MINUTES

ASSEMBLY COMMITTEE ON TAXATION
FEBRUARY 1, 1977
9:30 a.m.

Members Present: Chairman May
Mr. Craddock
Mr. Dreyer
Mr. Horn
Mr. Jacobsen
Mr. Mann
Mr. Murphy

Members Excused: Mr. Harmon

Members Absent: Mr. Schofield

Guests Present: Bruce R. Bogaert, CPE
Dallas M. Byington, Nevada Cattlemen's Association
Allan Grossman, J. C. Penney Co., Inc.
Lee Harvey, J. C. Penney Co., Inc.
Gary Johnson, Henderson Chamber of Commerce
Pete Kelley, Nevada Retailers Association
Tom Kruse, Department of Taxation
James C. Lien, Department of Taxation
William Mooney, State Board of Equalization
E. L. Newton, Nevada Taxpayer's Association and CPE
Robert E. O'Connell, J. C. Penney Co.
Marilyn Paoli, Department of Taxation
Bill Phillips, Press
Homer Rodriguez, Carson City Assessor
Raymond Rude, Arcadia Air Products and CPE
John J. Sheehan, Department of Taxation
William J. Slocum, Douglas County Government
Ann Marie Vilardo, CPE
Carole Ann Vilardo, C.C. Retail Merchants Bureau

Chairman May began the meeting by explaining the two resolutions being considered, A.J.R. 10 and A.J.R. 21, both of the 58th Session, and he stated that they must remain in their present form.

John Sheehan, Department of Taxation, explained the projected loss of revenue for each resolution. The information is shown on an attached* page. Jim Lien further explained this information.

*Exhibit A

All of the proponents of the two resolutions being considered favored A.J.R. 10 over A.J.R. 21. Therefore actual testimony will only be shown for A.J.R. 10.

ASSEMBLY JOINT RESOLUTION 10 of the 58th Session

Pete Kelley spoke first in favor of A.J.R. 10. His comments are shown on the attached section shown on Nevada Retail Association stationery.

Carole Vilardo was next to speak in favor of A.J.R. 10. She said that the merchant's inventory tax is an inequitable tax. She stated that with the federal government, tax is paid on the fact that the business has made money. However, this tax being considered is not based on the ability to pay. Unless this tax is repealed, the situation will be the same for five more years as A.J.R. 21 states. In addition, this tax is very difficult for the assessors to monitor and watch. Repeal of the tax would bring more inventory, allow larger inventories, and as a result, increase sales. An example she gave was that automobile dealers in Clark Counties have inventories ranging from $50,000 to $200,000.

Lee Harvey of J. C. Penney Co., Inc., spoke next. His statement is on the attached page "Nevada - Basis for the Elimination of the Personal Property Tax." (Exhibit B)

The fourth speaker in favor of A.J.R. 10 was Bob O'Connell who manages a Penney's store in Las Vegas. He stated that it is significant that every state who borders with Nevada has either phased out this tax or does not have it. This tax is levied on merchandise that may never be sold. A business may pay tax on the same thing year after year. The most important thing is to consider the fact that an inventory to a manager is exactly the same as knowledge is to an attorney or skill is to a surgeon. Mr. O'Connell compared the taxing of an inventory to taxing of services which is just not done. He also stated that assessors have realized their inability to assess. It is possible that two businesses in exactly the same positions may pay two different taxes. He said that he felt that if we are to be competitive with other states, the State of Nevada must move quickly.

Chairman May asked that previous testimony from the 58th Session be distributed to members. This is attached as the minutes from the Taxation Committee meeting of March 6, 1975.

Dallas Byington, representing the Nevada Cattlemen's Association spoke next. He pointed out that this legislation excludes livestock. He further went on to say that if this resolution is passed, he hoped that it would be changed to exempt various aspects of his trade. He explained that his cattle are taxed. He pays an inventory tax on his brood cows. He also stated that taxes must be paid on hay that is on hand and on horses that are used to gather cattle. Thus tax is levied year after year not on items to be resold, but on necessary items of the trade.

Gary Johnson of the Henderson Chamber of Commerce explained what some companies are doing to avoid the confusion that could result in their interstate trading. The company he mentioned sends its merchandise out of state at inventory tax time, then has it reshipped into Nevada after that time. The confusion would come in the items that are sold out of state are not taxed, but items sold in Nevada would be taxed. The bookkeeping involved is what the company is avoiding.

Ernest Newton explained to the Committee why some items are exempted in the inventory tax. Exemption for automobiles, tractors and farm equipment, and mobile homes came as a result of the in lieu tax law of 1960. This resulted in an enormous increase in what these types of businesses can carry in stock. Mr. Newton also stated that after voter approval of A.J.R. 10, the Legislature could easily handle the exemption of farmers' inventories.

William Mooney then spoke against A.J.R. 10. He felt that since the inventory tax is a business expense and therefore added to the cost of merchandise sold, it should be seen as a pass-on tax. He felt that the amount of tourism in Nevada should allow for keeping the tax. He felt that the biggest majority of sales in Nevada businesses were made to tourists.

