COMMERCE COMMITTEE - NEVADA STATE LEGISLATURE - 58TH SESSION

April 14, 1975

The meeting was called to order by Chairman Robinson at 4:20 P.M.

MEMBERS PRESENT: Mr. Benkovich
Mr. Demers
Mr. Getto
Mr. Harmon
Mr. Moody
Mr. Schofield
Mr. Wittenberg
Mr. Chairman
Mr. Hickey

MEMBERS ABSENT: [redacted] NONE

SPEAKING GUESTS: Pat Clark, DeLuca Company
Walt Martini, Nevada Beer Wholesalers
Assemblyman Heaney
Noel A. Clark, Public Service Commission
Senator Echols
Jim Joyce, Savings and Loan League of Northern Nevada
Mike Melner, Department of Commerce
Milos Terzich, American Life Insurance Associatio

The purpose of this meeting was to hear testimony on the following bills:

AB 538	SB 224
AB 584	AJR 26

Discussion began with AB 584 which:

> Limits vertical competition in distribution and marketing of alcoholic beverages.

Mr. Pat Clark spoke in favor of the bill saying the purpose for it was to protect the wholesalers throughout the State of Nevada who have a great investment in the industry over the years by preventing manufacturers and distillers from coming into this State backed by millions of dollars and competing with those who have been operating in this State for many years. He said they enjoy competition as long as it can fight it honestly and fairly. He said there is no way they can compete with a manufacturer or a distiller who has control of the distiller's price and the wholesaler's price when all the local companies have is the wholesaler's price. He said this particular law is already in 22 states. Seventeen states have monopoly laws which is a law that the state controls the industry and there are eleven states out of the 50 which do not have any type of law. He said they ask for nothing more than what the other states have--just good honest competition.

Mr. Clark spoke about three-tier service. This is:

Distiller/Manufacturer
Wholesaler
Consumer

He said there is nothing at all right now to stop a manufacturer or distiller from coming into Nevada, securing a license, and going into direct competition with the wholesaler. If this happens, the wholesalers in this State will be in a lot of trouble.

Walt Martini supplied the committee with a list of all the wholesalers in Nevada and the total number of persons they employ. He also informed the committee of the laws in other states:

> Eleven states have no laws protecting the wholesaler from the manufacturer going into the wholesale or retail business. They are:
>
> | | | |
> |---|---|---|
> | Maryland | New York | Hawaii |
> | Minnesota | Alabama | Nevada |
> | Ohio | Arizona | District of Columbia |
> | New Jersey | Louisana | |
>
> Seventeen states have state monopoly laws on all types of alcoholic beverages. They are:
>
> | | | |
> |---|---|---|
> | Alabama | Montana | Utah |
> | Idaho | New Hampshire | Pennsylvania |
> | Iowa | North Carolina | Vermont |
> | Maine | Ohio | Washington |
> | Michigan | Oregon | West Virginia |
> | Wyoming | Virginia | |
>
> The remaining 22 states are the ones that do have laws controlling the relationship in the three-tier series.

This concluded testimony on AB 584. Discussion then turned to AJR 26 which:

> Memorializes the President, the Secretary of State and Congress to undertake negotiations with Canada to stabilize the price of natural gas.

Assemblyman Heaney said this measure was conceived when he heard on the radio that Sierra Pacific Power Company had made yet another application for a rate increase. According to the Power Company's president, Mr. Campbell, this increase was brought about by the increased cost of natural gas. Inasmuch as all of us are concerned on behalf of the consumer and the public in general as to what is happening with the increase cost of the supply of power, Mr. Heaney felt this measure would be a positive step to at least assist one of the power companies in the State. This is the intent of the Resolution. Perhaps then something will be done with regard to negociating with Canada

to have them live up to their contracts as to the amount of natural gas that is to be supplied to the United States and thus to Sierra Pacific Power Company. It would get at two problems:

1. The restricted amount of natural gas.
2. Increased cost of this gas.

He read from a Wall Street Journal article dated March 19, 1975 which stated that apparently the Canadian Government has consented to clear a certain amount of gas for export to the U.S. but it is at a substantially increased cost and it is a short term situation over the next 19 months. Hopefully through this Resolution some pressure can be brought against the provincial governments in Canada, particularly that of British Columbia which is the supplier for the pipeline company that delivers gas to Sierra Pacific Power Company. He went on to say that this not only concerned natural gas use but also, natural gas as it is used to produce electrical power. He said Canada simply is not living up to its contracts with the U.S. in this regard. 70% of the natural gas supplied to Sierra Pacific Power Company comes out of Canada. The utility has little control over this, hence we have to go to the Federal Government for help.

Mr. Noel Clark, Chairman of the Nevada Public Service Commission, then spoke on AJR 26. He said Canada not only supplies Sierra Pacific Power Company but it supplies all of Northern Nevada. It first goes to West Coast Transmission, thence to the Northwest Pipeline, thence to Southwest Gas and then to Sierra Pacific Power Company in the Reno Area. In 1960 the price per MCF (thousand cubit feet) was 23¢. In January 1973 it was 31¢, in November 1974 it was raised to $1.00 per MCF. He said they have been informed that in July 1975 the price will go to $1.35 per MCF and then by October 30, 1975, it will go to $1.91 per MCF. He said Canada does supply approximately 70% of the supply of Northwest Pipeline.

Canada is under a contractual commitment to export to the U.S. with 809,000,000 MCF of natural gas, however, they only delivered something like 400,000,000 MCF for the last Fall and Winter heating period. It is anticipated that this will drop to 300,000,000 MCF for the 74-75 season. There has been a tax war going on in Canada and they have served notice on the U.S. that there will be no exports of natural gas to the U.S. from Canada after 1980. Mr. Clark said he is fearful this is true, it would leave Northern Nevada without any source of natural gas whatsoever He said the Government is going to have to firm up these contracts and added that they are not only contracts, but also, in part, treaties.

It was noted that the bill referred to MCF as million cubic fe when it actually is "thousand cubic feet". The bill will be amended to read "thousand cubic feet (MCF)".

