MINUTES

ASSEMBLY TAXATION
March 6, 1975
9:30

Members Present:	Chairman May
	Mr. Mann
	Mr. Christensen
	Mr. Demers
	Mr. Harmon
	Mr. Murphy
	Mr. Young
Members Excused:	Mr. Bennett
	Mrs. Ford
Guests Present:	Wilbur H. Stodieck
	Ira. H. Kent, Nevada Cattlemen's Association
	Jim Rathbun, Tax Commission
	Jack Sheehan, Tax Commission
	Jim Lien, Tax Commission
	George Archer, A. A. R. P.
	W. B. Byrne, Asst. Cnty. Assessor, Clark County
	Pete Kelly, Nevada Retailers Association
	Nat Standing, J. C. Penny, Co.
	Bob O'Connell, Nevada Retailers Association
	Jack Dayton, Dayton's Furniture
	E. L. Newton, Nevada Taxpayer's Association
	Don Peckham, Washoe County Assessor
	Walt Mongolo, Washoe County Assessor's Office

The meeting was called to order by Chairman May at 9:47. He explained to the audience that this meeting was to discuss AJR 10.

ASSEMBLY JOINT RESOLUTION 10

Mr. William B. Byrne, Assistant County Assessor of Clark County was the first to speak. He told the committee that the inventory tax has always been a policy of inequity lacking uniformity. He stated two reasons for this: 1. Type of property taxed and 2. the declaration reports of the inventory just are not factual, and understandably so. He said that in Clark County sometimes they have to refuse to accept the declarations because they are so incorrect. He explained that if declarations are not filed, the assessor's office makes an arbitrary assessment. He felt that the loss of the million and a half dollars would be made up somewhere. If we have a law that cannot be enforced uniformly, he said that he felt the law should be changed or deleted.

He then passed out a handout to the committee, Attachment 1. Mr. Demers then asked him just how does the tax work. He was told that it worked on an honor system and that the assessor's office makes up a list of those establishments who should pay the tax and then the establishments are expected to file a declaration of personal property which mainly includes the amount of inventory.

Mr. Nat Standing of the J. C. Penny Company was the next speaker. His prepared statement is attached. Attachment 2. Mr. Christensen asked him if the abolishment of the inventory tax would encourage a merchant to have a greater stock of items. He was told that if you eliminate the need for the merchant to avoid overstocking and having the items delivered before a certain date,(the tax) and the merchant will be free to order things that might have to sit on the shelf for a long period of time before being bought because of the low turnover on certain merchandise.

Mr. Robert O'Connell of the Nevada Retailers Association then spoke. He said that he felt the tax was unfair and unjust. He said that inventory was to a merchant what skill was to a surgeon, or the ability to speak was to an attorney. He noted that there was no tax on skill or speaking ability so why a tax on inventory? He also stated that with the elimination of this tax more business would come here and there would be more tax money collected from the new people. He also noted that the main reason that the J. C. Penny, Co. decided to put their new catalog store in Reno instead of Northern California was simply because of the tax advantages. If this tax is lifted, he is sure that other businesses would be aware of the advantages also.

Ernest Newton of the Nevada Taxpayer's Association told the committee that his organization was wholeheartedly in favor of the elimination of this tax. He said that there will be an inevitable rise in the real property prices if the tax is eliminated. He said that Sparks is a good example of this. He said that if we eliminate the tax it will do two things 1) relieve the free ports of the problems of reporting the inventory that is sold in Nevada and 2) increase in the real property evaluation will more than offset the loss of revenue. Mr. Demers asked him if he would like to see another tax in place of this tax. His answer was that if it was equitable then he would have no objections, but he reminded the committee that the consumers eventually pay all of the taxes.

Mr. John Dayton of Dayton's Furniture of Zephyr Cove was the next speaker. He said that removing the tax would increase the ability of the small merchants to serve the "cow county" people. He said that it would allow them to give the rural people a greater variety of merchandise to choose from. He said that farm equipment and cars etc, had already been exempted so why not furniture?