Mr. Newton came back to explain that on any given day, the number of tourists in the State amounts to about 1/20 of the population of Nevada. Therefore he felt it would be fair to say that about 5% of retail sales are made to tourists. He stated that people don't come to Nevada to buy a shirt. He explained that the repeal of this tax would lower the costs of operation. This would assist small businesses in Nevada. He said that Nevada has the second highest rate of business failures in the country.

Chairman May asked Carole Vilardo to return and explain to the Committee what this tax means in her business at the present time. She said that forms are sent to her at the beginning of the month of June. She said that she lists her average annual inventory, not an actual inventory. She stated that that was the instructions that were received in Clark County. Mr. Rodriguez stated, however, that in Carson City, actual inventories are taxed.

Ms. Vilardo estimated that small businesses pay anywhere from $300 to $2000 annually for the inventory tax. She also stated that the failure rate of retail businesses in Nevada is 85% in the first three years and 60% by the fifth year.

Chairman May concluded the testimony on these resolutions by stating that they are rescheduled for February 8.

Mr. Horn said that he would like to extent appreciation for those guests who travelled from southern Nevada to attend this Committee meeting.

ASSEMBLY CONCURRENT RESOLUTION 8

Chairman May explained that this resolution was mistakenly referred to the Committee Taxation. Mr. Dreyer moved that the Committee give A.C.R. 8 a Do Pass recommendation and rerefer it to the Committee on Legislative Functions; Mr. Jacobsen seconded. The Committee approved this action by a unanimous vote of the members present.

A correction to the minutes of January 25 was pointed out to the secretary. The correction is on Page 8 in the paragraph relating to assignments in the subcommittee. Instead of looking into the area of the independent office, Mr. Murphy was asked to look into the area of the independent audit of counties.

Chairman May adjourned the meeting at 10:55 a.m.

Respectfully submitted,

Carl R. Ruthstrom, Jr.

Carl R. Ruthstrom, Jr.
Secretary

ATTACHMENTS: Business Inventory - Including Livestock
Nevada - Basis for the Elimination of the Personal Property Tax (Statement by Lee Harvey)
Nevada Retail Association (Statement by Pete Kelly), plus additional article
Taxation Committee Minutes, March 6, 1975

Exhibit A

AJR 10 and AJR 21

B U S I N E S S   I N V E N T O R Y   -   I N C L U D I N G   L I V E S T O C K

Fiscal Year	A.V. Actual	A. V. Projected	Tax Loss AJR 10	Counties	State	Phase Out Rate	Tax Loss AJR 21	Counties	State	Tax Rate
1975-76	109,556,670	@ 6%								
1976-77	115,643,045		4,820,233	4,531,125	289,107	20%	964,046	906,225	57,821	.041632
1977-78		122,581,6570								
1978-79		129,936,525								
1979-80*		137,732,717	5,784,774	5,440,442	344,332	20%	1,156,954	1,088,088	68,866	.0420
1980-81		145,996,690	6,131,860	5,766,892	364,968	40%	2,452,744	2,306,757	145,987	
1981-82		154,756,480	6,499,772	6,112,906	386,866	60%	3,899,864	3,667,744	232,120	
1982-83		164,041,870	6,889,758	6,479,680	410,078	80%	5,511,806	5,183,744	328,062	
1983-84		173,884,381	7,303,144	6,868,461	434,683	100%	7,303,144	6,868,461	434,683	
TOTAL			32,609,308	30,668,381	1,940,927		20,324,512	19,114,794	1,209,718	

Footnote: If livestock is not included:

1976-77	77,273,723	3,863,686	3,631,950	231,736	20%	772,737	726,390	46,347	.05
	92,034,241	4,601,712	4,325,711	276,001	20%	920,342	865,142	55,200	.05
1979-80*									

*Effective year of constitutional amendment.

[redacted]

Exhibit B

FEB. 1, 1977

NEVADA

BASIS FOR THE ELIMINATION OF THE PERSONAL PROPERTY TAX

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE ON TAXATION, I AM LEE HARVEY, WESTERN FIELD TAX MANAGER FOR THE J.C. PENNEY COMPANY. MY BASE OF OPERATIONS IS BUENA PARK, CALIFORNIA.

PLEASE PERMIT ME TO THANK YOU FOR THE OPPORTUNITY TO APPEAR AT THIS COMMITTEE MEETING TODAY TO PRESENT INFORMATION RELATIVE TO THE POSSIBLE ELIMINATION OF THE PERSONAL PROPERTY TAX IN THE STATE OF NEVADA.

THE POSTULATE OF A GOOD TAX IS THAT IT IS BASED UPON AN "ABILITY TO PAY" AND "THE TAX PAID BEARS SOME RELATIONSHIP TO BENEFITS RECEIVED". AN ADDITIONAL REQUIREMENT WOULD DICTATE THAT IT IS EQUITABLE IN ITS APPLICATION!

THE PERSONAL PROPERTY TAX, AND PARTICULARLY THE BUSINESS INVENTORY TAX, DOES NOT MEET THESE REQUIREMENTS.........

A REALISTIC EXAMINATION OF THE PERSONAL PROPERTY TAX DISCLOSES A NUMBER OF FACTORS THAT ARE INEQUITABLE AND, AT THE SAME TIME, CONTRARY TO THE BEST INTEREST OF THE STATE OF NEVADA:

...THE TAX ON BUSINESS INVENTORY FALLS PRIMARILY ON THE MANUFACTURING, WHOLESALING AND RETAILING INDUSTRIES WHICH PROVIDE A LARGE SEGMENT OF THE PRIVATE SECTOR JOBS IN THE STATE.