Mr. Clark said the 70% comes from Canada and less than 10% comes from Wyoming and the remainder comes from New Mexico.

Mr. Hickey wanted to know if any of the plants in Nevada were preparing to convert to coal. Mr. Clark said this was contemplated at the plant in Wabuska but it was determined that the cost of conversion would be in excess of what it would require to build a new plant. He said that Sierra Pacific has on their drafting board that is anticipated to be coal. They were looking at nuclear but their partners did not see fit to continue the investigation into a nuclear plant in Northern Nevada because a Nuclear Plant would be too big for Sierra Pacific. So the new plant will have to be coal or some form of fossil fuel.

This concluded testimony on this bill.

Dr. Robinson brought to the attention of the committee a Senate Amendment to AB 28 which was brought about by the fact that the Senate did not feel that the State Fire Marshal should be given the right to make rules and regulations more stringent than Federal regulations. Mr. Wittenberg moved that the committee not concur with this Senate Amendment to AB 28. This was seconded by Mr. Getto and carried the committee with Mr. Demers dissenting.

Testimony was then heard on SB 224 which:

> Authorizes deposit of public funds in insured savings and loan associations.

Senator Echols spoke on this bill since the Senate has already held hearings on it. He said said the Senate committee did an extensive amount of work on this bill. There were about four areas of major concern:

> 1. The constitutionality of the depositing of public funds in a savings and loan association.

They had an opinion that if they were mutual associations that this would indeed be unconstitutional. This is the purpose for the amendment which state "stock companies that are not mutual associations". This corrected the constitutional problem.

> 2. Comparativeness of savings and loan associations' insurance as compared to the Federal Deposit Insurance Corporation of Banks.

He said they were provided with information that, basically, the insurance is the same. It is a relatively new Federal act that made them this way.

> 3. Reserves that are required.

Banks have a little more stringent reserve requirements. They are only permitted to loan up to a certain percentage of their money - in most cases somewhere slightly in excess of 50%. The reserve requirements for a savings and loan are not as stringent and there is a logical reason--they are not permitted to make any unsecured loans. Basically, he said, the reserves are fairly

comparable because of the strong secured position of all the loan portfolios in the savings and loans and the fact that banks in many instances and a good portion of their loans are made on signatures only.

4. Requirement that public deposits be backed by securities of the government.

The same requirements prevail in both savings and loans and in banks.

He said it was felt that this bill would benefit many small entities because they will be able to obtain a little higher rate of interest. He added that he did not anticipate the wholesale transfer of funds from banks into savings and loans.

Mr. Demers asked about the liquidity of funds in savings and loans. Senator Echols did not think this would be a problem as that type of money would be invested in TCD's and he felt the savings and loans would be in a position to handle it.

Mr. Wittenberg wondered what the economic impact from this bill would be as to funds being taken out of banks and placed in savings and loans. Senator Echols said the consensus of testimony heard in his committee indicated that the impact would not be significant. He estimated that probably only 10% would be switched.

Dr. Robinson wondered that if these monies (the total amount of public funds on deposit is approximately $300,000,000 so if 10% was switched to savings and loans, the amount could be a switch of $30,000,000) being deposited into savings and loans and then their making of long term real estate loans and he wondered if this could cause an imbalance in liquidity. Senator Echols said there was a remote possibility that it could get to this situation but he felt the people doing the investing of monies would take these factors into consideration.

He said Security National Bank was the only opposition they had to the bill and he felt this problem had been resolved by amendment. There was no adamant opposition from the banking fraternity--they did not support it or oppose it.

Senator Echols said that savings and loans are a very significant factor in the economy as they make important loans on real estate and they are entitled to the public funds on this bases.

Senator Echols said all the opposition to the bill was to its legality. There was no opposition to its concept.

Copies of the minutes on the Senate hearings on SB 224 and other information with regard to the bill are attached hereto.

Jim Joyce then spoke saying Wally Warren who was representing the banking industry in Nevada appeared before the Senate committee and testified in favor of the bill. This bill would

merely allow those people responsible for depositing these funds to deposit them in savings and loans if they so desired. It does not require that any public funds be deposited in any savings and loans. It allows those responsible for depositing public funds to go into the competitive market place and seek the highest interest. The reason public funds can now be placed in savings and loans is because Congress has enacted a law that the insurance on funds in savings and loans could be extended up to $100,000 per depositor. Therefore, public funds could be deposited in a savings and loan on an insured basis up to $100,000. He said the financial impact would be very small when the vast amount of public money available is considered. He estimated that it would involve approximately six or seven million dollars. He said different State agencies could each deposit up to $100,000 in the same savings and loan and still be insured but the State of Nevada General Fund would be limited to $100,000 only. Mr. Melner elaborated on this saying that if accounts are arbitrarily set up by, for example, the State Treasurer, all these accounts would be considered one separate public unit account. However, if they are established by separate agencies, each agency could have $100,000 on deposit and be insured. He added that this does not preclude the deposit of more than $100,000 in any one account, this is, however, all that would be insured.

Dr. Robinson wondered if the intent was to allow accounts of more than $100,000 and would Senator Echols be opposed to an amendment in the bill actually setting out this limitation. The Senator did not think there would be any opposition to such an amendment.

Mr. Getto wondered if since they pay a higher rate of interest if there was a higher risk in depositing in a savings and loan. Mr. Joyce said there is no element of risk and that they can pay a higher rate of interest because they were initially authorized to stimulate housing. Their loans are primarily totally housing oriented and they are restricted from doing many of the things banks do such as granting personal loans, automobile financing and checking accounts.

Mr. Melner commented that the Department of Commerce was called upon to look into the two insurance programs - the insurance program for the Federal Savings and Loan Insurance Corporation and the Federal Deposit Insurance Corporation which insures banks. He stated that these two programs are identical and the payments are made within about the same period of time if there is a failure - within 5 days to 3 weeks. With regard to the question on constitutionality, these are not mutual associations in Nevada, the State does not become an investor but rather a depositor and has all the protection of a depositor. With regard to the question about reserves and the maintenance of reserves, banks do maintain higher reserves but that is because they have a higher risk portfolio or they are not collateralized.

