

MINUTES

ASSEMBLY COMMITTEE ON TAXATION
FEBRUARY 8, 1977
9:30 a.m.

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

Guests Present: C. G. Charchalis, White Pine County Assessor
Dennis Compston, Lyon County Assessor
Frank W. Daykin, Legislative Counsel
Jack J. Hunter, State Board of Equalization
Tom Kruse, Department of Taxation
William T. Lloyd, Lincoln County Assessor
Russ McDonald, Washoe County
Bernie Merlino, Nye County Assessor
Gary Milliken, Clark County Assessor's Office
Tom Moore, Clark County
John Moschetti, Elko County Assessor
Marilyn Paoli, Department of Taxation
Homer Rodriguez, Carson City Assessor
John J. Sheehan, Department of Taxation
Charles J. Sheeran, Pershing County Assessor
Keith Sherwood, Fish and Game
Terry Sotar, Nye County Assessor's Office
Wilbur H. Stodieck, Wilbur's Men's Shop, Inc.
Leroy Ward, Lyon County Assessor
Fred E. Wright, Fish and Game

ASSEMBLY BILL 102

Attached as Exhibit A to these minutes is a copy of a memo from Chairman May to members of the Taxation Committee for permission to amend previous motion on A.B. 102 to Do Pass. This action was approved by committee members, February 4, 1977.

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

ASSEMBLY BILL 104

Fred Wright of Fish and Game was the first to testify for A.B. 104. He stated that this bill involves two subjects - assessment to the counties for services rendered by Fish and Game and the modification of the lights required on motorboats. He said that the Department has discovered that since 1960 the lighting requirements were those that were

set for the Great Lakes. The request of the Department is to bring them up to standard and conformity on inland waters. In regard to the \$2.00 charge to the counties, the Department recommended deletion of Page 2, Lines 4 through 10, subsequent to a meeting with the assessors.

Keith Sherwood of Fish and Game furnished a copy of a part of the regulations for lights, which is attached as Exhibit B. A portion of this page stated that the stern light is not required for vessels under sail alone on the Great Lakes.

Mr. Mann moved that A.B. 104 be given an Amend, and Do Pass as Amended recommendation; Mr. Dreyer seconded. The amendment follows the recommendation of the Department of Fish and Game through Mr. Wright. The motion was given unanimous approval by the committee, except for Mr. Jacobsen who was not present when this vote was taken.

ASSEMBLY JOINT RESOLUTION 12

Mr. Wright began testimony on A.J.R. 12 by stating that this resolution proposes to amend Section 1, Article 10 of the constitution making it permissive to include motorboats under the method of collecting privilege tax similar to what the Department of Motor Vehicles now does. It would take several years before something could happen. Statues would have to be passed by the Legislature creating a privilege tax. There has been some confusion because this amendment talks about vehicles and motorboats. Collection of a privilege tax on motorboats can rest with Fish and Game if that is what the Legislature decides. The primary points to be considered would be the annual amount of the tax, minimum tax on the boats, affidavit of non-operation, and information on the distribution and commission to the State for administering the privilege tax.

Mr. Wright stated that the Department felt that "water craft" would be a better definition for motorboat. For an amphibious vehicle, he explained that the DMV now registers and titles the vehicle, then Fish and Game registers it for use on the water.

When asked about snowmobiles, Mr. Wright said that his Department has taken the position that they do not want to take any more than they already have.

Homer Rodriguez, Carson City Assessor, speaking for the assessors in the State, stated that they find no objection with Fish and Game taking over the collection of taxes on motorboats.

Mr. Mann moved that A.J.R. 12 be rescheduled and that the committee not make a recommendation at this meeting; Mr. Murphy seconded. The motion was approved unanimously.

ASSEMBLY JOINT RESOLUTION 10 of the 58th Session
ASSEMBLY JOINT RESOLUTION 21 of the 58th Session

Mr. Frank Daykin of the Legislative Counsel Bureau was the first to speak. Chairman May had asked him to appear before the committee to clarify some legal questions about the two resolutions being considered.