...THE TAX MUST BE PAID EVEN THOUGH THERE MAY BE NO PROFITS TO PAY IT.

...THE TAX MUST BE PAID ON BUSINESS INVENTORY THAT MAY NEVER BE SOLD.

...SOME BUSINESSES ARE NOT SUBJECT TO THE TAX AT ALL.

...IT IS INEQUITABLE IN THAT IT PENALIZES THOSE BUSINESSES THAT, BY NATURE, ARE REQUIRED TO STOCK A GREATER QUANTITY OF DIVERSIFIED MERCHANDISE THAT HISTORICALLY GENERATES A LOWER MERCHANDISE TURNOVER. THESE ADDITIONAL UNITS OF MERCHANDISE ALSO INCREASES THE TAX BURDEN ON REQUIRED BUSINESS FIXTURES THAT ARE TAXED AS WELL.

...IT CAUSES A DISRUPTION IN THE FLOW OF GOODS AS A BUSINESS WILL PURPOSELY DELAY ORDERS AND SHIPMENTS TO REDUCE THEIR INVENTORY TO THE LOWEST POSSIBLE LEVEL ON THE LIEN DATE. THIS ACTION HAS AN ADVERSE AFFECT ON SALES AND RESULTING SALES TAX REVENUES!

...THE TAX IS A DETERRENT TO NEW BUSINESSES LOCATING IN THE STATE AND TO BUSINESS EXPANSION IN GENERAL.

IT IS A FACT THAT THREE OF THE FIVE STATES BORDERING NEVADA (ARIZONA, IDAHO, AND UTAH) HAVE NO BUSINESS INVENTORY TAX. OREGON WILL PHASE

OUT ITS BUSINESS INVENTORY TAX BY 1980. CALIFORNIA CURRENTLY HAS A BILL PENDING TO ELIMINATE THE BUSINESS INVENTORY TAX ENTIRELY. OTHER WESTERN STATES HAVE EITHER ELIMINATED THE TAX OR ARE TAKING STEPS TO ELIMINATE IT.

THE NEVADA FREE PORT LAW, ENACTED IN 1960, HAS ADDED GREATLY TO THE ECONOMIC GROWTH OF THE STATE. MR. RALPH HENDERSON, VICE PRESIDENT, CATALOG DIVISION, J.C. PENNEY COMPANY, PUBLICLY INDICATED THAT THE NEVADA FREE PORT LAW WAS A MAJOR FACTOR IN LOCATING PENNEYS FIRST WEST COAST CATALOG DISTRIBUTION CENTER IN NEVADA RATHER THAN IN NORTHERN CALIFORNIA. THIS CENTER WILL OFFER 1600 NEW FULL TIME JOBS AND AN ADDITIONAL 800 SEASONAL JOBS WHEN IT OPENS IN EARLY 1979. THIS DISTRIBUTION CENTER WILL ALSO HAVE A MULTIPLIER AFFECT ON THE ECONOMY BY STIMULATING TRANSPORTATION, CONSTRUCTION AND SUPPORT BUSINESSES AND THE CREATION OF ADDITIONAL JOBS.