Discussion was then taken up on AB 538 which:

> Clarifies exemption of insurers' general premium tax.

Milos Terzich spoke in favor of this bill saying that it is only making a very small change which is on Page 2, Line 2 adding Section 408 of the United States Internal Revenue Code to this provision. The purpose of this bill is to add this Section 408 of the Internal Revenue Act as a part of the exemption from the premium tax. Section 408 is Individual Retirement Accounts. Section 401 mentioned on the bill deals with Qualified Pension Profit Sharing and Stock Bonus Plans. Section 403 deals with Taxation of Employee Annuities. Section 404 deals with Deductions for Contribution of Employer to Employee Trusts or Annuity Plan and Compensation under a Deferred Payment Plan. Section 501 deals with Exemption from Tax on Corporations, Certain Trusts, Etc. So, Section 408 falls completely in line with the other Sections mentioned in the bill.

In 1969, the Nevada Legislature amended its premium tax law. (This is the premium tax law where insurance companies pay a 2% premium tax on earned premiums). The amendment exempted companies from these qualified Federal plans and premiums and annuity considerations issued under these qualified plans. The reason for this was to try to but insurance companies under the same competitive basis as banks and savings and loans and other entities which are in the business of providing protection under these plans.

Section 408 provides that an employee (if he is working for an employer that has a pension plan or retirement account) upon his termination and if the employer has made a separate account of contributions, the employee could withdraw that retirement money (it is called a roll-over provision) and within 60 days he has the opportunity to put that into a individual retirement account without any tax consequences whatsoever. It also provides that the employee to create his own individual retirement plan up to $1500 per year and that is non-taxable to him except on a deferred basis when the funds start coming out from it. Section 408 specifically provides the purchase of annuity and endowment contracts from insurance companies which, if it meets all the requirements, is tax deductible. If he did the same thing through a bank or a savings and loan, they could create a trust as long as it met all the requirements. They do not pay any premium taxes on what they receive. Insurance companies, if they are required to pay a premium tax, they would automatically pass this cost on to the purchaser. This would deduct from the employee what he could get under a bank plan. This bill would put banks and insurance companies on the same basis. A person would get the same exact benefit from an insurance company as from a bank or savings and loan. This bill will but insurance companies, banks and savings and loans on the same competive basis.

Mr. Terzich said there is no objection from the Insurance Commissioner's Office on this bill. Section 408 became effective December 31, 1974 so there is no loss of premium tax to the State.

Dr. Robinson said he had SB 69 and AB 492 and the amendments thereto. He said he has combined the two bills retaining SB 69. Dr. Robinson read to the committee the way SB 69 would read. Mr. Demers moved the adoption of Amendment No. 7767 to SB 69. This was seconded by Mr. Wittenberg and carried the committee unanimously. Mr. Demers then moved "do pass as amended of SB 69. This was seconded by Mr. Wittenberg and carried the committee.

Mr. Wittenberg moved "Indefinite Postponement" of AB 492. This was seconded by Mr. Demers and carried the committee.

Mr. Benkovich moved that the proposed amendment to AJR 26 deleting "million cubic feet" and inserting "thousand cubic feet (MCF)" be adopted. This was seconded by Mr. Hickey and carried the committee. Mr. Hickey moved a "do pass as amended" of AJR 26. This was seconded by Mr. Schofield and carried the committee.

Mr. Wittenberg moved a "do pass" of AB 538. This was seconded by Mr. Schofield and carried the committee.

Mr. Schofield moved a "do pass" of AB 584. This was seconded by Mr. Demers and carried the committee.

Mr. Demers moved for adjournment. This was seconded by Mr. Schofield and the meeting was adjourned at 6:00 P.M.

Respectfully submitted,

Joan Anderson, Secretary

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

~~1750~~ 0666

DATE April 14, 1975

SUBJECT SB 69 - Requires insurers to accept and health and care facilities to utilize Uniform Billing and Claims Forms.

MOTION: 1. Adopt amendments X 2. Do pass as amended X

Do Pass _____ Amend _____ Indefinitely Postpone _____ Reconsider _____

Moved By 1. Demers 2. Demers Seconded By 1. Wittenberg 2. Wittenberg

AMENDMENT: _____

Moved By _____ Seconded By _____

AMENDMENT: _____

Moved BY _____ Seconded By _____

	MOTION		AMEND		AMEND	
VOTE:	Yes	No	Yes	No	Yes	No
Robinson	x					
Harmon	Not in room					
Demers	x					
Hickey	x					
Moody	x					
Schofield	x					
Wittenberg	x					
Benkovich	x					
Getto	Not in room					

ORIGINAL MOTION: Passed X Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes April 14, 1975

COMMERCE COMMITTEE
LEGISLATION ACTION

DATE April 14, 1975

SUBJECT AB 492 - Requires insurers and nonprofit corporations providing ~~health plans to utilize uniform health insurance claim forms~~ prescribed by the insurance commissioner.

MOTION:

Do Pass _____ Amend _____ Indefinitely Postpone X Reconsider _____

Moved By Wittenberg Seconded By Demers

AMENDMENT: _____

Moved By _____ Seconded By _____

AMENDMENT: _____

Moved BY _____ Seconded By _____

	MOTION		AMEND		AMEND	
VOTE:	Yes	No	Yes	No	Yes	No
Robinson	x					
Harmon	Not in room					
Demers	x					
Hickey	x					
Moody	x					
Schofield	x					
Wittenberg	x					
Benkovich	x					
Getto	Not in room					

ORIGINAL MOTION: Passed X Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes April 14, 1975

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

~~0492~~ 0668

DATE · April 14, 1975

SUBJECT AJR 26 - Memorializes the President, the Secretary of State and Congress to undertake negotiations with Canada to stabilize ~~the price of natural gas.~~