Mr. Daykin stated that the word "livestock" is not defined in these amendments, but that he did not think that this would present any serious problem. There are two situations where livestock would enter into this amendment. Whatever the word may mean, I think it means ordinary farm animals and poultry, if these are in the inventory of a farmer or rancher. You have to argue - what is called business inventory. If a person is a rancher, then cattle are his business inventory. If a man raises chickens to sell, then these chickens are his business inventory. Now if you get down into the optional part of the amendment, that is where livestock needs definition. The Legislature would have to define this as it chose to exempt these things. The reason for adding the phrase "including livestock" was to distinguish the case of the rancher whose cattle or horses are definitely a part of his inventory in relation to the citizen who might have only a few horses or other animals. Livestock is included in business inventory.

Mr. Daykin said that the next question was possible conflict with the free port law. He said that the free port law and either resolution would operate to supplement one another. Property which is exempt from tax under the free port law remains exempt from tax under that free port clause. This adds a further exemption. Both exemptions might apply to one taxpayer who does business inside and outside the State.

The third question, the effective date, tends to be a stinker because an amendment is effective upon ratification by the people. You may not know it was ratified until the votes are officially counted, but its effect reaches back to

the voting date. As far as the automatic exemption of business inventory, you would have to prorate those taxes. By December 1, if this is ratified, business inventories would not be taxable because the constitution would have changed. With respect to the optional exemption where the Legislature could exempt other personal property, the Legislature would have to say when the effective date would be. If a taxpayer had paid tax for the full year upon the estimated inventory, he would be entitled to a partial refund.

The proponents of A.J.R. 10 stated that they felt their comments in the February 1, 1977, meeting were sufficient and they did not wish to give any further testimony.

Mr. Jack Hunter spoke in opposition to these resolutions. He said that they have caused him great concern. If this was passed and the business inventories and livestock were taken off the tax rolls, there would be at least \$4,395,000 taken out of tax funds. Mr. Hunter read what the loss would have been to each of the counties in fiscal year 1974-75. These figures are attached as Exhibit C.

Mr. Hunter asked where this loss would be made up. He said that this does give tax relief to a certain segment, but who would be responsible when a new tax was created. He said that if new revenue is not generated as is hoped then an additional tax must be levied. He said that there were three ways to do this. The Legislature could raise the sales tax. They could circumvent the \$5.00 limit on property taxes and at the same time raise valuations on property thereby passing the new tax back to the ones who "get it all the time": the small home owner and the wage earner.

Mr. Mann then stated that he had talked with a county commissioner from Clark County. The commissioner had told him how many businessmen have not paid this tax. He said that he was a firm believer that this is an unjust tax. The emotional appeal that the tax would be passed on to the home owner is just not true.

Mr. Hunter stated that the Legislature had no guarantee that the repeal of this tax would increase sales tax revenue. Unless there is a great deal of thought given to this, he felt that it would come back. He said that the tax would come back on the home owner and the wage earner. It would be another rape of the home owner and wage earner by special interests.

Mr. Horn stated that he felt that the objective is not whether we will make up the tax in additional sales revenue nor that the objective is where the tax will be made up. The topic is whether A.J.R. 10 or 21 is in fact a just tax, a fair tax, and an equitable tax. He said that he does not think that the question is whether we will be able to generate additional revenue.

Mr. Hunter asked if the Committee should look farther into the future. Suppose that this is an inequitable tax, and you take it off. You must replace it by something. Do you think that the people should know that they might be subject to additional tax. He said that it would be the job of the Legislature to come back to provide the counties with additional funds as they fall short as a result of the repeal of the tax.

Mr. Rodriguez spoke again as a representative of the assessors. He said the bill had been discussed among them and the same questions came up as to where this tax taken off will be replaced. He stated that he wished to correct the anticipated tax loss in Carson City, which would be \$111,432. He said he knew of two things that surrounding states without property tax on business inventories did have as compared to Nevada. They had a property tax without a limitation and state income tax.

Chairman May polled the assessors present to see if any did favor passage of A.J.R. 10. The assessor of Washoe County and the designee from Clark County were in favor of A.J.R. 10. Chairman May noted that these were the two most populous counties in the State.

