lifetime. The balance would represent the Estate Tax. This is an entirely different prinicple for the imposition and computation of Estate Tax."

"It would appear to me that under this revision the Federal Estate Tax credit would either disappear entirely or its method of calculation would have to be changed materially."

"While no one can state with certainty at this time what revisions, if any, will ultimately be made in the method of computing the Federal Estate Tax and the Federal Estate Tax credit, if any, or when such revisions will be made, it would seem prudent to table the enactment of SJR 9 for the present time, until an evaluation can be made of the proposed reforms to be made in the Federal Estate tax. Even if it should appear that a substantial amount of revenue may be raised painlessly through the enactment of SJR 9 which would perhaps at first blush tend to induce you to enact this bill, no policy changes should be made until you are certain that the Federal Estate Tax credit will continue to be allowed during the foreseeable future."

"I base this conclusion upon the historical background of the pick-up tax and the evolution of the estate tax since 1926."

"Under the Revenue Act of 1926, 80% of the federal estate tax was allowed as a credit to the estate for the payment of state inheritance taxes or succession taxes provided at least that amount was actually paid to a state or states for such taxes. About 1932 in the midst of the depression when the government was seeking to increase its revenue, a change was made in the federal estate tax and additional tax was imposed under the Revenue Act of 1932. The additional tax made no provision for an increase in the pick-up tax. Thereafter, as changes in exemptions and rates occurred, all of those changes affected only the additional tax. The basic tax or the tax under the 1926 Act remained the same. Apparently, there has been no desire on the part of the government to increase the credit, although the overall tax has been continuing to increase and to this day in order to arrive at the federal estate tax, two computations are made, the computation for the basic tax where the $100,000 exemption is allowed and the computation for the additional tax where the transfers at death be combined to determine the rate at which the estate tax is to be determined, then it becomes apparent that the entire method of computing the estate tax will be changed and it would appear that only a single computation would be made instead of the double computation as under the present law. Whether any portion or percentage of the tax would then be allowed as a credit for death taxes, I am unable to state at this time. However, on a taxable estate of approximately $500,000, where the federal estate tax would amount to approximately $140,000, the pick-up tax could not exceed $12,000, so that only a small portion of the over-all tax is allowed as the credit."

"One further observation which I make at this time is that legislation of this sort in order to provide uniform enforcement application should require that interest on delinquent payments of such tax be imposed, as well as penalties for willful failure to pay such taxes. Whether reliance should be placed on other agencies, such as the probate courts or the Federal Government, to inform your tax collecting agency of the amount that may be payable if SJR 9 is passed may be a loose way of handling this tax. If reliance is placed upon the Courts to furnish such information through the furnishing of a notice or report of a probate proceedings, that would not cover all potential tax situations, as it is my experience that a great deal of property passes outside of probate through joint tenancy, life insurance and trust arrangements. If your state would rely upon a notice from the Federal Government, then even though Federal Estate Tax Returns are required to be filed within nine months of the date of death, in many estates extensions are from time to time granted for the filing of the Return. Thereafter, many months or several years may pass from the date the Return was filed and the tax paid to the date the Return is audited and the tax finally determined, especially where litigation may be involved."

At the conclusion of Mr. Freis' testimony, Senator Brown asked specifically, of Mr. Freis, if an estate tax is adopted for Nevada, would the residents of Nevada be paying any additional tax; Mr. Freis

stated they would not. If we could be certain that the Federal Estate Tax credit will still be allowed, he would agree that Nevada should not give away the tax dollars.

A short recess was called, after which Mr. George K. Folsom, attorney with the firm of Woodburn, Farman, Wedge, Blakey, Folsom, and Hug, testified on the resolution. He stated he is speaking in behalf of the banking institutions, whose main objections to the proposal is due to the harrassment of the family members in the event of a death. Past experience has shown that when a death occurs, safety deposit boxes, bank accounts, etc., are tied up for lengthy periods while audits are being performed. Additionally, they wanted assurance that this would not create additional taxation or require audits of accounts in addition to those already required.

Mr. Folsom stressed consideration of incorporating these factors into the resolution inasmuch as he, and the members he represents, feel this is the key to acceptance. He presented a proposed amendment to the bill, as follows:

"Any lien for such estate tax shall attach no sooner than the time the tax is due and payable, and no restrictions on possession or use of a decedent's property shall be imposed by law prior to that time with respect to enforcement of collection of such tax. The state of Nevada shall accept the determination by the United States of the taxable estate without further audit.

Senator Brown assured everyone present that the Legislature would never create a situation needlessly that would place an additional financial burden on the citizens of Nevada and that, in his opinion, the reason this has met with so much opposition is due to misunderstanding.

Senators Wilson, Close and Dodge requested clarification of several areas contained within the proposed resolution and suggested amendment.

Mr. Elmer Vacchina, First National Bank of Nevada, representing the Nevada Bankers Association, stated he, personally, believes we should be getting some of this revenue for the state. He does feel we should have this added protection provided by the amendment; if this amendment were included, he would commit the Bankers Association as being in favor of the resolution.

