

MINUTES

ASSEMBLY COMMITTEE ON TAXATION  
JANUARY 20, 1977  
9:30 a.m.

Members Present: Chairman May  
Mr. Schofield  
Mr. Craddock  
Mr. Dreyer  
Mr. Horn  
Mr. Mann

Members Excused: Mr. Harmon  
Mr. Jacobsen  
Mr. Murphy

Guests Present: James C. Lien, Department of Taxation  
Marilyn Paoli, Department of Taxation

Chairman May called the meeting to order at 9:30 a.m. The first order of business was the acceptance of the rules for the 1977 Legislative Session. These rules are the same that were used in the previous session except for the addition of Rule #14, which states, "All meetings of the Assembly Taxation Committee and/or subcommittees shall be open to the general public and to any and all members of the media."

Mr. Craddock brought up the fact that perhaps an individual of the general public would not want the press to cover his statement. Can we ask that the press be excused? Chairman May answered this no. The meetings will be open to the media. If this individual feels still that he must speak without the media, he can speak to one of the committee members outside of the committee meeting.

Mr. Schofield moved that the Committee on Taxation adopt the Standing Rules of the Assembly Taxation Committee, Fifty-Ninth Session, 1977. Mr. Mann seconded the motion. The standing rules were adopted by unanimous consent of the members present.

Mr. Mann moved that the bills being held by the Committee be adopted and introduced in the Assembly. Mr. Schofield seconded the motion. The following will be introduced by the Committee on Taxation and will be referred to the Committee on Taxation: B.D.R. #'s C194, 32-224, 31-247, 32-248, 32-249, 32-250, 43-211. Introduction of the preceding B.D.R.'s was approved by a unanimous vote of the members present. Mr. Mann asked that Standing Rule #5 be emphasized at this point: "Committee introduction requires concurrence of two-thirds (6) of the committee and does not imply commitment to support favorable passage."

ASSEMBLY COMMITTEE ON TAXATION  
JANUARY 20, 1977  
PAGE TWO

Chairman May stated that there are three major divisions of the state government that have to do with taxing. These are the Department of Motor Vehicles, the Department of Taxation, and the Gaming Commission. These are the departments that are affected by the decisions that are made in this committee.

Chairman May mentioned several issues that are expected to come up in this session: Estate Tax, Removal of the Merchant Inventory Tax, Food Tax, the Governor's Proposed Exemption on Solar Usage, Gaming, Fish and Game Tax, Motor Vehicle Tax, Veteran's Exemptions, Senior Citizen's Tax Relief, Special Fuel Tax, Assessors, Tax Redistribution to Cities, Cigarette Tax on Indian Reservations.

A packet of information on the Department of Taxation was distributed to the members present.

STATEMENT BY MR. JAMES LIEN, DEPARTMENT OF TAXATION:

"The Department of Taxation is, of course, the major revenue collector as far as the State of Nevada is concerned - collected during the last fiscal year approximately \$165 million, 55% of which went to local governments. So we don't collect just for the State of Nevada; we also collect for local governments.

"As your chairman mentioned, there are two other major revenue collectors. That's the Gaming Commission which collected roughly \$68 million last fiscal year and the Department of Motor Vehicles which collected approximately \$32 million last year.

"The gaming revenues collected, a majority of those go, of course, to the general fund. A little over a million dollars goes to local government. But the Department of Motor Vehicles returns approximately 35% of its revenue to local governments through the privilege tax, the rest going into the highway fund.

"The Department of Taxation has approximately 138 employees. They are stationed in Carson City, Reno, Las Vegas, and Elko within the state, and in San Francisco and Los Angeles outside of the state. These are sales and use tax auditors primarily because of the number of businesses which are headquartered in the California cities.

ASSEMBLY COMMITTEE ON TAXATION  
JANUARY 20, 1977  
PAGE THREE

"As of the last session, you abolished what was the Department's name of the Nevada Tax Commission and established the Department of Taxation which is headed by an executive director. It tentatively now has two deputy executive directors, one which heads the property tax, local government and senior citizen's area and one which heads the revenue and audit division areas. The second deputy position is one which you are being asked to confirm this session.