Mr. Tom Moore, Deputy District Attorney for Clark County, gave an update on financial impact in that county. He said the fiscal year 1975-76 loss would be \$2,110,906. He stated that Clark County would be opposed to the bill because of the financial impact without some other means of producing income. More figures showing Clark County's loss are shown on Exhibit D.

Because the assessor's designee had previously stated that Clark County was in favor of A.J.R. 10, he was asked to specifically state his views. Mr. Gary Milliken said that basically the Clark County assessor is not opposed to either resolution, but they do create many problems, one being the loss of revenue. He said that either of these resolutions will not ease the burden of the assessor in collecting business taxes that much because he is still responsible for the other taxes on businesses. Mr. Milliken stated also that

when you get into the area of proration, it is a very difficult and complicated thing. He stated that in Clark County the biggest complaint about the tax was its unfairness.

Mr. C. G. Charchalis, White Pine County assessor, inquired as to if this resolution would exempt mining equipment and other types of equipment. He was told of the Committee's previous action on A.B. 53 which would have exempted property taxes from taxable mine proceeds.

Mr. John Moschette, Elko County assessor, stated that his county stands to lose the most percentage wise if this resolution is passed. He felt that the reason for this was the large percentage of cattle in the State that is in Elko County. He felt that livestock operators need all the relief they can get, but the county will be losing 13% of its income, and he did not see where it could be made up.

Mr. Hunter had talked with Mr. Sheehan and told the Committee that there would have to be \$120 million in additional sales to make up for the revenue lost in inventory tax.

Mr. Craddock presented a statement he had prepared concerning the inventory tax. This is attached as Exhibit E.

Mr. Mann moved that the Committee give A.J.R. 10 a Do Pass recommendation; Mr. Horn seconded. Mr. Mann further requested a roll call vote on this motion, and the vote was unanimously in favor of the motion. No committee action was taken on A.J.R. 21.

Chairman May adjourned the meeting at 11:01 a.m.

Respectfully submitted,

Carl R. Ruthstrom Jr

Carl R. Ruthstrom, Jr.
Secretary

2/4/77

From the desk of ...

PAUL W. MAY

Assemblyman, District 19 (Clark)

ALL MEMBERS ASSEMBLY TA RATTALL

INITIAL

WAT - PZ
 CHOFIELD - JS
 ENDOREK - ME
 DINEEN - PD
 HANMAN - HK
 LEON - JG
 MANN - JN
 MURPHY - J
 THORSEN - J

A. B. 102 WAS REFERRED FROM
 COMM. ON TAX WITH A DO PASS AND
 REP. TO WAYS. MELLO
 MR. MELLO DOES NOT WANT THE
 BILL PERMISSIVE TO AMEND MATION TO
 DO PASS -

3309 Wright Ave., North Las Vegas, Nevada 89030

Paul W. May

**Lights Required on Boats Underway Between Sunset and Sunrise
For Power Boats Under 65 Feet and All Sailing Vessels**

Vessels at anchor must display anchor lights except those under 65 feet in "special anchorage area"

MOTORBOAT ACT (Act of April 25, 1940).—

used where Inland, Western Rivers and Great Lakes Rules apply

POWER ALONE	SAIL and POWER	AUXILIARY: SAIL ALONE*	SAILBOATS
<p>under 26' in length</p> <p>32 pts 2 mi. white red green comb. 20 pts. 1 mi.</p>	<p>32 pts 2 mi. white red green comb. 20 pts. 1 mi.</p>	<p>12 pts 2 mi. white red green comb. 20 pts 1 mi</p>	<p>12 pts 2 mi. white red green 10 pts 2 mi - Sidelights</p>
<p>26' to 65' in length</p> <p>32 pts 2 mi. white 10 pts 1 mi. red green white 20 pts 2 mi. 10 pts 1 mi.</p>	<p>32 pts 2 mi. white 10 pts 1 mi. red green white 10 pts 1 mi. 20 pts 2 mi.</p>	<p>12 pts 2 mi. white 10 pts 1 mi. red green white 10 pts 1 mi.</p>	<p>*Stern light not required for vessels under sail alone on Great Lakes</p> <p>Manually propelled vessels shall have a white light ready to be temporarily exhibited in time to prevent collision.</p>

