

MINUTES

ASSEMBLY COMMITTEE ON TAXATION  
FEBRUARY 17, 1977  
9:30 a.m.

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

Members Excused: Mr. Harmon

Guests Present: David Baker  
Allan Buchanan, Barlow and Peek  
Nick Harkins, Feck & Harkins, Ltd.  
Jim Hattori  
Tom Kruse, Department of Taxation  
James C. Lien, Department of Taxation  
Gary Owen, Governor's Office  
Marilyn Paoli, Department of Taxation  
Larry Petty, Legislative Counsel Bureau  
Dr. Robert E. Robinson, Assemblyman  
Homer Rodriguez, Carson City Assessor  
Al Throckmorton, Solar Heating Industry

Chairman May called the meeting to order at 9:32 a.m.

ASSEMBLY BILL 277  
ASSEMBLY BILL 292  
ASSEMBLY JOINT RESOLUTION 7  
ASSEMBLY JOINT RESOLUTION 9

Dr. Robert Robinson, Assemblyman, and primary sponsor of A.B. 292 and A.J.R. 9, was the first to address the Committee. He said that he would like the bill drafter who prepared all of the above legislation to go over the constitutional implications of both resolutions.

Dr. Robinson mentioned past legislation that gave property tax exemptions for various items, but stated that the constitutionality of these is questioned. However, he stated that until they are challenged they will be in force. He then pointed out that for this reason A.J.R. 9 was prepared to go along with A.B. 292, which states that its provisions will not go into effect until A.J.R. 9 is approved by the voters.

Dr. Robinson said that A.J.R. 9 would amend the Constitution to encourage the conservation or the production of energy from renewable natural resources. He said A.J.R. 7 is similar, but he felt that A.J.R. 9 was better. He stated that there has to be a stimulation for energy conservation, and he specifically mentioned capital investments in the production of energy from renewable natural resources.

Mr. Mann stated that he felt there was a problem with the language and asked if A.J.R. 9 could be changed by deleting the words "to encourage."

Larry Petty, Legislative Counsel Bureau, responded by saying that language is there so that if it is passed, it would serve as a guideline for future legislation. He said it would enable the Legislature to exempt certain types of uses from the property tax. He said if the choice was to say conservation of energy, that would be less exact.

Mr. Mann asked who will have to decide what encouragement is or who encourages. He further asked if the sponsor could "live with" the striking of the words "to encourage" and still have an effective bill. Dr. Robinson answered that "to encourage" is more definitive of the intent of the legislation.

Mr. Horn stated that to encourage is really urging someone to do something. He said that if they are talking about conservation, they are talking about the actual act of conserving. He said that it really depends on what they want the legislation to do.

Mr. Craddock questioned if "to encourage" included research and development. He asked if the Committee wanted research and development included.

Mr. Petty said that this was a question the Committee would have to decide. He said that the emphasis of these pieces of legislation is that if we are going to have an energy shortage, the encouragement of the people to conserve energy is really what you are striving for. If you will not encourage the people to conserve, who will. But if you provide a method in case the people do put in a conservation saving device, that would possibly be under the tax exemption.

Dr. Robinson stated that if the provision was in the Constitution, that should be enough encouragement there.

Mr. Jacobsen said that he would like to see a bit more positive language because he did not want to see the county assessors having to determine if various items were conserving or not. He said that something may not be an encouragement if it is to his own benefit. He did not want the assessor to have to make determinations on each case to see if it is a conservation measure or not.

Mr. Petty said that at the time the Constitution is changed, the exemption can be provided by the Legislature, and they can establish whatever guidelines or criteria will be used by the Department of Taxation.

Dr. Robinson said that the wording in A.J.R. 9 reflects what he attempted to do in A.B. 292. The purpose of both of these was to establish those property tax exemptions for those type installations that were using renewable sources of energy and to encourage the production of more of these units. He said that we would be trying to get people to use solar energy, wind, and the conversion of solid waste into energy form. For every conversion of these resources, that is that much saved in the expendable supplies that we have.

Chairman May asked Mr. Petty if "renewable natural resources" was properly defined to his knowledge. Mr. Petty answered that he believed it was, but if not, when the Legislature passed legislation concerning renewable natural resources, a definition could then be established. Mr. Mann asked that a definition of the term would be brought back to the Committee.

Chairman May asked for an attempt to produce a proposed addition to define renewable natural resources with special attention given to wood. Would the burning of wood be allowed?

In response to questions about using the term "renewable," Dr. Robinson stated that if that term is not used, the power company that is generating electricity from the burning of natural gas and oil will be asking for a total exemption. However, if the same power company built a plant to convert solid waste into energy, they could get a deduction for that.

Chairman May said that no action will be taken on these measures until the Committee hears from Mr. Petty.

Chairman May then read a letter from Frank Daykin to Assemblyman Sue Wagner concerning A.B. 277. A copy is attached as Exhibit A. Mr. Daykin says that A.B. 277 is constitutional. Chairman May compared A.B. 292 saying that at present, it is unconstitutional.

