

MINUTES

ASSEMBLY COMMITTEE ON TAXATION  
APRIL 26, 1977  
9:30 a.m.

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

Members Excused: Mr. Schofield  
Mr. Harmon

Guests Present: Bryn Armstrong, Las Vegas Sun  
David W. Baker  
Ed Bowers, Gaming Industry Association  
Bob Broadbent, Clark County Commission  
R. E. Cahill, Nevada Resort Association  
Fred Davis, Reno Chamber of Commerce  
Tharia Dondero, Clark County  
Harlan Elges, Gaming Control Board  
Bob Faiss, Lionel, Sawyer & Collins  
John Gianotti, Harrah's  
R. Guild Gray, Burrous, Smith & Co.  
Phil Hannifin, Gaming Control Board  
Bud Hicks, Attorney General - Gaming Control Board  
Louise Justice, Clark County  
Les Kofoed, Gaming Industry Association  
James C. Lien, Department of Taxation  
Gary Milliken, Clark County Assessor's Office  
Tom Moore, Clark County  
W. J. Slocum, Douglas County  
Nick Smith, Burrous, Smith & Co.  
Ron Smith, Reno Chamber of Commerce

Chairman May called the meeting to order at 9:39 a.m.

SENATE BILL 420

Bob Broadbent spoke first in favor of the bill. He stated that the Southern Nevada Memorial Hospital in Clark County is in the process of trying to sell bonds. He said that the hospital, unlike the past, is now on a stable paying basis. He said that there would be a real difficulty in trying to sell the bonds on a revenue basis. He said that the initial proposal was to adopt a county gaming tax to help guarantee the repayment of the bonds.

Mr. Broadbent stated that the Nevada Gaming Association opposed the original bill, and the bill was amended to make the bonds a general obligation of the county. He said that the economic stability of the hospital and medical care lies and rests on the passage of this bill.

Mr. Mann stated that the problem he saw with the bill was that the voters of Clark County had turned down a similar bond issue for the hospital about three years ago. He asked Mr. Broadbent why the county was coming to the Legislature overriding the wishes of the people.

Mr. Broadbent answered that the bond issue was presented to the voters when the county commissioners did not comprise the board of the Southern Nevada Memorial Hospital. He said that there have been feasible studies that say the hospital can demonstrate economic stability.

Mr. Craddock said that he had learned after the previous bond issue was defeated that another hospital in Clark County had spent thousands of dollars in an extensive campaign against the referendum on the basis that Southern Nevada Memorial Hospital did not need extra facilities because there would be empty beds and that would result in a cost greater than the bond issue itself. He stated that about six months after the defeat of the bond issue, the hospital engaged in the campaign against the referendum applied for permission to enlarge their own facilities. He stated that the general public can be hoodwinked.

R. Guild Gray was the next speaker for the bill. He said that when the previously mentioned bond issue had come before the people that the hospital did not have a very impressive track record. The decision was made to put the issue on the ballot, and it was defeated.

Mr. Gray said that at the present time the Hyatt Corporation is operating the hospital. He said that the hospital is well-managed and it is running in the black. He stated that with certain outside revenues the bond issue can be supported.

Mr. Gray said that the first proposal did not sit well with the Nevada Resort Association. They felt that the tax would be very unfair. Therefore the idea was introduced that the county commission would use whatever revenues were available if the revenues generated by the hospital were not sufficient to retire the bonds.

Chairman May asked Mr. Gray if the present county tax would be enough to retire the bonds. Mr. Gray said that he did not think it would be enough. He said that much of the money to retire the bonds will come from the profit of the hospital. He said that there are revenues being generated there now which were not there before.

Nick Smith was the next speaker. He stated that any time there is a well-financed campaign against a bond issue, it is almost impossible to carry it. There only has to be the slightest question raised about it. He said that if this general obligation program is not passed, the hospital will have to try to issue revenue bonds. He said that with respect to revenue bonds, you must have 40 to 50% more money than is actually needed annually available and pledged to the bonds.

R. E. Cahill spoke as a representative of the gaming industry. He stated that the industry was not opposed to the bill as amended. He said that he did not believe it would involve an increase of tax, but it might force some readjustment of revenues.