MOTION: 1. Adopt amendments X 2. Do pass as amended X

Do Pass ____ Amend ____ Indefinitely Postpone ____ Reconsider ____

Moved By 1. Benkovich 2. Hickey Seconded By 1. Hickey 2. Schofield

AMENDMENT: ____

Moved By ____ Seconded By ____

AMENDMENT: ____

Moved BY ____ Seconded By ____

	MOTION		AMEND		AMEND	
VOTE:	Yes	No	Yes	No	Yes	No
Robinson	x					
Harmon	Not in room					
Demers	x					
Hickey	x					
Moody	x					
Schofield	x					
Wittenberg	x					
Benkovich	x					
Getto	Not in room					

ORIGINAL MOTION: Passed X Defeated ____ Withdrawn ____

AMENDED & PASSED ____ AMENDED & DEFEATED ____

AMENDED & PASSED ____ AMENDED & DEFEATED ____

Attached to Minutes April 14, 1975

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

~~0685~~ 0669

DATE April 14, 1975

SUBJECT AB 538 ✓ Clarifies exemption of insurers' general premium tax.

MOTION:

Do Pass X Amend ____ Indefinitely Postpone ____ Reconsider ____

Moved By Wittenberg Seconded By Schofield

AMENDMENT: ____

Moved By ____ Seconded By ____

AMENDMENT: ____

Moved BY ____ Seconded By ____

	MOTION		AMEND		AMEND	
VOTE:	Yes	No	Yes	No	Yes	No
Robinson	x					
Harmon	Not in room					
Demers	x					
Hickey	x					
Moody	x					
Schofield	x					
Wittenberg	x					
Benkovich	x					
Getto	Not in room					

ORIGINAL MOTION: Passed X Defeated ____ Withdrawn ____

AMENDED & PASSED ____ AMENDED & DEFEATED ____

AMENDED & PASSED ____ AMENDED & DEFEATED ____

Attached to Minutes 4-14-75

58TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATION ACTION

0670

DATE April 14, 1975

SUBJECT AB 584 - Limits vertical competition in distribution and marketing of alcoholic beverages.

MOTION:

Do Pass X Amend ____ Indefinitely Postpone ____ Reconsider ____

Moved By Schofield Seconded By Demers

AMENDMENT: ____

Moved By ____ Seconded By ____

AMENDMENT: ____

Moved BY ____ Seconded By ____

	MOTION		AMEND		AMEND	
VOTE:	Yes	No	Yes	No	Yes	No
Robinson	x					
Harmon	Out of room					
Demers	x					
Hickey	x					
Moody	x					
Schofield	x					
Wittenberg	x					
Benkovich	x					
Getto	Out of room					

ORIGINAL MOTION: Passed X Defeated ____ Withdrawn ____

AMENDED & PASSED ____ AMENDED & DEFEATED ____

AMENDED & PASSED ____ AMENDED & DEFEATED ____

Attached to Minutes 4-14-75

GUEST REGISTER

COMMERCE COMMITTEE

~~0495~~ 0671

DATE: 4/14

ADDRESS & NAME	REPRESENTING	PLEASE CHECK IF YOU WISH TO SPEAK
Milos TERZICH BOX 2100 Z.C., Nev.	American Life Ins. Assoc.	AB538 ✓
Erma Edwards	Nevada Insurance Ag	
MIKE MELNER	DEPT. OF COMMERCE	SB 224
GINO DELCARLO Box 161 RENO NV	NEV. BANKERS ASSOC.	SB 224
W. R. Martini	NEV. BEER WHOLESALERS	AB584
D. J. Welford	Nevada Set. Co.	AB 584
Bob Clark	DeLuca Co	AB 584 ✓
Tom Knapela	O.K. Distributors Inc	
Carter Simmons	Beacon Dist.	A.B 584
Jerry Gobb		AB584

Art Swim — Licensed Wholesalers of Beverage — AB584

Beacon Distributing Co.
2400 N. Valley Rd.
Reno, Nv. 89505

Larry Ross
Best Brands, Inc.
4500 Wynn Rd.
Las Vegas, Nv. 89103

Stu Shanklove
Best Brands, Inc.
1007 Greg St.
Sparks, Nv. 89431

Wm Coates
Canada Beverage Co.
2670 So. Western St.
Las Vegas, Nv., 89109

Jim Cattle
J.W. Cattle Beverage Co.
4370 So. Valley View Blvd.
Las Vegas, Nv., 89103

Joe Brown
Capital Beverages, Inc.
1990 Oregon St.
Carson City, Nv. 89701

Bob Kayser
De Luca Imporing Co. 0672
P.O. Box 14870
Las Vegas, Nv. 8911

Bill Kahn
Coors
De Luca Imporing Co
P.O. Box 14870
Las Vegas, Nv. 8

Sonny Digregio
Joseph Digregio Wholesale Distributor
422 - 7th St.
Wells, Nv. 898

