

SENATE TAXATION COMMITTEE

March 3, 1975

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

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

Assembly Bill 53: Extends property tax exemption to severely disabled veterans regardless of point of entry into military service.

Mr. John Sheehan and Mr. Lein were asked to comment on the financial impact of this bill. They explained this would involve approximately 20 to 25 individuals in Nevada, which would be an insignificant amount.

After brief discussion, a motion was introduced by Senator Wilson, Seconded by Senator Close to recommend 'do pass' to the Senate. Motion carried unanimously.

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

Mr. Lein reported a loss to the state, if this bill were adopted, of between \$200,000 to \$240,000.

Ardis Brown, Washoe County Recorder, testified in behalf of the bill, stating the county recorders are doing most of the paper work involved in collection of the real property tax. Nevada is the only state where the state benefits in any amount; in other states, this tax is retained by the County. It was estimated by Mrs. Brown that Washoe County takes in about \$20,000 per month from this source, and the county retains approximately \$5,000 of that amount.

Mr. Sheehan stated the total amount collected last year was \$140,000,000 with \$62,000,000 going back to the

Senator Raggio reported he has asked for a report from the Fiscal Analyst on the total amount of monies that are paid into the county from the state from all sources. He would like to have the benefit of that analysis before taking action on this bill.

Woody Riggins, Deputy Douglas County Recorder testified that this money is not money that is coming back from the state; they are collecting it and turning it over to the state.

Action was deferred until the next meeting.

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

Mr. Lein reported the fiscal impact from the measure would be between \$30,000 to \$37,000 per year.

Sheehan: no guarantee this bill would help the mine owners. When a mine becomes productive, then monies recieved would be taxable.

The key to this bill is in line "5" : 'Royalty payment' means a portion of the production proceeds of a mine paid for the privilege of mining. Testifying during the discussion were: Leslie Gray - main thrust of the discussion should be toward defining the term "Proceeds" in mining. He stated the purpose should be to give some incentive to the development of mines. In the past, there has been considerable confusion and differing interpretations on the part of the Tax Commission, which has resulted in a number of unconstitutional assessments. This clarifies it once and for all. There is a tax on 'proceeds' alone.

Harold A. Swafford, Nevada Mines and Prospectors, distributed printed information for the benefit of the members. He advised they had two opinions from the attorney general and also a brief they submitted to this office last spring on this same question. They have been trying to define the term of "net proceeds" of mines. He suggested making a distinction between 'royalty' and 'rent' payments.

Speaking in behalf of the bill were messrs: Mr. Frank Lewis and M. Douglas Miller, Chairman, Nevada Advisory Mining Board, Mr. M. Reynolds, member Governor's Advisory Board. Mr. C. E. Pollack, Virginia City Crier.

Jim Shriver, represented the President of the Sutro Coalition . 36 mines and property owned since 1928 - idle since 1944 but paid \$90,000 worth of taxes. Whether mine operates or not, it pays taxes on real estate and buildings. Therefore, feels this tax is unfair. Asks approval of bill 198.

Jim Lien explained his Tax Commission has taken no position on the bill. They are anxious to see an accepted definition of what 'royalty' payment is. This bill accomplishes specifically that the mine must be in production.

A brief discussion was held on the remaining sections 2 and 3. There was no action.

Senate Bill 167:

Mr. Ernest Newton, representing NTA, distributed copies of suggested amendments for this measure and talked, briefly, on their impact. He stated the amendments do four things:

1. Changes the 10 year recapture plan to 7 years;

2. Retains for the future, the present definition or method of determining what is agricultural land.
3. Makes unnecessary an annual application for qualifying under the Greenbelt bill;
4. Eliminated the interest payment when 'catch up' taxes are paid.

He testified taxation of land is a capital levy; it is a levy made because of ownership, not because of production. The recapture provision is an additional levy made because of a change of use and is a levy which is authorized by the constitution. He doesn't feel it is appropriate to charge interest on something of this nature.

Considerable discussion followed on the appropriateness of charging interest on the catch up taxes.

Discussion also, on Section 4 " . . . . . which business is the primary . . . . ."

During some bad years, the property owner must go to work at other occupations and the property, then, would not be the primary source of income. To tie that down to a profitable operation every year is unrealistic.

Mr. Sheehan testified their criteria is whether or not the property owner derives at least \$2,500.00 per year from the property. Mr. Newton suggested a better amendment would be to change the wording to: ". . . utilization of the land", rather than tying it to the owner". Agrees with Mr. Sheehan on the \$2,500 limitation figure. Senator Dodge stated he felt there was a safeguard on page 1, line 8, "has to be devoted exclusively for at least three consecutive years."