Mr. Ira H. Kent of the Nevada Cattlemens Association was the next speaker. He told the committee that in the livestock industry, livestock was considered as inventory, and that they had to pay the inventory tax also. He suggested that the elimination be done over a few years so as not to crush the city and county budgets.

Mr. Don Peckham, Washoe County Assessor, told the committee that it was rare to see him advocate the elimination of a tax but this tax he said has no equity. He said that he would like to include household personal property and effects in the elimination of the tax.

Mr. Jack Sheehan was the last speaker. He said that the Tax Commission had one comment to the committee. It was to encourage a phase out program over a period of years so as not to crush the county and city budgets. He said that most of the revenue from this tax goes back to the county and city budgets and that the state only gets 5¢ from every $25 collected. He told the committee that if this had been in effect during 1973-74 the revenue loss would have been 2.64 million dollars and during 1972-73 it would have been 2.15 million dollars. He said that this did not include livestock and he said that that would have added a loss of 1.4 million dollars in 1973-74 he clarified himself and added that this loss would have been to the city and county government and that the loss to the state would have been $154,000 excluding livestock which would have added another $91,000. He said that it will cause a problem if the loss is not phased out gradually.
Mr. Mann asked if a 50% reduction for the first year with a subsequent 10% reduction for the following 5 years would be acceptable. He was told that it would.

There being no further testimony to be heard, the Chairman thanked the guests for their interest and excused them.

COMMITTEE ACTION

The committee discussed the new amendments to A. B. 62. Jack Sheehan of the Tax Commission explained them to the committee. He said that presently when the gas companies keep their books out of state, the commission charges them for the per diem of the state auditor who goes to audit them. He said that the Tax Commission would like to extend that to the bigger mines. He said that the same language has been put into the amendment as is in the gas company provisions. He said that the money currently given to the Tax Commission for audits is used up on the sales and use audits. He said that with the monetary value limit on the size of the mines, it will allow them to audit about fifteen or twenty mines that are out of state.

The committee decided to motion for amendment and then to rerefer the bill to the committee on Taxation for further consideration. (AB 62)

AJR 10 - A motion by Mr. Murphy to draft another resolution that would include a 5 year phase out program was seconded by Mr. Mann. The vote was 6 affirmative, Mr. Demers voting no, and Mrs. Ford and Mr. Bennett excused.
Mr. Demers then motioned for a DO PASS and HOLD on AJR 10 seconded by Mr. Harmon passed unanimously.

There being no further business the meeting was adjourned at 10:49.

Respectfully submitted,

Kim Morgan

Kim Morgan, Secretary

ASSEMBLY POSTED AT 11:30 on Feb. 14, 1975

AGENDA FOR COMMITTEE ON TAXATION

Date March 6, 1975 Time 9:30 Room 316

Bills or Resolutions to be considered	Subject	Counsel requested*
AJR 10	Proposes constitutional amendment to exempt business inventories from property taxation and allow legislature to exempt any other personal property from such taxation.	

AB 62

*Please do not ask for counsel unless necessary.

7421

ATTACHMENT 1

Office of the County Assessor

JEAN E. DUTTON
County Assessor

CLARK COUNTY COURT HOUSE
LAS VEGAS, NEVADA 89101
PHONE 386-4011

WILLIAM B. BYRNE
Assistant County Assessor

Re: BUSINESS-PERSONAL-PROPERTY TAX:

Business-personal-property tax has been characterized and condemned as being partial, unequal and unjust; as lacking uniformity and universality. During the past several years particularly, the laws dealing with taxation of business - personal-property have been subjected to num~~b~~erous alterations and amendments, particularly as to inventory.

Today, sixteen states have tax coverage of business-personal-property, including Nevada; only partial tax coverage in twenty-nine states; and completely exempt in five states.