Dick Gigee
D & D Wholesale Liquor
330 Commercial
Reno, Nv., 895

Chick Hardwright
Elko Bottling Co.
608 River St.
Elko, Nv. 898

Alan Black
Glenn Distributing, C
131 Main St.
Elko, Nv. 89

Al Kerr
Glenn Distributing Co.
P.O. Box 509
Ely, Nv. 89301

Chuck Ketchum
Crown Beverage, Inc.
1440 Hymer Ave.
Reno, Nv., 89503

Don Hickey
Hickey Distributing Co.
710 Railroad Ave.
Minden, Nv. 89423

Chenny Luce
Luce & Son
610 E. 6th St.
Reno, Nv., 89505

Skip Heckt
Las Vegas Distributing Co.
4325 Alle Bonar Ave.
Las Vegas, Nv., 89103

J.A. Lapague
Lapague Distributor
Avenue "O"
East Ely, Nv. 89301

Eugene Wilson
The Keesen Liquor Co
1790 W. 4th
Reno, Nv., 89503

Edward Defrene
The Keesen Liquor Co.
271 Highland Ave.
Las Vegas, Nv., 891

Joe Mooney
Mooney Distributing Co.
1250 Terminal Way
Reno, Nv., 8950

Barry Halford
Nevada Beverage
P.O. Box 14787
Las Vegas, Nv, 89

Larry Christenson
Nevada Distributing Co.
1601 Aultman St.
Ely, Nv., 8930

Frank Knafelc
O.K. Distributors, Inc.
264 Keystone Ave.
Reno, Nv., 8950

Louis Rosales
L.W. Rosales Co., Inc.
405 W. 2nd St.
Winnemucca, Nv. 89445

Pete Barengo
Sierra Wire & Lejun Co.
325 E. 4th
Reno, Nv., 89505

Julian Manzanares
Swan Up Ranching Co.
130 Railroad St.
Winnemucca, Nv., 89445

Jack Botti
Sierra Wire & Lejun Co.
290 Cerango Way
Elko, Nv., 89801

Joaquin Gomez
Sierra Wire & Lejun Co.
710 Avenue F
Ely, Nv., 89301

Louie Mendiola
Sierra Wire & Lejun Co.
423 Bridge St.
Winnemucca, Nv., 89445

Jerry Moretto
Valley Distributors
P.O. Box 112
Fallon, Nv., 89

Ronald Rosales
Winnemucca Distributing
630 Melarkey St.
Winnemucca, Nv., 89

Total number of employees
560

SENATE MINUTES ON SB 224

1299 0675

he would prefer to have it spelled out. Senator Raggio said that would entitle a person to build his own building for his own use, such as a ranch house, farm building, etc. Senator Raggio asked if it would make it clearer if something like "to which the general public is invited" instead of the other phrase. Mr. McAuliffe said he would prefer that kind of a definition. There was a general discussion about this.

There was a five minute break at 3:00 p.m. The meeting began again at 3:10 p.m.

S.B. 224: Authorizes deposit of public funds in insured savings and loan associates. Fiscal Note: No. (BDR 31-183).

Testimony was taken as follows.

Sherman Miller, Nevada Loan Association, testified on S.B. 224. This bill simply provides that the funds of the state of Nevada and other municipalities within the state's governmental units may be invested in insured commercial banks and insured savings and loan associations. Mr. Miller introduced all of the people that were there and said they would be happy to answer questions.

Mike Melner, Department of Commerce, testified next. He said the Department of Commerce supervises what are generally competing industries, banks and savings and loans. He said it was his understanding that the banks are not opposed to this bill. He said what this bill does is bring savings and loans into competition for certain public funds. The savings and loans would be able to accept public deposit, and the statute now does not allow it. The savings and loans would have to put up the same collateral as the banks. Even if collateral were not required there would be up to $100,000 in Federal Savings and Loan Insurance Corporation insurance available.

Senator Monroe asked if the savings and loan would pay the same rate of interest as the banks. Mr. Melner said if they were competitive maybe they would pay more. Senator Sheerin asked if this would include the retirement funds. Mr. Melner said he thought it would. Senator Echols said the retirement funds are invested outside of the state and he would like to see them invested in the State of Nevada. Senator Raggio said this bill would not require the deposit of funds just authorize it.

Bob Warren, Nevada League of Cities, also representing the Nevada Association of County Commissioners. He testified in favor of the bill. Both groups feel that a competitive situation between banks and savings and loans will generate increased revenues for the cities and counties. They also feel that the large amounts of money invested in Nevada as of June of 1974, some $307,000,000 in public funds in Nevada Banks, that money, they feel, if it were invested in smaller increments because of the $100,000 guarantee, would help to strengthen and expand this industry, which is a basic industry that is very important to the economy and growth of the area. This would generate funds and return them back to the municipalities in the form of increased assesed evaluation. For these reasons they are in favor of the bill.

Jim Lien, Nevada Tax Commission, testified next. The Nevada Tax Commission has the responsibility for the budget for some 200 entities in the state. They find a tremendous amount of problems for small entities to invest because them have very sm amounts of money to invest. They have been forced into putting the money into a plain savings account in the bank. The savings and loan will, of course, allow them a higher rate of interest.

Senator Bryan moved a do pass.
Senator Raggio seconded the motion.

At this time Mr. Walley Warren stood from the audience. He was representing the Nevada Bankers Association. He said the bill as it is presently written, if there are no changes, they have no opposition.

Mike Melner
Re: SB 224

0677

STATE OF NEVADA
DEPARTMENT OF COMMERCE
NYE BUILDING, ROOM 321
201 SOUTH FALL STREET
CARSON CITY, NEVADA 89701
(702) 885-4250

MIKE O'CALLAGHAN
GOVERNOR
MICHAEL L. MELNER
DIRECTOR

DIVISIONS OF
BANKING
CONSUMER AFFA
FIRE MARSHAL
INSURANCE
REAL ESTATE
SAVINGS AND LOAN

March 18, 1975

Senator Eugene V. Echols
Room 321 Legislative Building
Carson City, Nevada 89701

Dear Senator Echols:

You have asked that this department clarify a number of points regarding S.B. 224.

This department regulates both the state-chartered banks and state-chartered savings and loan institutions. We are in contact regularly with both the Federal Deposit Insurance Corporation, which insures banks, and the Federal Savings and Loan Insurance Corporation, which insures savings and loan associations. A careful investigation of both insurance corporations reveals that bank insurance and savings and loan insurance are nearly identical, both as to dollar amount and as to expeditious payment of claims. Insurance payments under both programs are usually completed within five days to three weeks after a bank or savings and loan corporation is placed in default.

Some question has been raised about the constitutionality of the placing of public funds in savings and loan associations. No savings and loan institution doing business under the laws of the State of Nevada is a mutual association. N.R.S. 673.018 regarding "membership" in mutual associations is in archaic language dating back to the time when there was authorization for state-chartered mutuals. A careful examination of Chapter 673 of the Nevada Revised Statutes reveals that the formation and organization of savings and loan corporations presumes that only stock corporations are to be formed under the statutes of Nevada. People placing funds in accounts of savings and loan associations chartered in Nevada are, as a matter of law, depositors. Investors are those who buy stock in the corporation when it is originally formed. Depositors are clearly not investors. No public agency has ever intended or attempted to purchase stock in these corporations. I would also note that the one federally-chartered savings and loan association doing business in the State of Nevada has, as a matter of law, a depositor relationship with individuals and businesses having accounts in the association rather than an investor relationship, in accordance with Paragraph 545.1-2 of the Federal Home Loan Bank Board rules.