"The Nevada Tax Commission itself was not abolished. It is a seven-member body which is attached to the Department. It is for the purpose of reviewing the hearing officer's decisions. It is the one which certifies net proceeds, mine values, utility valuations, sets livestock valuations, mobile home valuations, sets land valuations, and also certifies tax rates each year so it has a definite function yet within the scope of taxation.

"Attached also to the Department is the State Board of Equalization, a function which was split out of the Tax Commission last time and two bodies created. It is a five-member board which is for the purpose of supervising the county boards of equalization and hearing appeals from centrally assessed properties and, of course, from the county boards themselves. Also attached to the Department is an eleven-member advisory committee for local governments. It is made up of representatives of school districts, counties, cities and the society of public accountants. This body advises the agency as far as its overseeing of local government is concerned, annually conducts a local government seminar and does perform several functions. As an advisory committee, it is one of the most active in state government.

"The Department's basic functions fall into several divisions. First, the division of assessment standards. This is not a revenue generating division at the state level. It does help generate revenue at the local level because of its appraisal or its establishing the valuation of simply assessed properties and its assistance to county assessors in appraising their local properties. As an example, we supervise the property valuations totaling approximately 3 1/2 billion dollars. We directly establish valuations in utilities of over half a billion dollars, \$523 million a year. In addition, of course, certification of mines, livestock, rural lands, banking stock, etc.

ASSEMBLY COMMITTEE ON TAXATION  
JANUARY 20, 1977  
PAGE FOUR

"We have 20 appraisers which are involved in the work then of centrally assessed properties and assisting county assessors. We have just completed reappraisal of the urban areas of White Pine County and assisted the assessor there in his having to adjust those to meet the closure of Kennecott and then, of course, of the reopening and there will probably be further adjustments the coming year. We'll be doing rural lands in Lander County. In other words, we go out and assist the county assessor because he does not have the staff to appraise all properties. We are very shortly going to Winnemucca to do the commercial properties. One- and two-man offices handling requirements for the Department of Motor Vehicles as well as for the Department of Taxation just cannot handle the reappraisal program as required by statute in the five-year cycle.

"We also are involved in local government. We supervise some 200 entities, review their budgets and audit reports, set down criteria and so forth by which they must function financially, as far as financial management is concerned. We have three persons in that area that supervise budgets totaling over \$830 million annually. The Senior Citizen's Program which has been under constant change since it was initiated four years ago will be back again this year asking for another major change. There are two proposals that I know of that are being introduced - one from the agency and one from outside of the agency. We have approximately as of the close of this refund year 9,200 eligible senior citizens and have refunded approximately \$760,000 to them. Under a proposal which will be coming to you, those refunds should come closer to the 1.2 million dollars annually that was originally appropriated, and it is again being asked by the Governor.

"The revenue division, of course, is charged with the collection of the major taxes. There are some seven major areas. We have the sales taxes, which we do split out separately although we normally talk about combined sales and use tax. You have the 2% state tax, the 1% local school support tax and the 1/2% county/city relief tax. They are all sales taxes, but they are three distinct acts and have to be administered separately. Liquor tax is split; part of it goes to the local government, and the majority of it goes to the general fund. Cigarette tax is totally a local government tax. It is collected at the state level, then all of it is returned to the local governments. The real property transfer tax, the 25% that is retained by the state, does go to the general fund. The revenue division then is charged with that. We have some 51 persons involved in the collection of the \$165 million that we collect.

ASSEMBLY COMMITTEE ON TAXATION  
JANUARY 20, 1977  
PAGE FIVE

"The audit division has approximately 20 auditors. They recovered a little over 1.3 million dollars last year or roughly \$66,000 per auditor. This fluctuates. Sometimes it is only fifty some thousand, sometimes it is over \$70,000 per auditor, depending upon what the status of the firms is who are being accounted, and we audit less than 2% of our sales and use tax accounts simply because of the staff involved. We also have one auditor which works net proceeds of mines and we have one which works gasoline audits. Both the mining and the gasoline auditors are reimbursed by the firms that are audited because they are all out of state. That way the state does not lose at all because not only does the firm have to pay any delinquent deficiencies, but it also has to pay for the audit itself. That's not true in sales taxes. Concentration, of course, is on the sales and use tax areas.