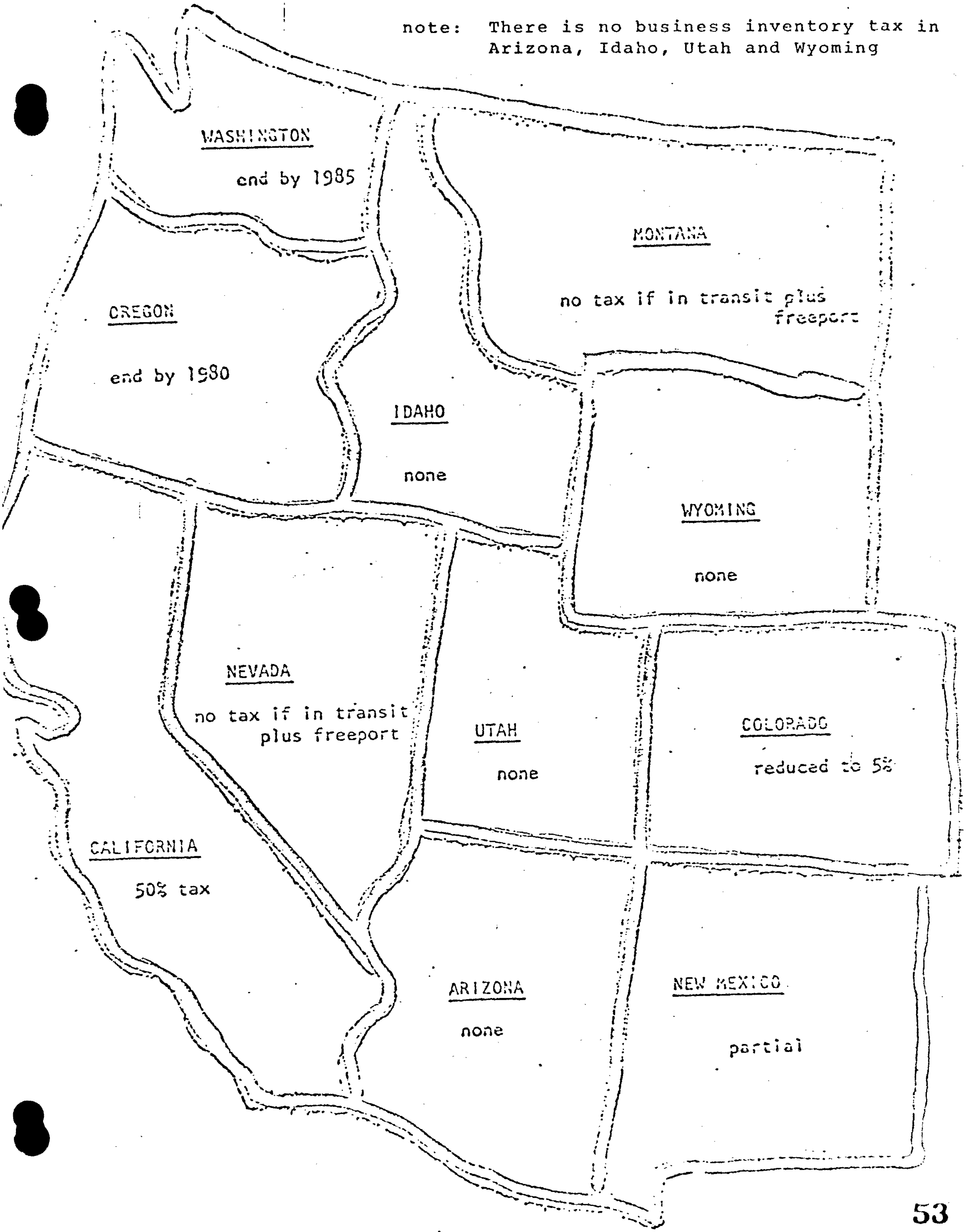
TO COMPLIMENT THIS ADVANTAGE THAT NEVADA ENJOYS THROUGH THE FREE PORT LAW, I WOULD SUGGEST THAT THE ELIMINATION OF THE PERSONAL PROPERTY TAX WOULD ACCELERATE BUSINESS ACTIVITY. IT WOULD ENCOURAGE BUSINESS EXPANSION, ADD NEW JOBS, AND LOWER THE UNEMPLOYMENT RATE. THIS EXPANSION OF BUSINESS ACTIVITY, TOGETHER WITH A SOUND STATE AND LOCAL TAX STRUCTURE, WOULD PERMIT THE STATE TO DERIVE SUFFICIENT REVENUE TO COMPENSATE FOR THE LOST REVENUE DERIVED FROM THIS TAX.

THE ADVISORY COMMISSION ON INTERGOVERNMENT RELATIONS RECOMMENDED THAT STATES GIVE HIGH PRIORITY TO ELIMINATING OR PERFECTING THE

BUSINESS INVENTORY TAX BECAUSE "IT DISCRIMINATES ERRATICALLY AMOUNG BUSINESS FIRMS". LIKEWISE, MANY STATE EXECUTIVES, GOVERNORS, MAYORS, TAX ADMINISTRATORS AND KNOWLEDGEABLE BUSINESSMEN FEEL THAT THIS TAX SHOULD BE ELIMINATED FOR THIS REASON.

MR. CHAIRMAN, GENTLEMEN, THANK YOU FOR THE OPPORTUNITY TO SPEAK TO YOU THIS MORNING. IF THE MEMBERS OF THE COMMITTEE HAVE ANY QUESTIONS, I WOULD BE MOST HAPPY TO ANSWER THEM.

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



NEVADA RETAIL ASSOCIATION
POST OFFICE BOX 722, CARSON CITY, NEVADA 89701 • 882-1943

If I may, I would like to leave with you, Mr. Chairman, a report prepared by the Association of General Merchandise Chains, headquartered in Washington, D.C., which goes into considerable detail how all states are handling this problem. The material was prepared by AGMC in response to requests from state retail associations for material which document the trend toward relief to merc hants and others from burdensome and inequitable inventory taxes.

I reiterate that 12 years ago only about 12 states had either totally eliminated or reduced the tax on business . Today, however, over two-thirds of the states have adopted some version of this reform.

I call to your attention the map on the material I am giving you. Most of Nevada's neighbors have been in step with this national trend. Utah has no such tax; n either does Arizona, Idaho or Wyoming. Oregon will phase out the tax by 1980 and Washington by 1985.

Two years ago when we appeared before your committee, Mr. Chairman, you heard testimony from the Assistant County Assessor of Clark county who told you that the inventory tax has always been a "policy of inequity lacking uniformity".

And at the same hearing the Washoe County assessor said it was rare for him to advocate the elimination of a tax. But this particular 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.

We are asking the legislature this year to pass one of these proposed Constitutional amendments. When that is accomplished, we will make every effort to inform the electorate as to its possibilities in an effort to gain a favorable vote at the

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The best information we are able to compile indicates that 34 states, including the District of Columbia, either never imposed a personal property tax, have phased it out, repealed or reduced the tax on merchants business inventories or will vote a Constitutional amendment, hopefully, to eliminate the tax on business inventories.