Senator Brown stated, for the record, he has received a letter opposing the measure from Mr. F. H. Rohwer, Vice President and Trust Officer of the Nevada National Bank, and a telegram of opposition from Alex K. Sample, Chairman of the Board and President of the Bank of Nevada, Las Vegas.

Also speaking on the resolution were Mr. F. R. Breen with the State Bankers Association urging the addition of the proposed amendment, if the resolution receives a 'do pass' recommendation; Mr. Wm. C. Sanford opposing the resolution and urging action to defeat the measure; Mr. James Rolph III spoke in opposition.

Chairman Brown expressed thanks to all those attending the hearing today and informed them this resolution would be placed on the agenca for the Taxation Committee meeting on March 1, 1973 for action.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Nykki Kinsley

Nykki Kinsley, Secretary

APPROVED:

B. Mahlon Brown

Senator B. Mahlon Brown, Chairman

STATE ADMINISTRATION OF "PICKUP" TAXES

Alabama: The law provides that there shall be assessed as an estate tax an amount equal to the credit allowable under the federal estate tax laws (89-002). The tax on nonresident estates is imposed on the proportionate share of the net estate which the Alabama property bears to the entire estate wherever situate.

The estate tax is administered by the State Department of Revenue, Estate Tax Division, at Montgomery.

Source: Alabama Code of 1940, Title 51, Sections 432 to 449, as amended to date. Complete details in CCH Alabama Tax Reporter at 93-001 to 93-022.

According to a Mr. Eagleton of the Alabama Department of Revenue, Division of Research, the Alabama estate tax dates back to 1932, when the state took in $933.42. For the last five years, the state has collected estate taxes in the following amounts:

1966	$1,814,918.74
1967	2,226,515.87
1968	1,262,868.25
1969	1,698,777.19
1970	1,389,127.79

The state collected $3,520,759.31 in estate taxes in Fiscal Year 1971-1972, with approximately $1,189,926.03 being collected to date in the current fiscal year.

The annual cost of administering the program in Alabama is approximately $10,000, which includes the costs of salary, rent, postage, etc. Only one person is assigned to estate tax collections in the Department of Revenue and this person cooperates in the free exchange of information with the Internal Revenue Service. Estate administrators must settle with the state first and receive a receipt for taxes paid. This receipt is then attached to the Federal estate tax forms as proof of credit. No auditing is done by the state because of the close relationship with IRS, which enables the state to rely on Federal checks.

Alaska: The law provides that there shall be assessed as an estate tax an amount equal to the credit allowable under the Federal estate tax laws (CCH 89-002). The tax on nonresident estates is an amount equal to the federal estate tax credit for state death taxes multiplied by the value of the property taxable in Alaska and divided by the value of the entire gross estate wherever situated.

The tax is administered by the Tax Commissioner, Department of Revenue, Juneau.

Source: Alaska Statutes, Title 43, Chapter 30, as amended to date. Complete details are reported in CCH Alaska Tax Reporter.

According to Mrs. Prather of the Department of Revenue, collections for estate taxes amounted to $39,575.13 in Fiscal Year 1971-1972, with approximately $21,871.11 being collected to date in the current fiscal year. Only three staff members are used part-time to administer the program, with the annual cost of administration amounting to about $1,909 (including supplies, salaries, etc.). The estate tax is paid by the estate administrator, who is required to file the appropriate federal estate tax forms with the Department of Revenue.

Alaska fell within the category of states collecting the "pickup" tax upon the repeal of its inheritance tax on March 20, 1970.

Arkansas: The Act provides that there shall be assessed, as an estate tax, an amount equal to the credit allowable under the federal estate tax laws. The tax on nonresident estates is imposed on the proportionate share of the net estate which the Arkansas properties bear to the entire estates wherever situated.

Transfers to the state or to municipal corporations or other political subdivisions of the state for public purposes or to public institutions of learning or public hospitals within Arkansas are exempt from tax. In addition, no taxes are imposed upon any bequest made by a resident of Arkansas to any religious, charitable or educational institution, organization or foundation, if no part of the net earnings of such institution, foundation or organization inures to the benefit of any private stockholder or other individual or corporation. This is true even if the institution is located in another state providing that the other state has an equal and like exemption for bequests made by residents of that state to such institutions, organizations, or foundations located in Arkansas. Inasmuch as the Arkansas law follows the federal law, it seems that the charitable, religious, etc. exemptions provided in the federal law would be allowed.

The estate tax is administered by the Director, Department of Finance and Administration, Little Rock.

Source: Arkansas Statutes, 1947, Sections 63-101 to 63-151, as amended to date. Complete details are reported in CCH Arkansas Tax Reporter at 90-801 to 90-863.