ASSEMBLY COMMITTEE ON TAXATION  
FEBRUARY 17, 1977  
PAGE FOUR

Dr. Robinson explained that A.B. 292 would not become effective until A.J.R. 9 was passed. Mr. Petty said that A.B. 292 is not unconstitutional, rather it is unoperable at this time.

Mr. Mann asked to note that the Committee's consideration of A.B. 277 over A.B. 292 was the fact that A.B. 277 did not have any constitutional problems at the present time.

Dr. Robinson said that if the Committee considers dropping A.B. 292 at this time, that they also consider the possibility of adding parts of it as amendments to A.B. 277. He stated that the states of Idaho, Montana, and Wyoming have passed similar legislation.

Al Throckmorton of the Solar Heating Industry spoke next in favor of these measures. He explained his background in the industry. He related the cost of an experimental home he had been a part of. With solar heating this home cost approximately \$24 per square foot. Without this addition, the cost would have been about \$18 per square foot. He stated that one of his objectives was to correct the belief that solar heating is too expensive at this time.

Mr. Throckmorton told of a demonstration house built north of Reno. The solar heating in the house was designed to offset about 70% of the heating requirement of the house. The figures he gave showed that an individual could save up to or more than two-thirds of heating costs depending upon the overall weather conditions. He further related the amounts of sunshine received in the Reno area.

Mr. Throckmorton stated that presently the cost to convert solar energy into electric power is quite high. Soon it will not be he said. A marketing company, Frost & Sullivan, did a survey and estimated that by 1980 there would be 250,000 homes utilizing solar heating in some way. By 1985, they estimate 2,500,000 homes with solar heating. The cost level they considered necessary for a major breakthrough was \$2500 to \$3500 additional cost per house. He said that four years ago the cost of installation was \$20 per square foot for a solar unit; two years ago, \$8; and presently the cost for a 1500 square foot home is about \$4,000. He said at this point the solar heated homes begin to compete.

Chairman May appointed a subcommittee to further investigate these areas. Mr. Schofield is the chairman, and other members are Mr. Horn, Mr. Jacobsen, and Mr. Craddock.

Mr. Throckmorton stated that he believed there was an "explosion" coming here, and we have an opportunity to provide some leadership across the country. Mr. Jacobsen asked Mr. Throckmorton if he thought this expansion would come to this area even if there was not such an incentive. Mr. Throckmorton said that if the price of fuel keeps rising, and natural gas is possibly cut off, there is not much else to do. Mr. Jacobsen felt that this type of exemption would not be good if these types of systems would be widespread in a short time.

At the request of Mr. Horn, Mr. Throckmorton explained the functions of a solar pond.

Mr. Throckmorton said that he felt that encouragement should be given to those in a profit-producing situation as well as individual home owners. He felt that the combining of A.B. 277 and A.B. 292 might be acceptable until a constitutional amendment was passed. He said that his company would be building these new homes quickly. He said that people who buy them will be asking questions about the possible exemptions.

Mr. Mann said that he had an aversion to government becoming involved in business. He said he could see giving a rebate to individuals, but he hesitated to give the same opportunity to a businessman trying to sell new homes.

Mr. Throckmorton said that the person that buys a house is intelligent. If he is paying more tax because of the heating unit, he will ask what is the offsetting difference. He felt that a home owner with a heating unit should not have to pay more taxes because of it. He said that what he would be forced to do would be sell a house without solar heating then contract with the buyer to install a solar heating system.

Allan Buchanan of Barlow and Peek spoke next. He said he would like to build houses with solar heating systems. He said he had looked at a lot of systems and they are all very expensive. He further stated that at a cost of \$10,000 extra to a home, the people he works with question the feasibility of this addition. The tax exemption would make the solar unit more affordable.

Mr. Buchanan stated that his company was planning to build a new development of 150 homes. He said he hoped to install solar heating in these homes. If a tax relief was not provided, he said that these 150 new homes would go up and there would be a further drain on expendable resources already becoming scarce.

Mr. Horn asked if Mr. Buchanan was implying that he would like for the State government to get more involved in the free enterprise system. Mr. Buchanan said that this was not his intention. He said that his hope was that solar heating equipment could be added to homes with no additional taxes for that equipment. He said that he did not see the public doing anything unless somehow some stimulus is placed before them because the cost is too great.

Mr. Buchanan asked if his company built houses with solar energy, will the buyers get some type of tax incentive? He felt that there should not be a difference made with the buyers and those who installed their own systems. Representatives from the Department of Taxation confirmed that anyone who has a solar heating system in his home would receive the benefit of the measures now before the Committee.

Jim Lien said he could see an initial rise in the amount of rebates that would be paid out, but as the cost of solar heating systems went down, the amount of rebates would not increase as fast. He said the Department has put a \$50,000 figure for the biennium to handle the rebate program. He said that the Department did not find any administrative problems involved. He said anybody who owns a home with a solar device whether it is in the home when he buys it or if he buys it himself and installs it will still get the rebate.

Mr. Rodriguez said that there are three homes in Carson City using solar heating for their swimming pools. One house is using geothermal heating, and an apartment house is considering using solar devices. Mr. Lien stated, however, that the rebate would not apply to the swimming pools.

