

SENATE TAXATION COMMITTEE  
March 10, 1975

The regular meeting of the Senate Taxation Committee was held on Monday March 10, 1975 in Room 231. Senator Brown called the meeting to order at 3:05 p.m.

COMMITTEE MEMBERS PRESENT: Senator Brown  
Senator Herr  
Senator Raggio  
Senator Echols  
Senator Close

SJR #5: Proposes to amend Nevada Constitution to allow imposition of estate tax not to exceed credit allowable under federal law.

Mr. Andrew Grosse of the Legislative Counsel Bureau spoke on the financial impact of the measure, and distributed an analysis of the taxes from five other states, and the administrative cost involved:

<u>State</u>	<u>Total Revenue 1973-74</u>	<u>Adm. Cost &amp; # of Personnel</u>	<u>Adm. Collection Ratio</u>	<u>Percent Increase over 1971-1972</u>
Alabama	\$ 6,234,714	\$9,321.00    2 people	\$668:1	77%
Alaska	88,823	3-5,000    1/2	18:1	125%
Arkansas	2,000,000	negligible: 0	200:1	53%
Florida	40,953,000	115,000    0	357:1	32%
Georgia	6,000,000	15,000    part of 2 people	400:1	9%
N. Mexico	(no data available yet)			

Overall increase in the "pick-up" states since 1971-72 - 34%

Nevada is the only state that does not have an estate tax credit.

Mr. A. Christopher Zimmerman, from the IRS, spoke to the committee in behalf of the bill and presented the following testimony:

"The key section of the internal revenue code is Section 2011. This in essence allows a credit against the basic federal estate tax, under Section 2001, for any state death taxes paid.

Essentially, I should like to explain how this is applied. The first \$60,000 of any estate is exempt from federal estate taxes. Out of the next \$40,000 the I.R.S. alone imposes a tax. If the net estate exceeds \$100,000 only then does the state death tax credit come into play. In

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Nevada this would be about 89 returns per year.

Thus, if the net taxable estate were \$150,000; the basic federal estate tax would be \$35,700, less the Credit of \$1,440, for a net federal estate tax of \$34,460. In any event, whether or not this amendment is enacted, the estate will pay \$35,700. It is simply a question of whether the state of Nevada or the IRS gets the additional \$1,440.

The average citizen has of course a basic concern as to any new system imposing new burdens and delays. This should not be the result of this bill and assuming Nevada enacts the necessary legislation. There is no necessity of the state Revenue Department seeing the estate tax return. The only thing needed by the state would be to arrange to get copies of the Internal Revenue's form L-154. This is most often called the closing letter. -- This indicates the amount of federal estate taxes, as well as the credits allowed.

As a further practical matter, the only form L-154 the state of Nevada would be interested in would be those indicating gross federal estate taxes in excess of \$4,880. This is the gross estate tax on a taxable estate of \$40,000 or a net estate of \$100,000.

The ease of handling these matters is pointed up in the state of Alabama. Since 1966 when they collected \$1,814,918 they have collected at least 1 1/4 million each year. They appear to be greatly increasing their revenues in the past few years. In 1971 it was \$2,900,000, 1972, \$3,520,000, 1973 \$2,669,000 while in 1974 it reached \$6,235,000.

According to a Mr. Eagleton of their Division of Research they only have one stenographer assigned to the program. The total cost of their program now is about \$14,000.

One of the problems of the program is its wide fluctuations. Particularly in a small state such as Nevada a single estate can dominate the net revenues. For example in 1967 there were 72 returns which would have been affected by this law. The state would have received \$962,000. However 12 estates made up \$782,000 or of the credit. Similarly in 1968 when the state lost \$1,610,000 there were 87 returns. Of these 20 accounted for \$1,204,000 or 74%.

We have in the past estimated that Nevada is losing about \$2,000,000 in revenues per year. With inflation I would judge this to be on the low side. At the present time there appears to have been a rash of wealthy deaths during 1973 and 1974. In reviewing just those cases under my examination at the present time, which would represent about a year's work, there would be a total allowable credit of \$4,700,000. Of this amount \$75,000 is being claimed by other states. Hence, in this batch of cases Nevada has lost in excess of \$4,600,000.