According to Marcus Halbrook of the Arkansas Legislative Council, for the year ending June 30, 1970, the state collected $742,742.70. The previous year, the revenue generated amounted to $1,633,103.43. The Fiscal Year 1971-1972 accounted for $1,331,531.26 in estate taxes with $744,347.28 being collected to date in the current fiscal year. The "pickup" tax is administered as a part of the Income Tax Division of the State Revenue Department and it is, he claims, impossible to determine the cost of administration as it is not budgeted separately. Nonetheless, he asserts that the cost is "nominal" and "not significant." The reason for this is apparently that no effort is made to enforce the collection of the tax. Instead, payment is left to the attorneys handling the estates. Although the current budget of the revenue department in

Arkansas, which handles the bulk of the state's taxes, has not yet been determined, the portion of this amount which would be attributed to the estate tax would be quite small if allocation were possible. Finally, Halbrook stressed the instability of the tax pickup. As the tax is contingent upon the number and size of estates, and one cannot schedule deaths, extreme fluctuations occur in tax credit revenues from year to year.

Florida: The Act provides that there shall be assessed as an estate tax an amount equal to the credit allowable under the federal estate tax laws. The tax on nonresident estates is imposed on the proportionate share of the net estate which the Florida property bears to the entire estate wherever situate, if the decedent is a resident of the United States. In the case of a nonresident of the United States, the tax imposed is on the proportionate share of the net estate which the Florida property bears to the estate taxable by the United States wherever situate. Stock in a Florida corporation is deemed physically present within the state. Insurance moneys and bank deposits of a decedent not in business in the United States are not deemed physically present in the state.

The estate tax is administered by the Department of Revenue in Tallahassee.

Source: Florida Statutes, Sections 198.01 to 198.44, as amended to date. Complete details are reported in CCH Florida Tax Reporter at 91-751 to 91-810.

According to Glen Dixon of the Florida Department of Revenue, the state collected $16,000,000 in estate taxes in Fiscal Year 1969-1970, $18,000,000 in Fiscal Year 1970-1971, $31,000,000 in Fiscal Year 1971-1972, and $17,000,000 in Fiscal Year 1972-1973. The amount collected normally averages in excess of $14,000,000. The amount, however, is subject to fluctuation due to the number and size of estates taxed. For example, a single estate may bring in as much as $6,500,000 in revenues in a single year.

The state employs 14 persons to administer Florida's estate tax collections. The annual cost of administration is approximately $100,000, including salaries and expenses. Dixon estimates administrative expenses as averaging 30-50 cents per $100 collected. Attorneys for the estate pay the tax and enforcement largely consists of auditing payment against the closing letter or federal statement sent to the Department of Revenue by the IRS.

Dixon maintains that the biggest problem with the tax is that the state is prohibited by the Florida Constitution from exceeding the credit and the courts have interpreted this to mean that residents owning property in another state which has a tax exceeding the credit permissible under Florida law do not have to pay Florida estate taxes if the taxes have been paid in another state. Green v. Florida ex rel. Phipps, 166 So. 2nd 585 (1964). This interpretation probably costs Florida $200,000 annually in lost estate tax revenues.

Georgia: An estate tax is imposed to absorb the federal estate tax credit. The computation of tax in nonresident estates is imposed on the proportionate share of the net estate which the Georgia property bears to the entire estate wherever situate.

The estate tax is administered by the State Revenue Commissioner in Atlanta.

Source: Georgia Code of 1933, Sections 92-3401 to 92-3404, as amended to date. Complete details are reported in CCH Georgia Tax Reporter at 93-951 to 93-955.

According to a Mr. Cahoon, of the Georgia Revenue Department, administration of the estate tax in Georgia is very simple. The state gets a copy of the federal return, which indicates the amount of state tax credit to be applied to the federal tax. This amount is the tax to be paid to the state. Administration is handled by two persons--Mr. Cahoon and a secretary--both of whom work only part-time on the estate tax and "not more than 1 1/2 hours per day each or a total of 3 hours per day." The state collects about $5,500,000 per year in estate taxes, and, while no specific figures are available, the cost of administration is minor (estimated to be in the neighborhood of $15,000 annually, including salaries and all expenses). No auditing is done. Estate administrators merely give the state a copy of the federal form and pay the tax required. Georgia then issues a certificate of payment to the Internal Revenue Service, indicating that the state has received the credited allowance.

James T. Havel
Research Division
Legislative Counsel Bureau

February 22, 1973.

Mtg. of Feb. 27th SJR 9

Name	Representing
James Rolph III	
J. M. Sloan	
W. C. Sanford	Nevada Bankers Assn
A. Chrisman	Interested Citizen
[illegible]	Leg. Counsel Bureau
Jon Brown	Bank of Nev. Las Vegas
E R Vacchina	1st Nat'l Bank/Nev. Las Vegas
Richard L Morgan	NSEA
Troy L. Bergstrom	Nev Society of CPA's
F. K. Breen	State Bankers Assoc
[illegible]	[illegible]
[illegible]	
[illegible]	
[illegible]	
[illegible]	
Robert M. Nixon	

Bert Goldwater
George A. Vargas
Mannie Freis
Geo. K. Folsom, Atty.

SENATE TAXATION COMMITTEE

AGENDA, TUESDAY, FEBRUARY 27, 1973

P.M. ADJOURNMENT

SENATE JOINT RESOLUTION #9

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