"Obviously we have a support services as you can see from the organizational chart which is involved in our data processing, microfilm, our record retention, and so forth. Our revenue division is mechanized; we have direct on-line terminals in our three major field offices in Nevada as well as our headquarters office. We use it not only for inputting into the computer, but we also use it for inquiries of accounts, and we can use it as a teletype to communicate between our various offices. We are now in the process of completing the automation of the audit division. They also will be able then to pull its information directly from the computer instead of having to hand massage the various accounts which will speed the process and fill a little of the idle time the auditors have. Idle meaning wasted time having to shuffle paper rather than being out and looking at the accounts themselves.

"The agency itself operates on a budget of about 3.1 million dollars and the cost is approximately \$1.60 per \$100 of revenues collected. This is still rather low, and that is primarily because we do not have some of the more complicated taxes such as the income tax or an inheritance tax that is state involved. The estate tax which is being proposed will be very simply administered because it's a credit situation with the federal government. Very little administration will be required for that. Partly because of the complexity of the sales and use tax acts - the three of them and the administration of three separate acts - is one of the reasons, of course, for the complexity and the somewhat high cost of administering the revenues that are collected.

"That is a thumbnail sketch, and I would be very happy to answer any questions that you have regarding the Department and provide you with the material you've already asked us to provide."

During Mr. Lien's statement, Mr. Horn requested that a pie chart be made by the Department of Taxation showing taxation revenues. Chairman May further requested that a pie chart be made showing total state revenue. The request was also made for a similar chart to show the expenditures of the Department of Taxation.

Following Mr. Lien's statements, Chairman May inquired about the out-of-state offices supported by the Department of Taxation. There are offices in Los Angeles and San Francisco. Those individuals spend 100% of their time auditing businesses who do business in Nevada. Many Las Vegas firms are headquartered in Los Angeles as are many Reno/Carson City firms in San Francisco. The Department of Taxation had talked about placing an office in Utah, but the placing of an auditor in Elko has taken care of this.

Chairman May briefly went over Article X of the Nevada Revised Statutes.

Mr. Schofield moved that the meeting be adjourned, and Mr. Horn seconded. The Committee adjourned at 10:15 a.m.