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This is essentially a tax on the very large estates. It is becoming more frequent that we see the \$10,000,000 plus taxable estate. On each of these Nevada losses over \$1,000,000.

As a practical matter it is exceedingly rare to have another state tax Nevada residents substantially, although there may be a very great danger of this.

Several states in the past have argued with estates of Nevada residents that they, for example California, should get the entire pickup tax credit since Nevada is not claiming any. The IRS only allows the credit after it has been paid. However, our L-154 letter is issued prior to payment. Hence, the state would have quick information as to the amount due. Mr. Swanson has offered to follow the same.

As to the problems for the estates, I would note that generally these large estates are administered in a highly professional fashion by Nevada's banks in combination with attorneys and CPA's.

A well considered thought might be about estate's with property in other states. As can be noted, based upon our experience generally, Nevada residents pay very little inheritance tax to other states. This is due in large part to the fact that states can only tax property over which they have control. Hence, generally they can only reach real estate. Presently many taxpayers place these assets in revocable trusts which lose their character as realty and thus escape estate tax.

The effect of inflation on the incomes of other states is dramatized by the case of Florida. In 1970 their revenues were \$18,000,000 in 1972 they reach \$31,000,000, 1973 \$33,000,000 and in 1974 they reached \$41,000,000. Their entire system is administered by 14 people. I would place their revenues at about 10 times ours.

In Arkansas they collected \$1,321,000 in 1974. They had only one man working on the system and he has outside duties.

In Georgia they have in recent years been averaging about \$6.5 million. They utilize the services of two part time people. They use about 5 hours per day. I would judge that Nevada's system could easily be done on 10 hours per week. This is based on the idea that the number of returns in the last 7 years has increased by about 15% per year. Of the returns filed we find that about one out of four involve some state death tax credit. This would mean that for 1975 about 100 returns would get credit for a death tax. An allowance of 10 hours per week would allow 5 hours per return. In reality, most should be completed in a matter of an hour or two."

\* End of Mr. Zimmerman's testimony.

Senator Brown pointed out that this is a tax that the party that has an estate is going to pay, regardless of where he might live. We are just literally turning this money back over to the federal government. Passage of this will not result in any resident paying one dollar more in taxes.

Testifying in support of this measure were: LeRoy Bergstrom, representing himself and Bert Goldwater and Shirlee Weedow, representing the Nevada PTA. Mrs. Weedow explained the PTA was interested in the bill that was introduced last session and have made a concerted effort to help the bill receive approval by the legislature. They have sent out three hundred pieces of information throughout the State, and have conducted numerous polls. They are definitely in favor of its passage.

Albert Cartlidge, chairman of the Legislative Committee of the Nevada Society of CPA's testified, stating that their Board of Directors did not want to take a stand on this. In the last poll they conducted, 567 questionnaires were mailed out, with 184 being returned; one of the questions was an opinion on SJR #5. Their society represents approximately 50 percent of the accountants in the state; the results show 66 percent of those returned, favored the tax estate credit, while 34 percent objected. Some comments receiving objections were due to the idea that additional taxes might be imposed. It was pointed out, by Senator Brown, that the resolution stipulates that "it would allow imposition of an estate tax not to exceed credit allowable under federal law". Mr. Cartlidge felt that this provision might have some bearing on how the members felt, and might gain more support.

Senator Brown distributed copies of an editorial in the Nevada Reno Gazette endorsing this measure and asked that a copy be entered in the minutes of this meeting. (Exhibit A)\* He then asked if there was anyone present to speak in opposition to the bill; there was no opposition.

A motion was introduced by Senator Close that the committee recommend "do pass" to the Senate, motion seconded by Senator Echols and carried unanimously.

SJR #15 of the 57th Session: Proposes constitutional amendment to permit assessment of owner-occupied dwellings and land at lower rate.

Senator Brown reported this had been proposed by former State Senator Coe Swobe. Mr. Swobe has asked that this be held over for one week.

Senator Brown indicated he had requested Mr. Andrew Groce, of the Legislative Counsel Bureau to prepare some figures on what we are talking about in terms of loss of revenue to the counties and the state. Mr. Groce testified that his figures come from the Nevada Tax Commission based on the 1975-76 rolls which show that the counties and local governments will lose 7.9 million dollars and the state will lose \$550,000 if enabling legislation were to follow passage of SJR 15 of the 57th Session.

