

MINUTES

ASSEMBLY COMMITTEE ON TAXATION

MARCH 24, 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: David W. Baker
Edward Greer, Clark County School District
Pete Kelley, Nevada Retail Association
James C. Lien, Department of Taxation
Marilyn Paoli, Department of Taxation
Homer Rodriguez, Carson City Assessor
W. J. Slocum, Douglas County

Chairman May called the meeting to order at 9:36 a.m.

ASSEMBLY JOINT RESOLUTION 21 of the 58th Session

Chairman May stated that the Senate Committee on Taxation has not passed the previous measure referred to them, A.J.R. 10 of the 58th Session. He said that the Senate Committee had asked for this resolution so that they could consider both. He stated that the two measures are identical except A.J.R. 21 provides for a five-year phase out of the inventory tax.

Pete Kelley spoke in favor of A.J.R. 21, and his comments are attached as Exhibit A.

Edward Greer spoke in opposition to the resolution. He said that he had not been able to testify on A.J.R. 10, and that he wanted to go on record as to the impact to the Clark County School District with the passage of either resolution. He said that at the end of five years, the full impact would be \$937,000. Of this amount, the operating budget would lose \$341,000; the State School Fund would lose \$298,000, and the bond debt service payment would lose \$298,000. He said that he got the figures through direct contact with the County to see what the actual taxes imposed on the inventories at the present time.

Mr. Mann moved for a Do Pass recommendation on A.J.R. 21 of the 58th Session; Mr. Harmon seconded. The motion received unanimous approval of the Committee on a roll call vote.

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ASSEMBLY BILL 347

Chairman May requested that the record show that the three members indicating the desire to file a minority report on this bill had changed their minds. The bill was referred to the Assembly floor March 23, 1977, with a Do Pass recommendation.

Mr. Horn moved for adjournment; Chairman May seconded. The Committee adjourned at 9:52 a.m.

Respectfully submitted,

Carl R. Ruthstrom, Jr.

Carl R. Ruthstrom, Jr.
Secretary



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I'M PLEASANTLY REPRESENTING THE NEVADA RETAIL ASSOCIATION, **APPEARING IN SUPPORT OF AJR 21.**

I WOULD LIKE TO DETAIL WHAT HAS HAPPENED SINCE WE WERE LAST ~~HERE~~ HERE ON THE INVENTORY ISSUE.

AJR 10 PASSED THE ASSEMBLY HANDILY AND NOW IS IN THE SENATE COMMITTEE ON TAXATION WITH A "HOLD" PLACED ON IT FOLLOWING AN AFTERNOON HEARING BEFORE THAT COMMITTEE.

AT THE SENATE HEARING, THE OPPOSITION TO AJR 10 PRESENTED ALARMING, DIRE STATISTICS, WHICH AT FIRST GLANCE WOULD INDICATE THAT NEVADA'S TAX STRUCTURE WOULD VIRTUALLY COLLAPSE IF THE INVENTORY TAX WAS REPEALED.

THESE STATISTICS, COMPILED BY THE NEVADA TAX COMMISSION AND EXPOUNDED ON PRINCIPALLY BY THE CHAIRMAN OF THE STATE BOARD OF EQUALIZATION, REFLECTED NOTHING BUT DOOM. THERE WASN'T A IOTA OF OPTIMISM...NOTHING WHICH WOULD HELP CREATE AN ATMOSPHERE IN NEVADA WHICH WOULD FOSTER BUSINESS CONFIDENCE...WHICH WOULD ENCOURAGE BUSINESS OR ECONOMIC EXPANSION...OR WHICH WOULD CREATE MORE JOBS FOR RESIDENTS OF THIS STATE.

IF THE CHAIRMAN OF THE STATE BOARD OF EQUALIZATION WAS SPEAKING FOR THE ENTIRE BOARD, I FEEL HE WAS DOING IT A DISSERVICE. THE VERY NAME OF THE BOARD DENOTES



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EQUALITY AND THERE CERTAINLY IS NO EQUALITY IN KEEPING IN NEVADA'S CONSTITUTION A TAX WHICH EVERYONE—EVEN THOSE OPPOSED TO THESE PROPOSED AMENDMENTS—WILL AGREE IS UNFAIR AND IMPOSSIBLE TO ADMINISTER.