Respectfully submitted,

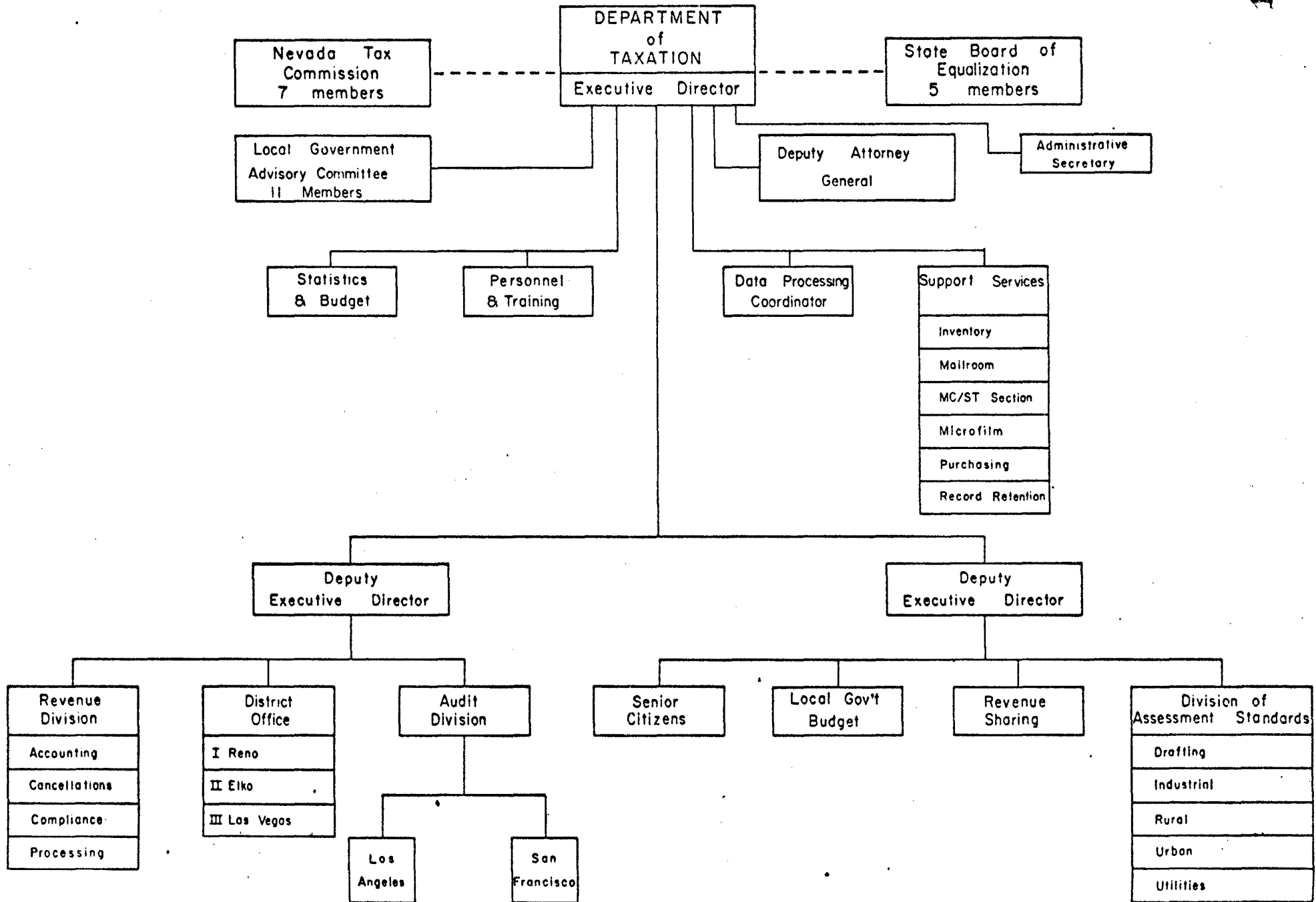


Carl R. Ruthstrom, Jr.  
Secretary

ATTACHMENTS: Standing Rules of the Assembly Taxation Committee  
Department of Taxation Organizational Chart

DISTRIBUTED: Department of Taxation Annual Report 1974-75  
Nevada Tax Facts

# Department of Taxation



STANDING RULES OF THE ASSEMBLY TAXATION COMMITTEE  
FIFTY-NINTH SESSION, 1977

1. The order of business under which this committee shall be organized is as follows:
  - a) Constitution of the State of Nevada
  - b) Nevada Revised Statutes
  - c) Standing rules of the Nevada Assembly
  - d) Standing rules of the Assembly Taxation Committee
  - e) Mason's Manual of Parliamentary Procedure
2. A minimum of five (5) members of this committee will constitute a quorum.
3. Motions may be moved, seconded and passed by voice vote by a majority of those present except a definite action on a bill or resolution will require a majority of the entire committee.
4. A two-thirds majority (6) of all the committee is required to reconsider action on a bill or resolution.
5. Committee introduction requires concurrence of two-thirds (6) of the committee and does not imply commitment to support favorable passage.
6. All questions concerning committee procedure will be directed through the chairman.
7. Attendance will be taken at each meeting.
8. The secretary of the committee shall call the roll at the beginning of each meeting, noting members present, absent, and/or late. Absences excused will be so recorded.
9. Subcommittees may be formed at the discretion of the chairman.
10. Minority committee reports may be made as per Mason's Manual, section 677.
11. All definite actions of the committee will require roll call vote which shall be recorded by the secretary.
12. In the absence of or at the discretion of the chairman, the vice chairman shall conduct the meetings of the committee.
13. Any final voting action of the committee will not be made until all witnesses have been heard, questioned and dismissed. The chairman shall determine when a final action is to be taken.
14. All meetings of the Assembly Taxation Committee and/or subcommittees shall be open to the general public and to any and all members of the media.





ASSEMBLY COMMITTEE ON TAXATION  
 FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: THURSDAY, JANUARY 20, 1977

	PRESENT	ABSENT	LATE	EXCUSED
Chairman May	✓			
Mr. Schofield	✓			
Mr. Craddock	✓			
Mr. Dreyer	✓			
Mr. Harmon		✓ <i>per Ann</i>		✓
Mr. Horn	✓			
Mr. Jacobsen		✓ <i>per Ann</i>		✓
Mr. Mann	✓			
Mr. Murphy				✓