Of these 34 states:

— two have never levied a personal property tax (Delaware and New York).

— five have or will repeal the personal property tax in its entirety (Hawaii, Illinois, New Hampshire, North Dakota and Pennsylvania.)

— Nine states and the District of Columbia have eliminated or phased out the tax on merchants inventories (Arizona, District of Columbia, Idaho, Minnesota, New Jersey, Utah, Massachusetts, Michigan, Tennessee and Wyoming).

— Seven are in the process of phasing out the tax on merchants inventories (Connecticut, Iowa, Maine, Nebraska, Washington and Oregon. In Maryland the law authorizes a phase-out and the tax has been phased out in some counties.)

— Eight levy the tax on merchants inventories at a reduced rate (California, Colorado, Florida, Montana, South Carolina, Indiana, New Mexico;and in Ohio, percentage was reduced from 1974-76).

— In two a constitutional amendment is to be voted upon for repeal or phase-out. One of these votes will take place in Vermont and, hopefully, the second will be in Nevada, assuming these amendments, or one of them is passed by this session of the legislature.

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General Election next year. We hope you will give us that chance.

There are several other people who wish to speak for these Resolutions and I would like to introduce them to you at this time.

Mr. Lee Harvey, tax manager for the J.C. Penney company

Carole Vilardo, owner of the Fashion Gallery, Las Vegas

Bob O'Connell, immediate past president of the Nevada Retail Association.

Thank you for your consideration and attention.

Ernest Newton, executive manager, Nevada Taxpayers Association.

Agmc

October 14, 1976

MERCHANTS' INVENTORY TAXES
A 20th Century Tax Oddity

The personal property tax may have had a place in the taxing system of the 18th century in a rural, less mobile, less complex society. Today it is an anachronism, difficult to assess, impossible to administer and bearing no relation to wealth or income. Built-in inequities and the invitations to abuse make the tax an absurdity. Tax study groups have for years branded the tax as archaic, unworkable and capricious. There has been a significant change in attitude in recent years toward the personal property tax in general and the inventory tax in particular. The wisdom of the tax is being examined. More than half the states have eliminated the tax on inventories or are removing it by the phase-out process, and 8 states now have no personal property tax. Progress toward relief is slow but steady.

In 1975. . .

One state, Michigan, repealed the inventory tax, effective in 1976.
Two states reduced the assessment rate on inventories: Montana from 33-1/3% to 7% and South Carolina from 14% to 6%.
Two states voted constitutional amendments for repeal or phase-out: The Nevada Legislature approved a constitutional amendment for either repeal or phase-out, and Vermont authorized municipalities to levy tax on business machinery and equipment in lieu of inventory tax if the voters approve.
One state, Wisconsin, however, repealed the exemption previously given which was to have become effective on May 1, 1977.

In 1974 . . .

One state, Michigan, increased the credit against income tax for tax paid on inventory.
One state, Washington, allowed a credit against business and occupation tax for tax paid on business inventories--up to 100% in 1983.

In 1973 . . .

One state, California, increased the exemption percentage.
One state, Michigan, increased the credit against income tax.
One state, Maine, exempted inventories from local property tax and phased out the state tax from 1974-1977.

In 1972 . . .

The District of Columbia phased out the tax. Three states allowed reductions.

In 1971 . . .

One state repealed the tax entirely.

ASSOCIATION OF GENERAL MERCHANDISE CHAINS, INC. 1625 Eye Street, N.W., Washington, D.C. 20006 • 202-785-2060

One state phased out over a three-year period.
Two states reduced the tax.

In 1970 . . .

Two states, New Hampshire and North Dakota, eliminated the tax entirely.

In 1969 . . .

Three states reduced or eliminated the tax.

In 1968 . . .

One state reduced assessments.

In 1967 . . .

Nine states reduced or eliminated the tax.

In 1966 . . .

Two states reduced the tax.

Thirty-four states, including the District of Columbia, either never imposed a personal property tax, have phased it out, repealed or reduced the tax on merchants` business inventories or will vote a constitutional amendment to eliminate the tax on business inventories. Of these 34 states:

Two have never levied a personal property tax (Delaware and New York).

Five have or will repeal the personal property tax in its entirety (Hawaii, Illinois, New Hampshire, North Dakota and Pennsylvania).

Nine states and the District of Columbia have eliminated or phased out the tax on merchants` inventories (Arizona, District of Columbia, Idaho, Minnesota, New Jersey, Utah, Massachusetts, Michigan, Tennessee and Wyoming).

Seven are in the process of phasing out the tax on merchants` inventories (Connecticut, Iowa, Maine, Nebraska, Washington and Oregon. In Maryland, the law authorizes a phase-out and the tax has been phased out in some counties.)

Eight levy the tax on merchants` inventories at a reduced rate (California, Colorado, Florida, Montana, South Carolina, Indiana, New Mexico, and in Ohio, percentage was reduced from 1974-1976).

In two a constitutional amendment is to be voted upon for repeal or phase-out (Vermont and Nevada).

TAXATION OF MERCHANTS` STOCK IN TRADE

Alabama

Merchants` stocks assessed as other property on value of average amount of goods held during preceding year at 25%; property of utilities 30%; farm and residential property 15%.

Alaska

Stock in trade taxable as other property, at full and true value, based on average monthly value or on January 1.