\* Not included with minutes.

No action at this time.

AB 198: Defines "royalty payment" as used in provisions relating to taxation of mines.

Fiscal impact of this bill shows an estimated revenue loss to the counties and the state of approximately \$48,497.00

In the discussion it was brought out there has been an effort to work out an agreement with miners that are producing, and the Tax Commission; the miners have no quarrel with paying when they are producing, but they do mind when they have people in testing etc., until it is brought into production. Assembly Bill 62 was suggested by the Tax Commission, however, it was opposed and this bill is the result of trying to put legislation together that would be for all parties involved. Inasmuch as there has been no opposition to this bill, he would like to give it a try as drafted. This was agreed in by the remaining committee members.

Senator Raggio explained his intention is to try to give these people some help. Wants definition so they will know what they have to pay and when they can stop paying.

A motion was introduced by Senator Raggio and seconded by Senator Hilbrecht to recommend 'do pass' on AB 198. Motion carried unanimously.

SB 236: Provides for equal distribution of real property transfer tax between state and counties.

Mr. Sheehan reported this tax brings in to the state approximately \$750,000; with the state retaining about \$183,000.

Mr. C. W. Riggan, Nevada County Recorder for Douglas County, confirmed previous testimony given on this bill by Mrs. Ardis Brow (Meeting of March 3, 1975) in regard to the amount of paper work that is required and performed by the Recorders offices around the state.

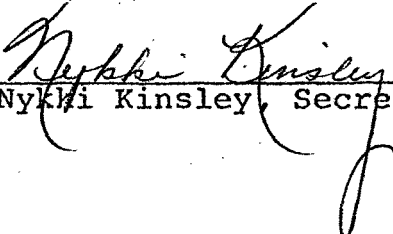
He explained Senate Bill 264 has now been introduced which would require still more work from the county recorders offices; for this reason he feels they should be granted a larger percentage of the amount collected from the real property transfer tax.

Senator Raggio advised the members present that he was not ready to vote to give this additional money to the counties without a full review of other measures they are asking for.

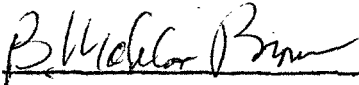
Also testifying on SB 236 and its relationship to SB 264, was Elko County Assessor John Marchetti.

There being no further business, the meeting was adjourned.

Respectfully submitted,

  
Nykhi Kinsley, Secretary

APPROVED:

  
B. Mahlon Brown, Chairman

SENATE

AGENDA FOR COMMITTEE ON.....TAXATION.....

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MONDAY Date...March 10, 1975 Time pm adj Room Room 231

Bills or Resolutions  
to be considered

Subject

Counsel  
requested\*

SJR 5 Proposes to amend Nevada Constitution to allow  
imposition of estate tax not to exceed credit  
allowable under federal law.

SJR 15 of the 57th Session

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

SB 236 Provides for equal distribution of real property  
transfer tax between state and counties.

AB 198 Defines "royalty payment" as used in provisions  
relating to taxation of mines.



Invention Inv. March 10<sup>th</sup> 1975

Name

representing

ALBERT CARLIDGE  
~~Walter Warren~~  
GINO DEL CARLO

NEV SOCIETY OF CPA'S  
NFB  
FNB

Paul May  
M. Blouzal  
J.J. Rusk  
J.J. Shuba

ASSEMBLY - TATATIA

} TAX COMMISSION

Christopher Zimmerman  
Lawrence P. Johnson

Ch. R. S.  
I.R.S.

Lucas Bergstrom

self & Dist. Sedwater acts  
Est. to Bill  
Hofmann, Armstrong, Turner & Co acts  
as of 198

CW Piggan

Nevada County Recorders  
Douglas County  
Hannabi

John Gravotti

SELF

COE SWOSE

EIKO Co Assessor

John Marchetti

Caro City Councilman

Norman Rodriguez  
Shirley Wedem

Nevada PTA



Name

Bea DeHaven

ANDREW P. GROSE

FRANK W. LEWIS

GARY L. BORTON

M. Douglas Miller

E E Pollock

Representing

Lyon County Recorder

L.C.B.

Self.

Mineral Co. Recorder

Chairman Advisory Mining Bd,

Virginia City Civic