Some discussion held on what will happen when property is sold at the current appraised value, and appraised under the deferred tax value; it was the consensus of opinion that the property would not be appraised at anything less than what the last person paid for it..Should be at the minimum assessed value.

Testifying were: Bud Bianco, Vivien Christensen, Lyle McCartney, Nevada Cattlemans Association, agrees with statement made on the bill, but did question Sec. 26 - relating to appeal procedure. Said that perhaps they should establish a Board of Equalization or something similar. It was pointed out that this is the same appeal procedure used in other matters.

Mr. Sheehan presented an analysis of the acreage involved in this agricultural and/or open space program; the statistics reflect the total acreage state-wide and by county.

Senator Brown suggested a definite contract be drawn and this opinion was shared by Senators Wilson and Hilbrecht. They felt the property owner should have the option of taking advantage of the deferred taxation and the sale of the property at any time. Mr. Newton pointed out that when the property owner makes application for said deferment, he is entering into a contract.

Randall Capurro, representing Capurro Ranches, objected to the idea of being 'locked in' to a contract for a ten year period. He also objected very strenuously to the idea of paying interest on the deferred tax.

Gene Milligan, representing the Nevada Association of Realtors, prefers the idea of the 7 year period, rather than 10 years. However, he feels it should be a minimum of 7 years.

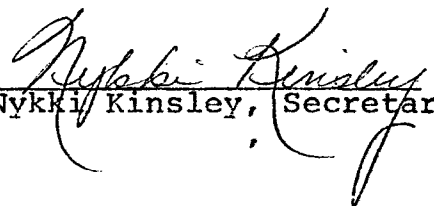
Senator Close pointed out the property owner has an advantage regardless of how many years he is in the program; if he is in only one year, he has the benefit of one year, etc.

Mr. Chuck White, Nevada Farm Bureau

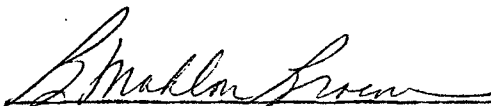
Dallas Byington, Nevada Cattlemans Association, doesn't like "penalty" on interest payment. He indicated that this additional amount would be included in the sales price if the land was ever sold and the property owner would not be the one paying it. You would be penalizing the ultimate developer.

Meeting was adjourned with notification of a discussion on this bill to be held March 11, 1975.

Respectfully submitted,

  
Nykki Kinsley, Secretary

APPROVED:



B. Mahlon Brown, Chairman

SENATE

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

MONDAY - Date..... MARCH 3, 1975 Time..... pm adj. Room 231.....

Bills or Resolutions to be considered	Subject	Counsel requested*
SB 236	Provides for equal distribution of real property transfer tax between state and counties.	
AB 53	Extends property tax exemption to severely disabled veterans regardless of point of entry into military service.	
AB 198	Defines "royalty payment" as used in provisions relating to taxation of mines.	
SB 167	Provides for separate appraisal, valuation and partial deferred taxation of agricultural and open space real property.	

\*Please do not ask for counsel unless necessary.



Taxation - March 3, 1975

3:00 <sup>11</sup>

<u>Name</u>	<u>Representing</u>
Chuck White	NEV. FARM BUREAU
Lyle McCartney	New. Cottagers Assoc.
Gene B. Gray	Mining Cos.
E. L. Newton	
E. P. Lee	<sup>NTP</sup> Maggio H Mng Co.
R. W. DeLoMar	DeLoMar Mines L.T.V.
C. E. Bollock	Virginia City Miner
A. E. Boush	Self.
Don M. Kelley	Holly Development Co.
James Johnson	Armstrong Tread Co. - Mining
John Johnson	Self. - Mining
Dallas M. Byington	Nevada <del>Cottagers</del> Assoc + Self
M. Douglas Miller	Chairman, Nevada <del>Advisory</del> Mining Bd.
Harold D. Swafford	N.W. Miners & Prospectors
Francis W. Lewis	Nevada Miners + Prospectors
J. M. Reynolds	Miner, Nev. member Governor's Advisory Board
John J. Sheehan	Mer tax Comm.
Blairby Reynolds	Miner, Nev.
Randall Capurso	Capurso Ranches
Joe Smith	Assemblyman AB 195
Gene McHugh	New. Assoc. of Realtors
Hebbie Sheeltra	Washoe County Property Owners Ass.
Shay Porter	intern