The bill was rescheduled for further hearing.

ASSEMBLY BILL 729

Bud Hicks spoke on the bill, and he explained amendments that had been submitted to the Committee. He said that the first proposed amendment (Exhibit A) was merely cleanup language that also relates to casino entertainment tax where tickets are sold for certain events. The second amendment (Exhibit B) contains the same cleanup language, but it also expands the application of the casino entertainment tax to cover any activity where there is parimutuel wagering conducted in connection with a live sporting event. He said that this particular alternative was drafted at the request of the Committee.

Mr. Mann questioned the inclusion on the first page of the amendment of "photographic products." He said that it was one area that was blatantly considered unfair by the subcommittee that had met earlier in the session. Mr. Hicks stated that the Gaming Control Board would have no problems with deleting those items. He said that it is something for the Legislature to decide if they need the revenues.

Chairman May stated that a problem that the Committee had wrestled with was the question, is this a redraft of an existing tax or is it a new tax? Mr. Hicks stated that this would be a debatable question. He said that the industry

feels that this is a new tax. He said that the legislative intent is not clear and that Jai Alai and photographic concessions probably were not even considered by the Legislature. He stated, however, that there is evidence to show that the Legislature wanted to pick up the Federal Cabaret Tax and, in fact, they were willing to expand upon it to a certain degree to fit our unique industry.

Mr. Hicks stated that the fourth page of the package (Exhibit C) would be a new statute which could work in conjunction with NRS 463.401, the casino entertainment tax. He said that this question came up during the litigation with Jai Alai and the concept this statute stands for had a lot to do with why that case was settled. The proposed statute would provide that taxes which were found by the courts to be incorrectly collected, but could not feasibly be returned to the individuals from whom they were collected, should be retained by the State for the good of all the people.

Mr. Mann stated that he saw the proposed statute as nothing more than trying to resolve what was lost in court by revising the statutes. He said he saw this as unfair because the Gaming Control Board imposes the tax to start with even when there's a legal question of whether that tax should be applied or not. He said that he did not see that it was right for the State to keep any part of a tax that had been wrongly imposed, whether or not it was absorbed by the licensee or stated separately from a given price.

Mr. Hicks answered that he agreed 100% where the licensee has included the tax within his prices, but where he has tacked it on to the price and passed it on to the consumer, he felt that to give the windfall to the licensee is incorrect.

Mr. Hicks stated that the last page of the package (Exhibit D) amends the definition of gross revenue in NRS 463.0114 and deals with various problems encountered by the Gaming Control Board.

Mr. Cahill stated that his group does have problems with the amendments to A.B. 729. Bob Faiss stated that his firm represents a number of clients that are interested in A.B. 729. Since the bill would be rescheduled, Chairman May asked the witnesses present with their permission to return to the next meeting for testimony on A.B. 729. Those present agreed to return, and none asked to be heard on this date.

ASSEMBLY COMMITTEE ON TAXATION  
APRIL 26, 1977  
PAGE FIVE

ASSEMBLY BILL 532

Chairman May read the fiscal note on the bill. It stated that tax collections will be increased about \$2,500 per year, and expenses will be absorbed within existing appropriations.

Mr. Jacobsen moved to give A.B. 532 a Do Pass, as Amended recommendation; Mr. Craddock seconded. The vote was unanimous in favor of the motion with Mr. Schofield, Mr. Dreyer, Mr. Harmon, and Mr. Murphy absent.

ASSEMBLY BILL 692

Chairman May read the fiscal note for this bill. It showed an annual revenue loss of \$3,009,880 if the bill passed.

Mr. Jacobsen stated that he really questioned the amount in the fiscal note, but he moved to indefinitely postpone A.B. 692; Mr. Mann seconded. The vote was unanimous in favor of the motion with Mr. Schofield, Mr. Dreyer, Mr. Harmon, and Mr. Murphy absent.

SENATE BILL 399

Chairman May also read the fiscal note on this bill. It stated that an accurate estimate of impact could not be determined, but it appeared that there would be a slight increase in revenues.