Arizona

Merchants' and manufacturers' inventories exempt; other property at market value. (By constitutional amendment.)

Arkansas

Stock in trade taxable as other property. Stock of merchants and manufacturers, including machinery, taxed at average value during preceding year as of January 1.

California

Business inventory exemption increased from 15% to 30% of assessed value for 1970-1971; 1971-72; and 1972-73; to 45% for 1973-74; and to 50% beginning 1974-75.

Colorado

Stocks of merchants and manufacturers assessed at 25% of actual value for 1969; 20% for 1970; 15% for 1971; 10% for 1972; and 5% for 1973 and after, based on average amount invested on preceding December 1. Other property taxable at 30%.

Connecticut

Based on average monthly value. Phase-out of inventory tax began in 1971 for retailers and wholesalers; one-twelfth exempt each year until 1982, when tax terminates. Manufacturers' exemptions increased by 10% each year from 1970 to 1976 (from 40% in 1970 to elimination in 1976).

Delaware

No tax is levied on personal property.

District of Columbia

Inventory tax phased out over three years. Repealed on July 1, 1974.

Florida

Inventory assessed at 25% in 1969 and after.

Georgia

Stock in trade of merchants and manufacturers taxable as other property as of January 1 at 40% of full market value.

Hawaii

No tax is levied on personal property. Personal property tax repealed in 1947.

Idaho

Business inventories exempt beginning in 1971 (phased out from 1968 to 1971).

(over)

Illinois

Personal property tax on individuals and on corporations repealed by 1979 (now taxed as other property).

Indiana

Stock in trade of merchants and manufacturers taxable at 33-1/3% of true cash value, less 35% of book cost of purchased inventory. Inventory may be averaged if inventory on assessment date does not represent average value.

Iowa

Law of 1973 phases out personal property taxes over ten years beginning January 1, 1974. Credit to be given in amount set annually by Revenue Director and Comptroller in each year in which growth in state revenues exceeds 5-1/2%.

Kansas

All property assessed at 30%. Merchants' and manufacturers' stock assessed on monthly average. (Formula used for determining "average fair market value.")

Kentucky

Stock in trade of merchants and manufacturers taxable as other property, on basis of cost or market value, whichever is lower. Manufacturers' machinery and raw materials and products in course of manufacturing are subject only to state tax.

Louisiana

Merchandise and stock in trade assessed on average inventory value during preceding calendar year.

Maine

Inventories exempt from local tax in 1973, subject to state tax for three years starting April 1, 1974, at the same rates assessed for local tax at same valuation. No tax thereafter.

Maryland

Tax phased out in some counties. Phase-out authorized by state law. Counties and Baltimore City may change percentage of assessed valuation of stock in business of manufacturing or commercial business by reducing percentage to zero over a period of years. Commercial inventories and manufacturing inventories are exempt in these counties: Anne Arundel, Calvert, Caroline, Carroll, Cecil, Charles, Harford, Howard, Kent, Montgomery, Prince Georges, Queen Annes and Talbot. The inventories are also exempt in some cities. Exempt at 40% in these counties: Allegany, Baltimore (and Baltimore City), Dorchester, Somerset, Wicomico, and Worcester. Exempt at 50% in these counties: Garrett, St. Marys and Washington. Exempt at 88% in Frederick. Manufacturers' exemptions at 100% in these counties: Baltimore (and Baltimore City), Dorchester, Frederick, Somerset, Wicomico and Worcester. Some city exemption percentages vary from county percentages.

Massachusetts

No local inventory taxes. Law exempts from state tax corporations operating as merchants as to property and stock in trade except machinery used in business. Same for manufacturers.

Michigan

Inventory tax repealed beginning in 1976. Until 1976, 25% inventory tax credit allowed against income tax.

Minnesota

Inventories; stock in trade; materials; parts; supplies; furniture and equipment; manufactured articles and materials; inventories of manufacturers, wholesalers and retailers; and agricultural products are exempt.

Mississippi

Stock in trade of merchants and manufacturers taxable as other property.

Missouri

Merchants and manufacturers pay ad valorem tax on highest amount of goods on hand between first Monday in January and first Monday in April. St. Louis levies special ad valorem tax on stocks of merchants and manufacturers.

Montana

Stock of merchandise and fixtures assessed at 7% (other than mobile homes) of full value, reduced from 33-1/3% in 1975. Assessments on other property, 40%.

Nebraska

Various classes of property exempt over the years 1973 through 1977, including business inventories and farm inventories. Exemption is 12.5% in each year from 1973 until 1977, when the exemption will be 62.5%.

Nevada

Stock in trade of merchants and manufacturers taxable as other property, on average value over preceding 12 months, at 35% of full cash value. Constitutional amendments voted in 1975 by legislature either to (1) exempt business inventories and authorize legislature to exempt other personal property; or (2) to reduce business inventory tax 20% in each year, eliminating tax in 4 years. Must be approved by 1976 legislature before submission to voters.

New Hampshire

Inventory tax was repealed in 1970. No personal property tax.

New Jersey

Inventories, fixtures not removable from real property, and motor vehicles are exempt. However, tangible personal business property is taxed at $1.30 per $100 of taxable value. Taxable value is 50% of fair value (original cost).