The undersigned is completely in accord with the following opinions of Assessors and Industrial Tax Specialists -- particularly those which deal with its lack of uniformity and its absolute difficulty of equitable administration. Any tax which does not lend itself to uniform and equitable administration ought be replaced with one which does.

Charles J. Sweeney, Assessor, Hamden, Conn. "When, as assessors, we work with real estate values, we have some pretty well defined useful and reliable benchmarks. In dealing with personal property the assessor is faced with no clear cut definitions or guidelines".

Aldro Jenks, Assessor, Waterbury, Connecticut. "One of the most difficult taxes to administer is that of the assessment of business personal property".

K. G. Greer, Assessor, St. Johns, Michigan. "Personal property taxation is one of our most inequitable, annoying, unfair and administratively impossible frauds of ad valorum taxation ever conceived; but removal or repeal of this source of revenue would create impossible financial problems for our community".

William H. Riley, Chief Supervisor of Assessments, State Department of Assessments and Taxations, Baltimore, MD. "The trend insofar as Maryland is concerned, is toward the abolition of taxation on tangible personal property".

Lawrence W. Gauthier, Chief of Property Taxes, Montpelier, Vermont. "The taxation of business personal property is somewhat of a problem. In Vermont there has been considerable agitation for the repeal of the business personal property tax during the past three or four years. There is one thing that will hold it up, however, and that is the raising of approximately $7 million of taxes to replace what would be lost."

Roland E. Wildes, State Supervisor of Assessments, Rice Lake, Wis. "The only comment I have to make in connection with the assessment of inventories and personal property is the difficulty of their administration".

Edwin G. Fielder, Industrial Tax Specialist, Asst. Secretary and Gen. Mgr., Armstrong Cork Company, Lancaster, Penn. "A tax on business personal property is one of the most difficult to administer. Unlike real estate, machinery and equipment and inventories do not lend themselves to convenient and almost mechanical method of valuation. They exist in infinite variety and appear on the taxpayers' books on the basis of various types of accounting systems".

F. J. Kellman, Industrial Tax Specialist, The Borden Company, New York, N.Y. "Taxation of business personal property is cumbersome, burdensome and not conducive to business enterprise because of the many ramifications encountered in assessment practices".

Paul L. Dillingham, Industrial Tax Specialist, Assistant Head of Tax Department, The Coca Cola Company, Atlanta, GA. "The taxation of business personal property is a perennial problem. Perhaps the most frustrating problem to companies in many taxing districts is the lack of uniformity and reliable information concerning the basis of taxation".

Thomas J. Jubenville, Industrial Tax Specialist, Supervisor Store Services, First National Stores, Inc., East Hartford, Conn. "Assessors are trying to work out a formula in regard to store areas, with which I do not agree. Each store is individual for its inventories and values are set up for the area the store serves".

J.M. Barker, Indus, Tax Specialist, Director of Taxes, General Mills, Inc., Minneapolis, Minn. "In my opinion the taxation of personal property, particularly inventory, is not a fair and just tax. The tax is extremely difficult to administer because of the problems of uniformity in valuation. I would not advocate a repeal, however, without a replacement of the lost revenues to the local communities".

H.S. Jones, Indus. Tax Specialist, Land Manager, Kimberly-Clark Corp., Neenah, Wisc, "The personal property tax has proven unusually inequitable and burdensome in our State. It is difficult to administer well and equitably. There have been many studies made, the conclusion of most of them being that the tax be eliminated; but the rub always is "Where can we replace the $80 million revenue?"

J.R. Whitmore, Indus. Tax Specialist, Manager, Tax Department, Suburban Propane, Whippany, N.J. "The property tax in general should no longer be utilized as a major source of revenue. It is out-moded, regressive, inequitable and excessively costly to administer".

Joseph DePalma, Mgr. Tax Research Trans World Airlines, Inc., N.Y., "It is impossible to administer honestly and equitably".

W.B. BYRNE
ASST. CLARK COUNTY
ASSESSOR

ATTACHMENT 2

Mr. Chairman, Members of the Committee on Taxation - I'm Nat Standing of Anaheim, California and I am the Western Field Tax Manager for the J. C. Penney Co., Inc.