Mr. Mann moved to adjourn the meeting; Mr. Jacobsen seconded. The Committee adjourned at 11:12 a.m.

Respectfully submitted,



Carl R. Ruthstrom, Jr.  
Secretary

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

JAMES I. GIBSON, *Senator, Chairman*  
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640

DONALD R. MELLO, *Assemblyman, Chairman*  
Ronald W. Sparks, *Senate Fiscal Analyst*  
John F. Dolan, *Assembly Fiscal Analyst*

ARTHUR J. PALMER, *Director*  
(702) 885-5627

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627  
EARL T. OLIVER, *Legislative Auditor* (702) 885-5620  
ANDREW P. GROSE, *Research Director* (702) 885-5637

February 15, 1977

Assemblyman Sue Wagner  
Assembly Chamber  
Legislative Building  
Carson City, Nevada 89710

Dear Mrs. Wagner:

You have requested a written comment upon the constitutionality of A.B. 277, which you introduced. Section 1 of article 10 of the state constitution requires the legislature to "provide by law for a uniform and equal rate of assessment and taxation \* \* \* of all property," with enumerated exceptions.

Your bill does not exempt any property from assessment or taxation; it gives a rebate of the amount by which the tax is increased on account of resource-conserving equipment installed. The Senior Citizens' Property Tax Assistance Act (NRS 361.800 et seq.) uses the same principle. The difference between an exemption and a rebate is less important in that context, because elderly persons of limited income might well qualify for a charitable exemption under the last sentence of Nev. Art. 10, §1, but it is vital to your bill.

Under your bill, the state would be choosing to give a subsidy, equal to the tax on the equipment, to a taxpayer who chooses to cooperate in the public policy of conserving non-renewable resources. The mechanism of an allowance of credit against the property tax is merely a convenient means of payment. Given the rule that a state constitution is a limitation, not a grant, of legislative power, and there being no prohibition of such a subsidy, I believe that your bill is constitutional.

Very truly yours

*Frank W. Daykin*  
Frank W. Daykin  
Legislative Counsel

FWD: jll  
cc: Jan Wilson  
Larry Petty

INDEX OF MEASURES IN ASSEMBLY COMMITTEE ON TAXATION  
February 17, 1977

<u>Bill or Resolution Number</u>	<u>Date Referred To Committee</u>	<u>Introducer's Name</u>	<u>Summary</u>	<u>Date Scheduled Hearing</u>	<u>Committee Action</u>	<u>Assembly Action</u>	<u>Senate Action</u>	<u>Governor's Signature</u>
A.B. 53	1/19/77	Howard	Authorizes deduction of property taxes from taxable mine proceeds.	2/3/77	Ind. Post.			
A.B. 99	1/20/77	Committee on Taxation	Deletes requirement for Multistate Tax Compact advisory committee to hold annual meetings.	1/27/77 2/10/77	Do Pass	Passed 2/14/77		
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 2/10/77	Amend; Do Pass as Amended	Passed 2/17/77		
A.B. 102	1/20/77	Committee on Taxation	Creates intergovernmental trust fund and aviation fuels tax revolving account.	2/3/77 2/4/77	Do Pass; Rerefer to Ways/Mean Do Pass	Passed 2/8/77		
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	Passed 2/8/77	2/11/77
A.B. 104	1/20/77	Committee on Taxation	Changes prescribed boat lights; requires counties to pay Fish and Game Department for boat registration and tax services.	2/8/77	Amend; Do Pass as Amended.			
A.B. 161	1/26/77	Committee on Taxation	Clarifies administrative powers of Department of Taxation	2/10/77	Do Pass	Passed 2/14/77		
A.B. 174	1/27/77	Committee on Taxation	Changes latest dates for county assessors to file tax roll and segregation of roll with State Board of Equalization.	2/10/77	Do Pass	Passed 2/14/77		
A.B. 175	1/27/77	Weise	Provides abatement of taxes on all real property acquired by State.	2/10/77				



<u>Bill or Resolution Number</u>	<u>Date Referred To Committee</u>	<u>Introducer's Name</u>	<u>Summary</u>	<u>Date Scheduled Hearing</u>	<u>Committee Action</u>	<u>Assembly Action</u>	<u>Senate Action</u>	<u>Governor's Signature</u>
A.B. 277	2/7/77	Wagner	Provides property tax allowance for structures with renewable resource heating or cooling systems.	2/15/77 2/17/77				
A.B. 292	2/9/77	Robinson	Provides tax exemption for certain property used to conserve or produce energy.	2/15/77 2/17/77				
A.J.R. 7	1/18/77	Harmon	Proposes constitutional amendment to permit property tax exemption for conservation of energy.	2/15/77 2/17/77				
A.J.R. 9	1/19/77	Robinson	Proposes constitutional amendment to permit property tax exemption for conservation of energy or production of energy from renewable natural resources.	2/15/77 2/17/77				
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 2/8/77				
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.	2/1/77 2/8/77	Do Pass	Passed 2/10/77		
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 2/8/77				

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



ASSEMBLY COMMITTEE ON TAXATION  
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: THURSDAY, FEBRUARY 17, 1977

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