New Mexico

Eighty-five percent exemption for merchants' inventories. Taxable value of

(over)

stocks of merchandise of merchants are determined by computing acquisition cost on last day of each month in tax year; then computing annual average acquisition cost by totaling monthly amounts and dividing total by 12, then taking 85% of this figure as a deduction.

New York

No tax is levied on personal property.

North Carolina

Stock in trade of merchants and manufacturers is taxable as other property as of close of fiscal or calendar year.

North Dakota

Personal property tax repealed in 1970.

Ohio

Tax reduced to 49% for 1972; 47% for 1973; 45% for 1974 and after on merchants' inventory and manufacturers' inventory; on furniture and fixtures, 58% in 1974; 54% in 1975; 50% in 1976 and after. (Phase-out began in 1968.)

Oklahoma

Stocks of goods, wares or merchandise assessed on average amount on hand during preceding year. Property assessed at 35% of fair cash value.

Oregon

Rate on merchants' and manufacturers' inventories reduced by 5% in 1969; by 10% in 1970; by 15% in 1971; by 20% in 1972; by 30% in 1973; by 40% in 1974; by 50% in 1975; by 60% in 1976; by 70% in 1977; by 80% in 1978; by 90% in 1979; and completely exempt in 1980.

Pennsylvania

No tax is levied on tangible personal property.

Rhode Island

Stock in trade of merchants is taxable as other property. Manufacturers' inventories exempt; machinery and equipment assessed up to 50% of value.

South Carolina

Law of 1975 reduced assessment on merchants' inventories from 10% to 6%; other personal property, 10-1/2%. Counties may provide for phase-in of ratios over 7 years.

South Dakota

Stock in trade of merchants and manufacturers is taxable as other property.

Tennessee

Merchants' inventory tax repealed in 1971.

Texas

Merchants` and manufacturers` stock assessed at full and true value as other property.

Utah

Merchants` and manufacturers` inventory tax phased out from 1970 to 1972; exempt in 1973 and after.

Vermont

Municipalities may elect not to tax inventory and may tax instead business machinery and equipment. Inventory would include stock in trade of merchants and manufacturers. Business property taxable would include depreciable property and personal property used in business. Inventory tax repeal would be voted upon by municipal voters and repeal of alternate tax would be effective the year following the vote. Vote may be for 100% repeal or 10-year phase-out.

Virginia

Merchants` capital, including inventories, subject to tax.

Washington

For years 1974-83, percentage of tax paid on business inventories in year is allowed as a credit against tax imposed under Business and Occupation Tax Act. Credit is 10% each year until 1983, when credit will be 100%. Agriculture inventory phased out from 1975 to 1983. Merchants` stock taxable as other property. Property assessed at 50% of true value.

West Virginia

Stock in trade of merchants and manufacturers taxable as other property. No provision for averaging.