With me today from the J. C. Penney Co. are Mr. Russell Pearson the Government Relations Coordinator for the Western Region and Mr. Robert O'Connell, Manager of the Boulevard Shopping Center, Las Vegas store.

I want to thank you for the opportunity to appear today to ask your assistance in eliminating the remnants of the Personal Property Tax in your state.

I think most all of us would agree that taxation should be based on ability to pay and the benefits received. The Personal Property Tax is not based on either. The Personal Property Tax must be paid even when there are no profits to pay it. It is our belief that it is basically unfair to tax a businessman on merchandise not yet, and perhaps never, sold.

The Personal Property Tax, especially the tax levied on inventory held by retailers and others on the assessment date each year, is a handicap to Nevada's economy. A company dealing with high volume, low cost products, with rapid turnover will pay little inventory tax while a businessman dealing in slow turning, high cost merchandise can pay the inventory tax more than once on the same item.

The businessman who considers himself part of the community, and stocks his shelves to serve the community, is actually penalized. By stocking more sizes and serving the hard to fit, he carries more inventory with low turnover.

In November, 1960, Section I of Article X of the Nevada Constitution was amended to include the Free Port Provisions. This was an early indication that Nevada's legislators recognized that the taxation of inventory was a drag on the economic growth of the State.

Briefly, the western states currently tax inventory as follows:

Arizona - no personal property tax on inventory.

California - currently exempts 50% of the inventory. Legislation has been introduced in the current session to phase out the inventory tax over the next five years.

Idaho - no tax on inventory.

Montana - legislation in the current session to exempt Personal Property.

New Mexico - now exempts inventory.

Oregon - currently phasing out the inventory tax. As of January 1, 1980 inventories no longer taxed in Oregon.

Utah - inventories are exempt.

Washington - began a ten year phase out of the inventory tax as of January 1, 1974.

Wyoming - exempts merchants' inventories.

From this brief analysis, it is obvious that all of the Western states have come to recognize the inequities in a business inventory tax. They have also seen that a business inventory tax places a state at a disadvantage when competing with other states for new industry. I don't think this could have been more in evidence than when Mr. Ralph Henderson, Vice President, Catalog Division, J. C. Penney Co., publicly indicated that there was no doubt but that Nevada's Free Port Law spelled the difference between building Penneys first West Coast Mail Order Distribution Center in Nevada rather than in Northern California.

It may seem an anachronism for us to come before you in these difficult times to ask that you reduce the state's income by eliminating the Personal Property Tax. However, it is our belief that the revenue loss would be more than offset by revenue from increased sales and new businesses encouraged by removal of the tax. For the fiscal year 1973-74 a 14% increase in assessed valuation was noted in the State of California under a 45% exemption. For fiscal 1974-75 a 21.5% increase was seen under the 50% exemption.

In the years following the elimination of the inventory tax, Arizona's economy was bolstered by a twenty million dollar sugar plant in Chandler, a five million dollar packing plant, and many many warehouse distribution centers for national firms. The list of Arizona's post inventory tax growth is a long one.

The Advisory Commission on Intergovernmental Relations recommended that states give high priority to eliminating or perfecting the Business Personal Property tax because "it discriminates eratically among business firms". The commission recommended that the tax be eliminated on inventories. Many state executives, jurists, and mayors have repeatedly recommended the tax on business inventories be eliminated.

A sound state and local tax structure should produce adequate, economically oriented revenues. Most importantly, its structure must distribute the tax burden equitably and encourage the states economic activity and growth. It is our belief the Personal Property Tax on inventories is without these standards.

Mr. Chairman, thank you for the opportunity to be with you this morning. If members of the committee have any questions, I will do my best to answer them for you.

THE BUSINESS INVENTORY TAX IN THE WESTERN UNITED STATES

note: There is no business inventory tax in Arizona, Idaho, Utah and Wyoming