

SENATE TAXATION COMMITTEE  
APRIL 14, 1975

The regular meeting of the Taxation Committee was called to order by Chairman Mahlon Brown with the following members present:

PRESENT: Senators Mahlon Brown, Gene Echols, Helen Herr, Mel Close, Wm. Raggio and Thomas Wilson

ASSEMBLY BILL 62: Adds definitions and revises procedures and penalties relating to taxation of mines.

Mr. Lien explained that this bill was primarily for the purpose of defining mines or mining locations, which has never been done except in an opinion from the Attorney General's office.

More important, on page 2, they are getting into the audit procedure. He explained that some large companies have their company books outside of Nevada which requires an out-of-state audit. Nevada does pick up a great deal of revenue from conducting these outside audits but they feel they should not be obligated to pay the expenses incurred in traveling to the outside offices to perform this service.

Under the Gas Tax Statutes this cost can be retrieved from the companies involved. The Tax Commission would like to have the same in net proceeds of mines. This bill places a limitation on this practice to include only those mines whose gross yield as reported to the Nevada Tax Commission, for any semi-annual reporting period during the 3 years immediately preceding the examination, was \$50,000 or more. This would be protective of small individual mines. During the last period, approximately six firms brought in \$125,000 from outside audits.

A motion was introduced by Senator Close to recommend a "do pass", seconded by Senator Herr and carried unanimously.

ASSEMBLY BILL 158: Increases oil, coal, or gas royalty required from lessee of state-owned land.

Mr. John Meder, Administrator of State Department of Lands, explained they are asking for an increase in royalty charges on state-owned leased land from 5 percent to 12.5 percent.\* This would be consistent with federal and private lease charges.

The state currently does not have any leases, but it is anticipated that they will be getting requests and if they are going to increase the rate, they should do it now.

Senator Herr moved 'do pass' on the bill, seconded by Senator Echols and carried unanimously.

\* See attached.

ASSEMBLY BILL 261: Provides property tax exemption for water distribution systems on concrete-lined ditches and headgates.

Mr. Lien explained that a few years ago, the Tax Commission found themselves in a position of not assessing concrete or lined ditches in rural areas inasmuch as the statutes say they are not to be assessed. They have started picking these lined ditches up, however, it is felt by some agencies that this exemption is a definite advantage to the encouragement of agricultural industries, and that this is one method of conservation of water.

The proponents of this measure feel that to stimulate furtherance of concrete lined ditches, they should be exempt from taxation.

Mr. Lien stated we would not be talking about taking much off the tax roll, however, if these were totaled throughout the state, this covers a good deal of property. They have put them on the tax rolls, but if the bill is not passed, they will have to be taken off.

He explained that the dirt ditches are considered as part of the property, but a lined or concrete ditch is considered to be an improvement to the property and should be assessed as any improvement.

Mr. Richard Capurro, with the Federal Department of Agriculture, spoke as an advocate of the bill. He distributed a report to the committee and called attention to the language his Department would like to see adopted, on page 3 of the handout. A copy of this report is attached hereto.

It was pointed out by Senator Raggio that the farmers do receive a subsidy for the installation of concrete ditches on a cost-sharing program under a federal grant program, so they are receiving some advantage. Mr. Capurro explained that this was true and is done under a 50-50 percent contributing program, not to exceed \$2,500 per year. He explained, however, that there is a continuing maintenance problem even with the lined ditches that creates a financial burden on the rancher.

Mr. Lien suggested that we may be using the wrong term in the bill. They would like to include any kind of pipe or equipment that transports water - anything that could be considered part of a permanent water transportation system. He doesn't feel the bill goes as far as they intended.

Senator Close indicated he feels we should definitely include more than just concrete lined ditches and stated his principle concern is the 'permanent' aspect. It must be a permanently-installed irrigation system.

It was proposed that the bill be amended in Section 1, page 1 by deleting line 8 and inserting, 'part of a permanently-installed irrigation system of pipes or concrete-lined ditches and.' Amend Section 1, page 1 by deleting 'concrete-lined ditches or pipes' and inserting on lines 11 and 12, 'pipes or concrete-lined ditches', and section 1, page 1, after line 13 by inserting conforming language.