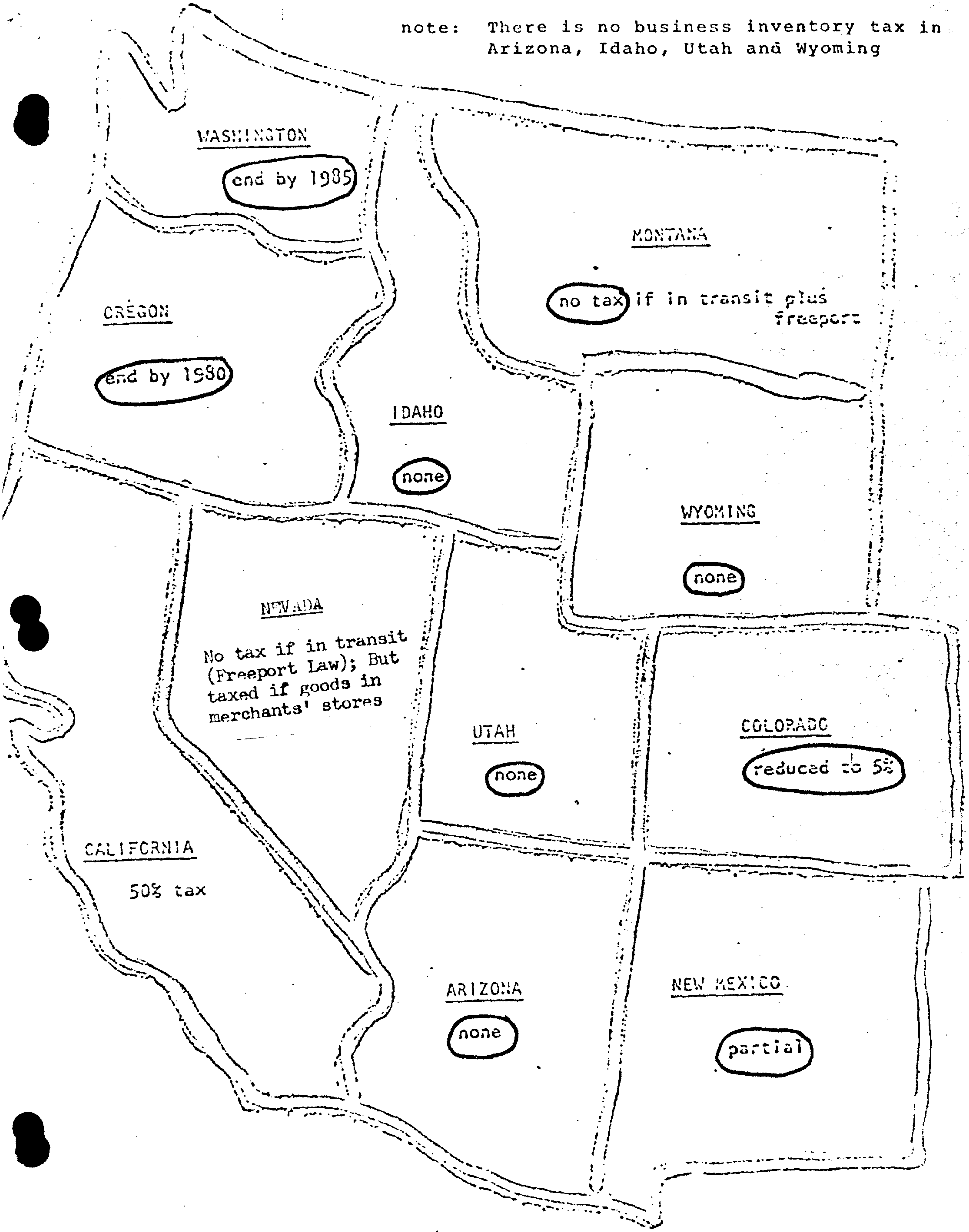
Wisconsin

Law of 1975 repealed the exemption previously given, which was to begin on May 1, 1977, for merchants` and manufacturers` stock in trade. Law still requires a property tax offset or credit against local tax of merchants` and manufacturers` stock in trade.

Wyoming

Effective 1972, inventories exempt. (Phased out between 1967 and 1971.)

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



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

INDEX OF MEASURES IN ASSEMBLY COMMITTEE ON TAXATION
February 1, 1977

Bill or Resolution Number	Date Referred To Committee	Introducer's Name	Summary	Date Scheduled Hearing	Committee Action	Assembly Action	Senate Action	Governor's Signature
A.B. 99	1/20/77	Committee on Taxation	Deletes requirement for Multistate Tax Compact advisory committee to hold annual meetings.	1/27/77				
A.B. 101	1/20/77	Committee on Taxation	Creates Department of Taxation Bond Trust Fund and raises bond limits for motor vehicle fuel dealers.	1/27/77				
A.B. 103	1/20/77	Committee on Taxation	Requires sales and use tax collections to be deposited to account of State Treasurer.	1/27/77	Do Pass	Passed 1/31/77		
A.J.R. 12	1/20/77	Committee on Taxation	Proposes to amend Nevada Constitution by authorizing Legislature to impose tax upon motorboats in lieu of property tax.	1/27/77				
A.J.R. 10/ 58th Session	1/17/77	Committee on Commerce	Proposes constitutional amendment to exempt business inventories from property taxation and allow Legislature to exempt any other personal property from such taxation.	2/1/77				
A.J.R. 21/ 58th Session	1/17/77	Committee on Taxation	Proposes constitutional amendment for progressive exemption of business inventories from property taxation and legislative exemption of other personal property.	2/1/77				

Bill or Resolution Number	Date Referred To Committee	Introducer's Name	Summary	Date Scheduled Hearing	Committee Action	Assembly Action	Senate Action	Governor's Signature
A.C.R. 8	1/27/77	May	Directs Legislative Commission to study assessment and taxation of geothermal resources.	2/1/77	Do Pass; Rerefer to Leg. Func.			

GUEST LIST

NAME (Please print)	REPRESENTING	WISH TO SPEAK Yes	No
Carole Ann Vilardo	C.C. Retail Merchants Bureau	X	
Lee Harvey	J.C. Penney Co., Inc	X	
ALLAN GROSSMAN	J.C. PENNEY CO., INC		X
Pete Kelley	Nev. Retail Ass'n	X	
John J. Sheehan	Dept of tax		
Jim Rhea	Dept of tax	X	
Tom Kruse	Dept of Taxation		X
MARILYN PAOLI	Dept of TAXATION		X
RAYMOND RUDE	ARCADIA AIR PRODUCTS AND C.P.E		X
Bruce R. Bogaert	C.P.E.		X
E. L. Newton	NTA & CPE		
Robert E. O'Connell	J.C. Penney Co	X	
Ann Marie Vilardo	C.P.E		X
Gary Johnson	Henderson Chamber of Commerce		
Bill Phillips	Press		
Homer Rodriguez	C.C. Assessor		
W. F. Mooney	State Board Equalization		X
DALLAS M BYINGTON	Nevada Cattleman Assoc		X
RONALD R. ROLOFF	M.M.A.		X
William J Slocum	Douglas County Govt.		X

ASSEMBLY COMMITTEE ON TAXATION
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: TUESDAY, FEBRUARY 1, 1977

	PRESENT	ABSENT	LATE	EXCUSED
Chairman May	✓			
Mr. Schofield		✓		
Mr. Craddock	✓			
Mr. Dreyer	✓			
Mr. Harmon	~~✓~~			✓
Mr. Horn	✓			
Mr. Jacobsen	✓			
Mr. Mann	✓			
Mr. Murphy	✓			