An additional question has been raised as to the comparison of reserves maintained by banks to reserves maintained by savings and loan institutions. Certainly, banks are required to maintain much more in the way of reserves than are savings and loan associations. Savings and loan corporations only make loans on real estate, and all loans are secured. Banks have the authority and do, in fact, make many unsecured loans. The Commissioner of Savings Associations can require a Specific Loss Reserve on real property in accordance with N.R.S. 6731319 and 673.2758.

The corporate charter of each state-chartered savings and loan association is on file with the Secretary of State. These associations are, in fact, stock corporations and would, therefore, appear to be eligible for the deposit of public funds.

I have an extensive research file which I would be happy to make available to you if you so desire.

Sincerely,

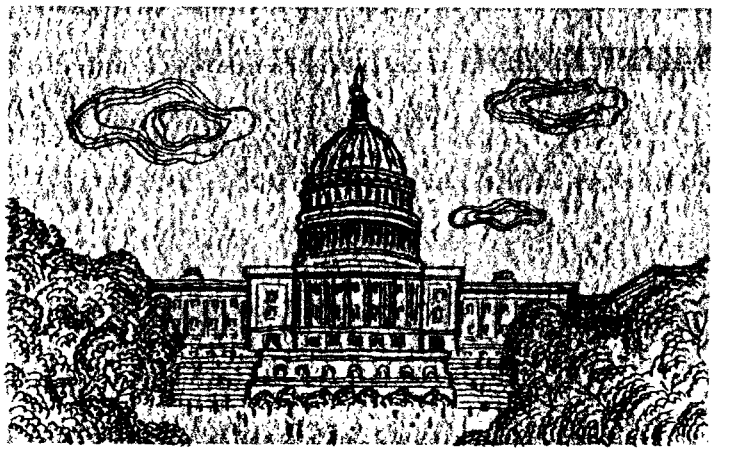
Michael L. Melner
Director

MLM/jk

SB 224

0679

EQUALLY SAFE



Seven major facts about savings accounts and their insurance in Banks and Savings and Loan Associations

Prepared by the
UNITED STATES SAVINGS AND LOAN LEAGUE

compensation includible in his gross income for such taxable year, or $1,500, whichever is less.

"(2) Covered by certain other plans.—No deduction is allowed under subsection (a) for an individual for the taxable year if for any part of such year—

"(A) he was an active participant in—

"(i) a plan described in section 401(a) which includes a trust exempt from tax under section 501(a),

"(ii) an annuity plan described in section 403(a),

"(iii) a qualified bond purchase plan described in section 405(a), or

"(iv) a plan established for its employees by the United States, by a State or political division thereof, or by an agency or instrumentality of any of the foregoing, or

"(B) amounts were contributed by his employer for an annuity contract described in section 403(b) (whether or not his rights in such contract are nonforfeitable).

"(3) Contributions after age 70½.—No deduction is allowed under subsection (a) with respect to any payment described in subsection (a) which is made during the taxable year of an individual who has attained age 70½ before the close of such taxable year.

"(4) Recontributed amounts. — No deduction is allowed under this section with respect to a rollover contribution described in section 402(a)(5), 403(a)(4), 408(d)(3), or 409(b)(3)(C).

"(5) Amounts contributed under endowment contract.—In the case of an endowment contract described in section 408(b), no deduction is allowed under subsection (a) for that portion of the amounts paid under the contract for the taxable year properly allocable, under regulations prescribed by the Secretary or his delegate, to the cost of life insurance.

"(c) Definitions and Special Rules.—

"(1) Compensation. — For purposes of this section, the term 'compensation' includes earned income as defined in section 401(c)(2).

"(2) Married individuals. — The maximum deduction under subsection (b)(1) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws".

(2) Deduction allowed in arriving at adjusted gross income. — Section 62 (defining adjusted gross income) is amended by inserting after paragraph (9) the following new paragraph:

"(10) Retirement savings.—The deduction allowed by section 219 (relating to deduction of certain retirement savings)".

(b) Individual Retirement Accounts.—Subpart A of part 1 of subchapter D of chapter 1 (relating to retirement plans) is amended by adding at the end thereof the following new section:

"SEC. 408. INDIVIDUAL RETIREMENT ACCOUNTS.

"(a) Individual Retirement Account.—For purposes of this section, the term 'individual retirement account' means a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

"(1) Except in the case of a rollover contribution described in subsection (d)(3), in section 402(a)(5), 403(a)(4), or 409(b)(3)(C), no contribution will be accepted unless it is in cash, and contributions will not be accepted for the taxable year in excess of $1,500 on behalf of any individual.

"(2) The trustee is a bank (as defined in section 401(d)(1)) or such other person who demonstrates to the satisfaction of the Secretary or his delegate that the manner in which such other person will administer the trust will be consistent with the requirements of this section.

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"(3) No part of the trust funds will be invested in life insurance contracts.

"(4) The interest of an individual in the balance in his account is nonforfeitable.

"(5) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(6) The entire interest of an individual for whose benefit the trust is maintained will be distributed to him not later than the close of his taxable year in which he attains age 70½, or will be distributed, commencing before the close of such taxable year, in accordance with regulations prescribed by the Secretary or his delegate, over —

"(A) the life of such individual or the lives of such individual and his spouse, or

"(B) a period not extending beyond the life expectancy of such individual or the life expectancy of such individual and his spouse.