A motion was then introduced by Senator Wilson to recommend 'do pass', as amended; seconded by Senator Raggio and carried unanimously.

ASSEMBLY BILL 346: Clarifies statutory language relating to taxation and transfers of unregistered vehicles, requires tax sticker for movement of certain slide-in campers and applies specified fee to certain vehicles.

Mr. Lien explained this was an act for the purpose of clarifying statutory language to taxation and transfers of unregistered vehicles. Also, requiring a tax sticker for movement of certain slide-in campers, and applying specified fee to certain vehicles.

He explained the difference between slide-in campers and campers as being anything that is outfitted for overnight use is considered to be a camper; a slide-in camper is a shell, only.

The chassis-mount camper, mini-motor homes, motor home, traveler and utility trailers are required to be registered with the Department of Motor Vehicles and are subject to the personal property tax. This bill provides that the county assessor shall issue each year, to the owner of a slide-in camper exempt from taxation, a tax plate or sticker which the owner shall affix to the slide-in camper. There is no charge for this sticker. The slide-in campers will go under the privilege tax basis rather than the personal property tax.

He advised the committee that the law enforcement officers are having problems trying to determine whether the vehicles are those that are untaxable or whether it is someone that has not paid their fee. This sticker would eliminate that problem.

At the conclusion of the discussion, a motion was introduced by Senator Close to recommend 'do pass'; seconded by Senator Herr and carried unanimously.

SENATE BILL 386: Provides for submission at next general election of question proposing certain changes in Sales and Use Tax Law.

Senator Brown advised Mr. Lien that several Senators had questioned the percentage stated by him on the amount of items to be non-taxable. They believe the percentage should be much higher.

Mr. Lien explained that when the sales tax first went into effect, the percentage was higher, however, through the years, it has fluctuated from a high of 15% to a low of 10 1/2 percent, averaging between 11 and 12 1/2%. He stated he was quoting what the statistics show from 1955 until now.

An amendment has been submitted to direct the monies to the school districts rather than the State Distributive School Fund.


Mr. George Bryhton, Washoe County School District, testified in support of the bill and concurs with the proposed amendment.

There was no action taken on the bill at this time.

There being no further business, the meeting was adjourned.

Respectfully submitted,

APPROVED:

  
Nykka Kinsley, Secretary

  
B. Mahlon Brown, Chairman

SENATE

810

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

MONDAY Date.....APRIL 14, 1975.....Time.....PM ADJ. Room 231.....

Bills or Resolutions to be considered	Subject	Counsel requested*
AB 62	Adds definitions and revises procedures and penalties relating to taxation of mines.	
AB 158	Increases oil, coal or gas royalty required from lessee of state-owned land.	
AB 261	Provides property tax exemption for water distribution systems of concret-lined ditches and headgates.	
AB 346	Clarifies statutory language relating to taxation and transfers of unregistered vehicles, requires tax sticker for movement of certain slide-in campers and applies specified fee to certain vehicles.	

\*Please do not ask for counsel unless necessary.





STATE OF NEVADA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

Division of State Lands

CARSON CITY, NEVADA 89701

April 8, 1975

Honorable Mahlon Brown, Chairman  
Senate Committee of Taxation  
Nevada State Legislature  
Carson City, NV 89701

RE: AB 158 - Increases oil, coal, or gas royalty from leases on State owned lands.

Dear Mr. Brown:

AB 158, amending NRS 322.030, was requested by the Division of State Lands. The Bill increases the royalty charged for oil, coal, or gas leases on State owned land from 5 percent to 12.5 percent. The proposed royalty is consistent with that charged by Federal agencies and is more in line with those paid to private land owners.

At the present time, there are no State lands under an oil, coal, or gas lease. It is the Division's desire to insure that the State is in a favorable position if the opportunity arises. Under present laws legislative approval is necessary before any lease of State owned lands can be made.

According to our records the present 5 percent royalty fee was approved by the legislature in 1921. A revision of the fee as proposed is timely with the renewed interest in energy source exploration in the State of Nevada.