INTERNATIONAL RULES.—

required on high seas, may be used inland

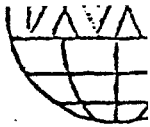
POWER ALONE	SAIL and POWER	AUXILIARY: SAIL ALONE*	SAILBOATS
<p>less than 40' in length</p> <p>carried 3 ft higher than colored lights 20 pts. white 3 mi 12 pts 2 mi. red green comb. 20 pts 1 mi. or 10 pt. separate sidelights</p>	<p>20 pts 3 mi. white 12 pts 2 mi. red green comb. 20 pts. 1 mi. or 10 pt. separate sidelights</p>	<p>12 pts 2 mi. white red green comb. 20 pts 1 mi</p>	<p>12 pts 2 mi. white red green 10 pts 2 mi</p>
<p>power—40' but less than 65'—sailing vessels over 40'</p> <p>located 3 ft above gunwale 20 pts 3 mi. white 12 pts 2 mi. red 10 pts 1 mi. green 10 pts 1 mi. or 20 pt comb.</p>	<p>20 pts 3 mi. white 12 pts 2 mi. red 10 pts 1 mi. green 10 pts 1 mi. or 20 pt comb.</p>	<p>20 pts 2 mi. white 12 pts 2 mi. red 10 pts 2 mi. green 3 ft screen on sidelights</p>	<p>Red over Green 20 pt 2 mi. for masthead optional for all sailboats</p>

Year 1974-1975

EFFECT OF A.J.R. 10 AND A.J.R. 21
 Constitutional Amendment To
EXEMPT
Business Inventories and Livestock

<u>County</u>	<u>Total Valuation</u>	<u>Business Inventory Valuation</u>	<u>Livestock Valuation</u>	<u>Total Exempt Valuation</u>	<u>Percentage Loss</u>	<u>Composite Tax Rate</u>	<u>Tax Loss in Dollars</u>
Carson City	\$ 90,069,233	\$ 241,750	\$ 62,416	\$ 304,166	0.34%	4.1831	\$ 12,723.57
Churchill	47,406,976	817,944	2,211,454	3,029,398	6.39%	4.2008	127,258.95
Clark	1,665,102,836	36,806,692	1,273,141	38,079,833	2.29%	4.2400	1,614,584.92
Douglas	111,419,453	1,208,075	1,425,454	2,633,529	2.36%	2.7831	73,293.75
Elko	143,703,033	2,148,147	16,251,271	18,399,418	12.80%	3.3225	611,320.66
Esmeralda	11,366,331	8,955	324,015	332,970	2.93%	3.9849	13,268.52
Eureka	28,134,933	35,130	2,059,759	2,094,889	7.45%	3.5033	73,390.25
Humboldt	51,080,492	833,510	5,040,789	5,874,299	11.50%	3.8033	223,417.21
Lander	26,100,000	96,560	2,059,804	2,156,364	8.26%	3.9823	85,872.88
Lincoln	16,343,660	130,381	1,374,235	1,504,616	9.21%	3.7749	68,122.45
Lyon	75,796,391	1,144,845	2,030,421	3,175,266	4.19%	4.0457	128,461.74
Mineral	21,000,049	238,910	141,304	380,214	1.81%	5.0000	19,010.70
Nye	58,489,996	233,744	2,055,573	2,289,317	3.91%	3.6452	83,450.18
Pershing	29,808,887	213,875	1,246,515	1,460,390	4.90%	3.4483	50,358.63
Storey	7,808,305	43,486	33,415	76,901	0.98%	4.2046	3,233.38
Washoe	878,768,450	22,670,320	2,166,176	24,836,496	2.83%	4.3870	1,092,060.73
White Pine	42,870,060	1,087,720	1,840,884	2,928,604	6.83%	3.9401	115,389.93
TOTALS	\$3,305,269,085	\$67,960,044	\$41,596,626	\$109,556,670	3.31%		\$4,395,218.45

EXHIBIT C



JEAN E. DUTTON, County Assessor

K. DON DUNN, CAE, Assistant County Assessor

TO : George Ogilvie, County Administrator

DATE: January 14, 1977

FROM : J. E. Dutton, Assessor

SUBJECT: AMENDMENT TO ARTICLE X, NEVADA CONSTITUTION

Below please find impact statement on revenues lost if the attached changes to Article X become reality.