"(7) If an individual for whose benefit the trust is maintained dies before his entire interest has been distributed to him, or if distribution has been commenced as provided in paragraph (6) to his surviving spouse and such surviving spouse dies before the entire interest has been distributed to such spouse, the entire interest (or the remaining part of such interest if distribution thereof has commenced) will, within 5 years after his death (or the death of the surviving spouse), be distributed, or applied to the purchase of an immediate annuity for his beneficiary or beneficiaries (or the beneficiary or beneficiaries of his surviving spouse) which will be payable for the life of such beneficiary or beneficiaries (or for a term certain not extending beyond the life expectancy of such beneficiary or beneficiaries) and which annuity will be immediately distributed to such beneficiary or beneficiaries. The preceding sentence does not apply if distributions over a term certain commenced before the death of the individual for whose benefit the trust was maintained and the term certain is for a period permitted under paragraph (6).

"(b) Individual Retirement Annuity.—For purposes of this section, the term 'individual retirement annuity' means an annuity contract, or an endowment contract (as determined under regulations prescribed by the Secretary or his delegate), issued by an insurance company which meets the following requirements:

"(1) The contract is not transferable by the owner.

"(2) The annual premium under the contract will not exceed $1,500 and any refund of premiums will be applied before the close of the calendar year following the year of the refund toward the payment of future premiums or the purchase of additional benefits.

"(3) The entire interest of the owner will be distributed to him not later than the close of his taxable year in which he attains age 70½, or will be distributed, in accordance with regulations prescribed by the Secretary or his delegate, over—

"(A) the life of such owner or the lives of such owner and his spouse, or

"(B) a period not extending beyond the life expectancy of such owner or the life expectancy of such owner and his spouse.

"(4) If the owner dies before his entire interest has been distributed to him, or if distribution has been commenced as provided in paragraph (3) to his surviving spouse and such surviving spouse dies before the entire interest has been distributed to such spouse, the entire interest (or the remaining part of such interest if distribution thereof has commenced) will, within 5 years after his death (or the death of the surviving spouse), be distributed, or applied to the purchase of an immediate annuity for his beneficiary or beneficiaries (or the beneficiary or beneficiaries of his surviving spouse) which will be payable for the life of such beneficiary or

beneficiaries (or for a term certain not extending beyond the life expectancy of such beneficiary or beneficiaries) and which annuity will be immediately distributed to such beneficiary or beneficiaries. The preceding sentence shall have no application if distributions over a term certain commenced before the death of the owner and the term certain is for a period permitted under paragraph (3).

"(5) The entire interest of the owner is nonforfeitable.

Such term does not include such an annuity contract for any taxable year of the owner in which it is disqualified on the application of subsection (e) or for any subsequent taxable year. For purposes of this subsection, no contract shall be treated as an endowment contract if it matures later than the taxable year in which the individual in whose name such contract is purchased attains age 70½; if it is not for the exclusive benefit of the individual in whose name it is purchased or his beneficiaries; or if the aggregate annual premiums under all such contracts purchased in the name of such individual for any taxable year exceed $1,500.

"(c) Accounts Established by Employers and Certain Associations of Employees.—A trust created or organized in the United States by an employer for the exclusive benefit of his employees or their beneficiaries, or by an association of employees (which may include employees within the meaning of section 401(c)(1)) for the exclusive benefit of its members or their beneficiaries, shall be treated as an individual retirement account (described in subsection (a)), but only if the written governing instrument creating the trust meets the following requirements:

"(1) The trust satisfies the requirements of paragraphs (1) through (7) of subsection (a).

"(2) There is a separate accounting for the interest of each employee or member.

The assets of the trust may be held in a common fund for the account of all individuals who have an interest in the trust.

"(d) Tax Treatment of Distributions.—

"(1) In general.—Except as otherwise provided in this subsection, any amount paid or distributed out of an individual retirement account or under an individual retirement annuity shall be included in gross income by the payee or distributee, as the case may be, for the taxable year in which the payment or distribution is received. The basis of any person in such an account or annuity is zero.

"(2) Distributions of annuity contracts.—Paragraph (1) does not apply to any annuity contract which meets the requirements of paragraphs (1), (3), (4), and (5) of subsection (b) and which is distributed from an individual retirement account. Section 72 applies to any such annuity contract, and for purposes of section 72 the investment in such contract is zero.

"(3) Rollover contribution. — An amount is described in this paragraph as a rollover contribution if it meets the requirements of subparagraphs (A) and (B).

"(A) In general. — Paragraph (1) does not apply to any amount paid or distributed out of an individual retirement account or individual retirement annuity to the individual for whose benefit the account or annuity is maintained if—

"(i) the entire amount received (including money and any other property) is paid into an individual retirement account or individual retirement annuity (other than an endowment contract) or retirement bond for the benefit of such individual not later than the 60th day after the day on which he receives the payment or distribution; or

"(ii) the entire amount received (including money and any other property) represents the entire amount in

the account or the entire value of the annuity and no amount in the account and no part of the value of the annuity is attributable to any source other than a rollover contribution from an employee's trust described in section 401(a) which is exempt from tax under section 501(a) (other than a trust forming part of a plan under which the individual was an employee within the meaning of section 401(c)(1) at the time contributions were made on his behalf under the plan), or an annuity plan described in section 403(a) (other than a plan under which the individual was an employee within the meaning of section 401(c)(1) at the time contributions were made on his behalf under the plan) and any earnings on such sums and the entire amount thereof is paid into another such trust (for the benefit of such individual) or annuity plan not later than the 60th day on which he receives the payment or distribution.

"*(B) Limitation.*—This paragraph does not apply to any amount described in subparagraph (A)(i) received by an individual from an individual retirement account or individual retirement annuity if at any time during the 3-year period ending on the day of such receipt such individual received any other amount described in that subparagraph from an individual retirement account, individual retirement annuity, or a retirement bond which was not includible in his gross income because of the application of this paragraph.

"*(4) Excess contributions returned before due date of return.*—Paragraph (1) does not apply to the distribution of any contribution paid during a taxable year to an individual retirement account or for an individual retirement annuity to the extent that such contribution exceeds the amount allowable as a deduction under section 219 if—

"(A) such distribution is received on or before the day prescribed by law (including extensions of time) for filing such individual's return for such taxable year,

"(B) no deduction is allowed under section 219 with respect to such excess contribution, and

"(C) such distribution is accompanied by the amount of net income attributable to such excess contribution.