If you wish additional information please call or if testimony before your Committee is desired, please advise us of the time and date.

Sincerely,

A handwritten signature in cursive script that reads "John L. Meder".

John L. Meder  
Administrator

1  
cc: Mr. Elmo J. DeRicco, Director  
Department of Conservation and Natural Resources

216

Statement of C. Richard Capurro  
State Executive Director  
Agricultural Stabilization & Conservation Service, USDA  
for Hearing on Assembly Bill 261  
before the  
Senate Taxation Committee  
April 14, 1975

The Nevada State Agricultural Stabilization and Conservation (ASC) Committee has asked me to appear before this Senate Committee on Taxation to support the intent of AB 261. They further asked me to request your reconsideration in clarifying the language of the bill.

The Nevada State ASC Committee feels that AB 261 is a step in the right direction for Nevada to encourage the installation of agricultural water conservation measures. For more than 35 years the Agricultural Stabilization and Conservation Service (ASCS), an agency of the U. S. Department of Agriculture, has administered various conservation cost-sharing programs in Nevada. The purpose of these programs is to encourage farmers and ranchers to carry out needed conservation measures on their land to provide future generations with a productive agricultural industry and a clean environment. Encouragement is provided to farmers and ranchers by sharing the cost of installing permanent conservation practices. Generally the Federal cost-sharing amounts to about 50 percent of the cost with the farmer and rancher paying the other 50 percent.

The conservation cost-sharing programs have provided assistance for many different types of conservation practices. As you are all aware, water conservation is of vital importance in Nevada because of our limited supplies and ever increasing demands. During the past 5 years ASCS has provided over \$2 million in cost-sharing to encourage what we consider to be irrigation water conservation measures. An additional \$112,000 was cost-shared on livestock watering projects. In other words, 75 percent of nearly \$3 million allocated to Nevada over those 5 years was directed toward permanent agricultural water distribution systems.

There are many different types of water conservation practices, some of which include:

Installing new ditches to the proper size and grade.

Lining ditches with concrete or other materials to prevent seepage or erosion.

Installing water control structures of the proper size to efficiently manage water and control erosion.

Land leveling to efficiently utilize water and prevent erosion and drainage problems.

Pipelines to conserve water and prevent erosion.

Livestock water facilities to provide water for better distribution of livestock to prevent overgrazing and for wildlife use.

Notwithstanding our involvement, I would like to comment briefly on the method presently used in taxing agricultural land and irrigation systems. Over the past years agricultural water systems as they are improved, have become a portion of the value of the real property. That real property is what is being taxed and to tax the improved irrigation system separately would appear to be double taxation. Agricultural land in Nevada yields valuable cropland only when it has water and a system to distribute that water. To carry this a step further, water conservation measures have a limited lifespan. Agricultural engineers design for 10 to 15 years use. To keep track of which ditch was installed in what year would appear to be a tax assessor's nightmare. We further must remember that there is extensive maintenance required by most irrigation measures almost continually after the first season's use.

It concerns me that my agency has been encouraging conservation, environmental improvement, good water and land use through cost-sharing only to have the State law allow local tax assessors to discourage proper use because he has been provided with a convenient unit of measurement and assessment.



Assembly Bill 261 refers to water distribution systems of concrete lined ditches and headgates. This type of water conservation practice represents a relatively small portion of on-farm permanent agricultural water systems. May I suggest this committee consider changing Section 1 starting with Line 8 to read:

- (b) Part of a permanent irrigation or livestock water distribution system to conserve and increase efficiency in the use of agricultural water, when such water is to be used for irrigation and agricultural purposes on land devoted to agricultural purposes by the owner of such water conservation measures.

Attached is information concerning action taken to date by the Nevada State ASC Committee.

I appreciate your consideration.

Nev. Form - 344  
(3-8-63)

NEWSPAPER CLIPPING

A-4-9

Name of paper	Nevada State Journal
Where published	Reno, Nevada
Date of issue	August 28, 1974
Sent by	Nevada State ASCS Office
Office address	P. O. Box 360, Reno, NV 89504

(Attach clipping and enter comments)

## Governor Proposes Change In Ditch Lining Status

CARSON CITY (UPI) — Gov. Mike O'Callaghan said Tuesday he would ask the 1975 legislature to recognize the concrete lining of irrigation ditches as an environmental improvement instead of a capital improvement.