	<u>Merchandise Inventory</u>	<u>Assessed Value</u>	<u>Tax Dollars</u>
FY 1975/76	120,719,791	42,251,927	\$2,110,906
FY 1976/77 (Projected)	130,377,374	45,632,081	2,279,779
FY 1977/78 (Projected)	143,415,111	50,195,289	2,507,757

JED/JLS/sr
Attchs.
cc: File

A.J.R. 10/21 of the 58th Session

The \$5.8 million collected through the inventory tax when computed mathematically indicate that the inventory of the retail merchants in Nevada is valued at some \$340 million. Most of the expertise in the area of inventory value are of the opinion that the value of the merchandise within Nevada offered for sale is much, much more than that on which tax is paid. If this is true, it would be a clear indication that the merchants who keep records of their inventories and make the same available to the Nevada Tax Commission for the purpose of levying tax are the ones who are paying the \$5.8 million into our State Treasury.

In some cases it is suggested, and in a very convincing way, that some merchants are less than honest or less than candid in manifesting their inventory to avoid taxes, resulting in a situation where the more honest or more capable is placed at a disadvantage as compared to the less honest or less capable. A bad tax . . . from the vantage of fairness and collectibility.

Since business taxes are, without exception, passed on to the consumer, the general public pays the tax as well as the administrative costs. At most the inventory tax amounts to 1.75% of the wholesale value of an item. While its repeal may not result in a noticeable reduction in the cost to the consumer, one would be disappointed if it did not slow the inflation rate slightly.

As surely, and, to the extent that the free enterprise system works, the consuming public will realize a reduction. Since that same consuming public must pay the administrative costs of all taxes, the reduction should reflect that cost as well.

Robert Craddock

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INDEX OF MEASURES IN ASSEMBLY COMMITTEE ON TAXATION
February 8, 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				
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. 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/Means 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	
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.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			

<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.J.R. 21/ 58th Session	1/17/77	Committee on Taxation	Proposes constitutional amendment for progressive exemption of busi- ness inventories from property taxation and legislative exemption of other personal property.	2/1/77 2/8/77				
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.			

GUEST LIST

<u>NAME</u> (Please print)	<u>REPRESENTING</u>	<u>WISH TO SPEAK</u>	
		Yes	No
<i>Thomas Rodriguez</i>	<i>Osage City Assessor</i>	✓	
<i>TERRY SOTAK</i>	<i>NYE COUNTY ASSESSOR</i>		✓
<i>William T. Lloyd</i>	<i>Lincoln County Assessor</i>		✓
<i>Bernie Medina</i>	<i>Tracy County Assessor</i>		✓
<i>John Moschetti</i>	<i>ETKO Co Assessor</i>		✓
<i>Fred Ward</i>	<i>LYON Co. Assessor</i>		✓
<i>Tony Mulliken</i>	<i>Clark Co. Assessor</i>		✓
<i>C G CHARCHALIS</i>	<i>WHITE PINE ASSESSOR</i>		✓
<i>Charles J. Sheeran</i>	<i>Pershing Co. Assessor</i>		✓
<i>Albus H. Stodunk</i>	<i>William Mens shop inc</i>		✓
<i>Tom Kruse</i>	<i>Dept of Tobacco</i>	✓	✓
<i>JACK J. HUNTER</i>	<i>EN. STATE Bd. OF EQUALIZATION</i>	✓	
<i>John J. Sheehan</i>	<i>Dept of TAX</i>		✓
<i>MARILYN PAOLI</i>	<i>Dept of TAX</i>		✓
<i>Keith Sterwood</i>	<i>Fish & Game</i>	✓	
<i>Fred E. Wight</i>	<i>" "</i>	✓	
<i>Dennis Gempster</i>	<i>lyon Co. Assessor</i>		✓
<i>Russ McDonald</i>	<i>Washoe County</i>	✓	
<i>Tom Moore</i>	<i>Clark County</i>	✓	
<i>Frank W. Daphin</i>	<i>Legislative Council</i>		

ASSEMBLY COMMITTEE ON TAXATION
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: TUESDAY, FEBRUARY 8, 1977

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