Any net income described in subparagraph (C) shall be included in the gross income of the individual for the taxable year in which received.

"*(5) Transfer of account incident to divorce.*—The transfer of an individual's interest in an individual retirement account, individual retirement annuity, or retirement bond to his former spouse under a divorce decree or under a written instrument incident to such divorce is not to be considered a taxable transfer made by such individual notwithstanding any other provision of this subtitle, and such interest at the time of the transfer is to be treated as an individual retirement account of such spouse, and not of such individual. Thereafter such account, annuity, or bond for purposes of this subtitle is to be treated as maintained for the benefit of such spouse.

"*(e) Tax Treatment of Accounts and Annuities.*—

"*(1) Exemption from tax.*—Any individual retirement account is exempt from taxation under this subtitle unless such account has ceased to be an individual retirement account by reason of paragraph (2) or (3). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"*(2) Loss of exemption of account where employee engages in prohibited transaction.*—

"*(A) In general.*—If, during any taxable year of the individual for whose benefit any individual retirement account is established, that in-

dividual or his beneficiary engages in any transaction prohibited by section 4975 with respect to such account, such account ceases to be an individual retirement account as of the first day of such taxable year. For purposes of this paragraph—

"(i) the individual for whose benefit any account was established is treated as the creator of such account, and

"(ii) the separate account for any individual within an individual retirement account maintained by an employer or association of employees is treated as a separate individual retirement account.

"(B) Account treated as distributing all its assets.—In any case in which any account ceases to be an individual retirement account by reason of subparagraph (A) as of the first day of any taxable year, paragraph (1) of subsection (d) applies as if there were a distribution on such first day in an amount equal to the fair market value (on such first day) of all assets in the account (on such first day).

"(3) Effect of borrowing on annuity contract.—If during any taxable year the owner of an individual retirement annuity borrows any money under or by use of such contract, the contract ceases to be an individual retirement annuity as of the first day of such taxable year. Such owner shall include in gross income for such year an amount equal to the fair market value of such contract as of such first day.

"(4) Effect of pledging account as security.—If, during any taxable year of the individual for whose benefit an individual retirement account is established, that individual uses the account or any portion thereof as security for a loan, the portion so used is treated as distributed to that individual.

"(5) Purchase of endowment contract by individual retirement account.—If the assets of an individual retirement account or any part of such assets are used to purchase an endowment contract for the benefit of the individual for whose benefit the account is established—

"(A) to the extent that the amount of the assets involved in the purchase are not attributable to the purchase of life insurance, the purchase is treated as a rollover contribution described in subsection (d)(3), and

"(B) to the extent that the amount of the assets involved in the purchase are attributable to the purchase of life, health, accident, or other insurance, such amounts are treated as distributed to that individual (but the provisions of subsection (f) do not apply).

"(6) Commingling individual retirement account amounts in certain common trust funds and common investment funds.—Any common trust fund or common investment fund of individual retirement account assets which is exempt from taxation under this subtitle does not cease to be exempt on account of the participation or inclusion of assets of a trust exempt from taxation under section 501(a) which is described in section 401(a).

"(f) Additional Tax on Certain Amounts Included in Gross Income Before Age 59½.—

"(1) Early distributions from an individual retirement account, etc.—If a distribution from an individual retirement account or under an individual retirement annuity to the individual for whose benefit such account or annuity was established is made before such individual attains age 59½, his tax under this chapter for the taxable year in which such distribution is received shall be increased by an amount equal to 10 percent of the amount of the distribution which is includible in his gross income for such taxable year.

"(2) Disqualification cases.—If an amount is includible in gross income for a taxable year under subsection (e) and the taxpayer has not attained age 59½ before the beginning

of such taxable year, his tax under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount so required to be included in his gross income.

"(3) *Disability cases.*—Paragraphs (1) and (2) do not apply if the amount paid or distributed, or the disqualification of the account or annuity under subsection (e), is attributable to the taxpayer becoming disabled within the meaning of section 72(m)(7).

"(g) *Community Property Laws.*—This section shall be applied without regard to any community property laws.

"(h) *Custodial Accounts.*—For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 401(d)(1)) or another person who demonstrates, to the satisfaction of the Secretary or his delegate, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual retirement account described in subsection (a). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) *Reports.* — The trustee of an individual retirement account and the issuer of an endowment contract described in subsection (b) or an individual retirement annuity shall make such reports regarding such account, contract, or annuity to the Secretary or his delegate and to the individuals for whom the account, contract, or annuity is, or is to be, maintained with respect to contributions, distributions, and such other matters as the Secretary or his delegate may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by those regulations.

"(j) *Cross References.*—

"(1) For tax on excess contributions in individual retirement accounts or annuities, see section 4973.

"(2) For tax on certain accumulations in individual retirement accounts or annuities, see section 4974."

(c) Retirement Bonds.—Subpart A of part I of subchapter D of chapter 1 (relating to retirement plans) is amended by inserting after section 408 the following new section:

"SEC. 409. RETIREMENT BONDS

"(a) *Retirement Bond.*—For purposes of this section and section 219(a), the term 'retirement bond' means a bond issued under the Second Liberty Bond Act, as amended, which by its terms, or by regulations prescribed by the Secretary or his delegate under such Act—

"(1) provides for payment of interest, or investment yield, only on redemption;

"(2) provides that no interest, or investment yield, is payable if the bond is redeemed within 12 months after the date of its issuance;

"(3) provides that it ceases to bear interest, or provide investment yield on the earlier of—

"(A) the date on which the individual in whose name it is purchased (hereinafter in this section referred to as the 'registered owner') attains age 70½; or

"(B) 5 years after the date on which the registered owner dies, but not later than the date on which he would have attained the age 70½ had he lived;

"(4) provides that, except in the case of a rollover contribution described in subsection (b)(3)(C) or in section 402(a)(5), 403(a)(4), or 408(d)(3) the registered owner may not contribute for the purchase of such