WE HAVE NOT HAD A CHANCE TO ADEQUATELY RESPOND TO THE FIGURES WHICH ~~WE~~ ^{CLAIM} NEVADA WOULD LOSE NEARLY \$5 MILLION IN REVENUE IF THE INVENTORY TAX WAS REPEALED. AND IN THIS DAY OF NEVADA'S BILLION DOLLAR BUDGET, \$5 MILLION IS A RELATIVELY INSIGNIFICANT SUM.

WE DO NOT BELIEVE THAT NEVADA WILL LOSE ANYWHERE NEAR \$5 MILLION NOR THAT ONCE THIS TAX IS REPEALED THAT NEVADA'S ECONOMIC WORLD WILL COME TO AN END. CONVERSELY, WE FEEL THAT REPEAL OF THE INVENTORY TAX WILL HAVE THE SAME EFFECT ON NEVADA'S BUSINESS ECONOMY AS HAS THE FREEPORT LAW.

OUR COMPARISON OF THE FREEPORT LAW ON ONE HAND, AND ITS 180-DEGREE OPPOSITE ON THE OTHER SIDE—THE INVENTORY TAX—ALSO HAS BROUGHT FORTH FIGURES FROM THE NEVADA TAX COMMISSION WHICH AGAIN REFLECTS PESSIMISM. IT WOULD TAKE, FOR INSTANCE, 52.2 WAREHOUSES IN NEVADA TO MAKEUP ASSESSED VALUATION OF INVENTORY REVENUE LOSS, YET NOWHERE DID THIS TAX COMMISSION REPORT POINT OUT THAT ONE WAREHOUSE OPERATION NOW BUILDING

IN NEVADA ~~WOULD~~ WILL ^{Provide} ~~FOR~~ 1600 FULLTIME JOBS AND AN ADDITIONAL 800 SEASONAL JOBS WHEN

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IT OPENS IN EARLY 1979. THIS DISTRIBUTION CENTER, FORMER TESTIMONY ASSERTS, WILL ALSO HAVE A MULTIPLIER EFFECT ON THE ECONOMY BY STIMULATING TRANSPORTATION, CONSTRUCTION AND SUPPORT BUSINESSES AND THE CREATION OF ADDITIONAL JOBS.

THESE FACTS, HOWEVER, ARE NOT MENTIONED IN THIS ONE-SIDED REPORT PREPARED BY THE TAX COMMISSION. IT WOULD BE ENLIGHTENING IF THIS AGENCY APPLIED THE SAME AMOUNT OF TIME AND EFFORT IN EMPHASIZING THE POSITIVE ASPECTS OF REPEAL AS IT HAS IN POINTING UP THE NEGATIVE.

AND SPEAKING OF ASSESSED VALUATION, THE RECORD SHOWS THAT SINCE 1969 THERE HAS BEEN A SUBSTANTIAL INCREASE IN ALL COUNTIES, ~~WHERE~~ THE AMOUNT DOUBLING IN THE EIGHT YEAR PERIOD.

IN SUMMARY...I. AGAIN CALL THESE FACTS TO YOUR ATTENTION:

--- ALL STATES SURROUNDING NEVADA AND 34 NATIONWIDE HAVE EITHER REPEALED OR PHASED OUT THIS TAX. NEVADA MUST REMAIN COMPETITIVE.

--- THERE ARE VARIOUS WAYS TO MAKE UP LOST REVENUE...IF THERE IS TO BE LOST REVENUE.

--- WE NEED THE ASSEMBLY TO SEND TO THE SENATE APR 21, AS REQUESTED, SO THAT

WE WILL BE ABLE, AT FULL HEARING THERE TO REBUT STATISTICS PRESENTED EARLIER.

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--- PASSAGE OF EITHER OF THESE TWO AMENDMENTS WILL NOT BE THE FINAL ANSWER.

WE STILL HAVE TO CONVINCE THE ELECTORATE IN NOVEMBER OF 1978. AND THE LEGISLATURE WILL BE IN SESSION TWO MONTHS THEREAFTER TO HELP SOLVE ANY FINANCIAL PROBLEM SHOULD ONE ARISE.

--- CALIFORNIA, AS AN EXAMPLE, WHICH NOW LEVIES A TAX ON MERCHANT INVENTORIES AT A REDUCED RATE, HAS FOUR DIFFERENT BILLS ON EITHER COMPLETE REPEAL OR PHASE-OUT. CALIFORNIA, BY THE WAY, IS ENVIOUS OF NEVADA'S FREEPORT DEVELOPMENT. THE CALIFORNIA RETAILERS ASSOCIATION IS CIRCULATING ~~IN~~ A RECENT ARTICLE IN FORBES MAGAZINE ENTITLED CALIFORNIA'S PARADISE LOST, COMMENTING "COMPARED WITH THE RED CARPET TREATMENT CORPORATE SITE-SEEKERS ARE ACCORDED ELSEWHERE IN THE SUNBELT, CALIFORNIA IS DOWNRIGHT ALCOF... IN ITS WARM FEELINGS FOR BUSINESS, CALIFORNIA RANKED 48th AMONG THE 50 STATES".