He said that as an en-

vironmental improvement, which would allow more efficient use of water, it should not be subject to high tax valuations.

"We cannot urge and insist that our ranchers and farmers improve their water distribution system by lining ditches with concrete and then turn around and demand higher taxes from the same rancher for making this improvement.

"In Nevada water is a precious commodity. We must do everything we can to encourage farmers and ranchers to use the water available for maximum benefit. Water which soaks into the ground from unlined ditches is often wasted."

He said exempting lined ditches from taxation as improvement to the farm or ranch will help interest more Nevada operators to upgrade their irrigation system through ditch lining.

The subject was discussed at a meeting two weeks ago of the Nevada Tax Commission whether concrete lined ditches should be considered an improvement to the property and taxed accordingly.

Telex received from Reg. Director, Western Region, ASCS, Washington

157203 WLRAV

FM WASH DC  
TO CHMN NEV.  
0301 8-15-74

IN SUPPORT OF THE NEVADA STATE ASC COMMITTEE'S POSITION THAT THE REORGANIZATION OF IRRIGATION SYSTEMS, INCLUDING CONCRETE DITCH LINING, ARE ECOLOGY ORIENTED PRACTICES, WE PROVIDE THE FOLLOWING: USDA RECOGNIZES THAT ALL CONSERVATION PRACTICES WHICH ARE OR HAVE BEEN ELIGIBLE FOR COST-SHARING UNDER CURRENT AND PREDECESSOR CONSERVATION PROGRAMS (ACPA, REAP, RECP) ARE CONSIDERED ENVIRONMENTAL IMPROVEMENT MEASURES. THE LEGISLATIVE JUSTIFICATION FOR THE RURAL ENVIRONMENTAL CONSERVATION PROGRAM IS TO ENCOURAGE THE CONSERVATION OF SOIL AND WATER BY SHARING WITH FARMERS AND RANCHERS THE COST OF MEASURES WHICH HAVE WIDESPREAD PUBLIC BENEFITS. IT IS NOT INTENDED TO COST-SHARE PRACTICES WHICH PRIMARILY CONTRIBUTE TO AN INCREASE IN PRODUCTION OR WHICH PROVIDE A CONVENIENCE TO THE FARMER. SOME PRACTICES WHICH ARE COST-SHARED UNDER THIS LEGISLATION ARE DIRECTED TOWARD THE REORGANIZATION OF IRRIGATION SYSTEMS. EXAMPLES OF PRACTICES WHICH FALL IN THIS CATEGORY ARE LAND LEVELING, WATER CONTROL STRUCTURES AND CONCRETE DITCH LINING. THE ECOLOGY VALUE OF ON-THE-FARM CONSERVATION IS ATTESTED TO BY THE ENVIRONMENTAL IMPACT STATEMENT DEVELOPED FOR THIS PROGRAM

W R CHURCH

429P

NNNN

167203 WLRAV

Nevada State ASCS Office  
P. O. Box 360  
Reno, Nevada 89504

August 15, 1974

Mr. Jack Hunter, Chairman  
Nevada Tax Commission  
1100 East Williams  
Capital Plaza Building  
Carson City, NV 89701

Dear Mr. Hunter:

It is our understanding that the Nevada Tax Commission is considering the taxing of on-farm conservation measures, specifically concrete lined ditches. This concerns us greatly as this agency has been sharing the costs of these environmental measures for twenty years. An incentive of approximately 50 percent has been necessary to encourage this type of water conservation and erosion control practice.

The Nevada State ASC Committee wishes to point out that water conservation is Nevada's major concern in relation to natural resources. We feel that taxing concrete ditch lining or any other conservation practices would be a serious deterrent to conserving water.

If you desire, we can provide specific facts on cost, life span, maintenance requirements, and water savings to assist you in your deliberations.

Sincerely,

C. Richard Capurro  
State Executive Director

CRCapurro:emb