IT GOES ON TO SAY THAT "CALIFORNIA'S ENVIRONMENTAL BATTLES ARE ONLY THE MOST WIDELY PUBLICIZED SOURCES OF CONFLICT OVER WHAT IS, AND WHAT IS NOT, IN THE PUBLIC INTEREST AS FAR AS BUSINESS EXPANSION IS CONCERNED.

"TAX STRUCTURE IS ANOTHER AND, FOR SOME, AN EVEN MORE PRESSING IRRITANT. CALIFORNIA, FOR EXAMPLE ISN'T THE ONLY WESTERN STATE THAT LEVIES A TAX ON INVENTORIES. BUT IT IS ONE OF THE VERY FEW THAT HASN'T SCHEDULED IT FOR EXTINCTION. THAT TAX ALONE, MORE THAN

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OTHER FACTOR, ACCOUNTS FOR A VIRTUAL RING OF DISTRIBUTION WAREHOUSES SURROUNDING THE STATE--IN ARIZONA, NEVADA, UTAH, OREGON--RATHER THAN LOCATING INSIDE THE BORDERS HOLDING A MARKET CONTAINING A TENTH OF THE U.S. POPULATION.

"THE NEW WAREHOUSE J.C. PENNEY IS BUILDING TO KE BACK UP A MAJOR EXPANSION OF ITS CATALOG SALES BUSINESS ON THE WEST COAST WILL BE LOCATED IN RENO, NEVADA. THE ~~RE~~ TWO MILLION SQUARE FOOT CENTER SCHEDULED FOR COMPLETION IN 1979 WILL PROVIDE ABOUT 2,000 NEW JOBS FOR NEVADANS, NOT CALIFORNIANS".

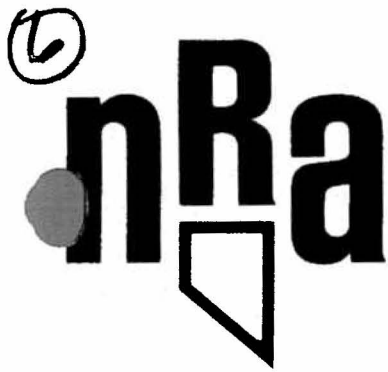
FINALLY, THREE BASIC QUESTIONS MUST BE ANSWERED...IS THIS TAX A FAIR AND EQUITABLE ONE OR NOT?

CAN OR CANNOT IT BE PROPERLY ADMINISTERED?

IF BOTH QUESTIONS ARE ANSWERED IN THE NEGATIVE...AND SURELY THEY MUST BE...IT WOULD APPEAR THAT LEGISLATIVE ACTION IS MANDATORY TO BRING ABOUT NEEDED CORRECTION. IT IS INCONCEIVABLE THAT TAXING AUTHORITIES AT ANY LEVEL WOULD LEND CONTINUED SUPPORT ...AND LOBBY FOR...A TAX THAT ADMITTEDLY IS UNJUST, UNFAIR AND IMPOSSIBLE TO ADMINISTER. BETTER THESE SAME OFFICIALS COULD SPEND THEIR TIME IN MAKING GOVERNMENT MORE EFFICIENT. OUR ESTIMATES SHOW, FOR INSTANCE, THAT IF GROWTH RATE OF GOVERNMENT EXPENDITURES WAS

REDUCED BY ONLY TWO PER CENT THAT THE WHOLE AMOUNT OF THE SO-CALLED INVENTORY TAX LOSS

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WOULD BE RECOVERED.

MUST THE BUSINESS COMMUNITY WAIT A MINIMUM OF FOUR ^{to 5} MORE YEARS BEFORE ACTION IS TAKEN ON THIS UNFAIR TAX? THAT'S WHAT IT TAKES TO AMEND OUR CONSTITUTION. AND KEEP IN MIND THAT WHAT THE LEGISLATURE DOES HERE THIS SESSION IS NOT THE FINAL ANSWER. WE STILL HAVE TO CONVINCE THE VOTERS AND WE WELL COULD LOSE THAT FIGHT... BUT WE'D LIKE A CRACK AT IT.

I THINK ASSEMBLYMAN CRADDOCK EXPRESS IT ADEQUATELY WHEN HE TESTIFIED BEFORE THIS COMMISSION FEBRUARY 8 ON AJR 10. IN PART HE SAID:

"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 1.76 PER CENT 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 THE SAME CONSUMING PUBLIC MUST PAY THE ADMINISTRATIVE COSTS OF ALL TAXES, THE REDUCTION SHOULD REFLECT THAT COST AS WELL."

Thank you for your attention!

INDEX OF MEASURES IN ASSEMBLY COMMITTEE ON TAXATION
March 24, 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	Passed 3/9/77	3/11/77
A.B. 100	1/20/77	Committee on Taxation	Places cigarette taxes directly upon ultimate consumer.	2/22/77 3/1/77	Amend; Do Pass as Amended	Passed 3/10/77		
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	Passed 3/22/77	
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	Passed 3/22/77	
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	Passed 2/21/77	Passed 3/15/77	3/18/77
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	Passed 3/16/77	3/21/77

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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	Passed 2/28/77	3/3/77
A.B. 175	1/27/77	Weise	Provides abatement of taxes on all real property acquired by State.	2/10/77 3/1/77	Amend; Do Pass as Amended	Passed 3/7/77		
A.B. 262	2/2/77	Kosinski	Provides an election to pay property tax levied against certain mobile homes in quarterly installments.	3/1/77 3/8/77 3/15/77	Motion to Do Pass Failed Amend; Do Pass as Amended			
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 2/21/77* 3/2/77*				
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 2/21/77* 3/2/77*				
A.B. 304	2/14/77	Robinson	Provides alternative system of property tax relief to senior citizens without regard to income and makes other extensive revisions to Senior Citizens' Property Tax Assistance Act.	3/10/77 3/15/77				

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A.B. 310	2/15/77	Coulter	Provides property tax exemption to elderly.	3/10/77 3/15/77				
A.B. 317	2/16/77	Demers	Permits Department of Taxation to provide for insulation of certain senior citizens' homes.	3/10/77 3/15/77	Ind. Post.			
A.B. 322	2/18/77	Coulter	Provides alternative system of property tax relief to senior citizens qualified by income and makes other extensive revisions to Senior Citizens' Property Tax Assistance Act.	3/10/77 3/15/77				
A.B. 347	2/24/77	Committee on Taxation	Excludes combustible gases from taxation as a special fuel.	3/17/77 3/22/77 3/24/77	Majority: Do Pass Minority: Do Not Pass Do Pass			
A.B. 348	2/24/77	Committee on Taxation	Provides standard for determining assessed value of improvements under construction and clarifies which standards may be used in assessing agricultural land.	3/8/77	Do Pass	Passed 3/10/77		
A.B. 363	2/25/77	Vergiels	Provides for imposition of county cigarette tax to finance certain recreational projects.	3/17/77				
A.B. 364	2/25/77	May	Renames and expands duties of certification advisory board in Department of Taxation and alters certification and training requirements for certain appraisers.	3/8/77	Do Pass	Passed 3/10/77		

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A.B. 368	2/28/77	Goodman	Proposes to amend Sales and Use Tax Act of 1955 to provide for recoupment of taxes paid on uncollectible accounts.	3/8/77	Ind. Post.			
A.B. 374	3/1/77	May	Makes various changes in law relating to property taxes and to special taxes on livestock.	3/22/77				
A.B. 395	3/1/77	Mello	Changes income limitation and allowances of Senior Citizens' Property Tax Assistance Act.	3/10/77 3/15/77				
A.B. 463	3/15/77	Committee on Taxation	Modifies requirement to report value of transferred real property and increases penalty for false declarations.	3/22/77	Do Pass	Passed 3/24/77		
A.B. 478	3/17/77	Committee on Taxation	Makes various changes in law relating to taxes on bees and livestock.	3/22/77	Ind. Post.			
A.B. 482	3/17/77	Demers	Permits taxation of certain interests in tax-exempt property.	3/22/77				
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 2/21/77* 3/2/77*				
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 2/21/77* 3/2/77*				

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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 3/1/77	Amend; Do Pass as Amended	Passed 3/9/77		
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 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 3/24/77	Do Pass			
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.			

*In Subcommittee

ASSEMBLY COMMITTEE ON TAXATION
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: THURSDAY, MARCH 24, 1977

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