Mr. Mann moved to give S.B. 399 a Do Pass recommendation; Mr. Jacobsen seconded. The vote was unanimous in favor of the motion with Mr. Schofield, Mr. Dreyer, Mr. Harmon, and Mr. Murphy absent.

Chairman May adjourned the meeting at 10:41 a.m.

Respectfully submitted,

*Carl R. Ruthstrom, Jr.*

Carl R. Ruthstrom, Jr.  
Secretary

EXHIBIT A

Sec. \_\_\_\_ NRS 463.401 is hereby amended to read as follows:

463.401. 1. In addition to any other license fees or taxes imposed by this chapter, a [tax, to be known as the] casino entertainment tax [,] is hereby levied upon each licensed gaming establishment in this state , except as expressly limited by paragraph 2 herein, where music and dancing privileges or any other entertainment [, except musical or mechanical music alone,] are provided to patrons in connection with the payment of any admission charge, the service or selling of food [,] or refreshment, or the selling of any merchandise.

2. A licensed gaming establishment is not subject to tax under this section if the establishment is licensed for not more than 50 slot machines, not more than three [table] games or any combination of slot machines and [table] games within such respective limits, or if:

(a) No distilled spirits, wine or beer is served or permitted to be consumed;

(b) Only light refreshment is served;

(c) Where space is provided for dancing, no charge is made for dancing;

(d) Where music is provided or permitted, such music is:

(1) Instrumental or other music which is supplied without any charge to the owner, lessee or operator of such establishment or to any concessionaire; or

(2) Mechanical music.

[2.] 3. The amount of the tax imposed upon each licensed gaming establishment by this section is 10 percent of all amounts paid for admission, merchandise, refreshment or service.

[3.] 4. The tax imposed [by this section] shall be paid by the gaming licensee [of such establishment.] even if some other person receives the amounts paid for admission, merchandise, refreshment or service. In the event of the sale of tickets or any other document which represents an entitlement to attend any event subject to the casino entertainment tax, the tax imposed shall be paid by the gaming licensee according to the value shown on the face of the ticket. All such tickets shall have the value of the ticket plainly imprinted thereon.

Sec. \_\_\_ NRS 463.401 is hereby amended to read as follows:

463.401 1. In addition to any other license fees and taxes imposed by this chapter, a [tax, to be known as the] casino entertainment tax [,] is hereby levied upon each licensed gaming establishment in this state [where music and dancing privileges or any other entertainment, except instrumental or mechanical music alone, are afforded the] , except as expressly limited by paragraph 2 herein, where either of the following activities are provided to patrons in connection with the payment of any admission charge , the serving or selling of food [,] or refreshment, or the selling of any merchandise [.] or service:

(a) Music and dancing privileges or any other entertainment, except instrumental or mechanical music alone; or

(b) Pari-mutuel wagering conducted in connection with any live sporting event.

2. A licensed gaming establishment is not subject to tax under this section if the establishment is licensed for not more than 50 slot machines, not more than three [table] games or any combination of slot machines and [table] games within such respective limits, or if:

(a) No distilled spirits, wine or beer is served or permitted to be consumed;

(b) Only light refreshment is served;

(c) Where space is provided for dancing, no charge is made for dancing;

(d) Where music is provided or permitted, such music is:

(1) Instrumental or other music which is supplied without any charge to the owner, lessee or operator of such establishment or to any concessionaire; or

(2) Mechanical music.

[2.] 3. The amount of the tax imposed upon each licensed gaming establishment by this section is 10 percent of all amounts paid for admission, merchandise, refreshment or service , including the sales of tobacco or photographic products.

[3.] 4. The tax imposed [by this section] shall be paid by the

[Amendment to NRS 463.401]

gaming licensee [of such establishment.] even if some other person receives the amounts paid for admission, merchandise, refreshment or service. In the event of the sale of tickets or any other document which represents an entitlement to attend any event subject to the casino entertainment tax, the tax imposed shall be paid by the gaming licensee according to the value shown on the face of the ticket. All such tickets shall have the value of the ticket plainly imprinted thereon.



EXHIBIT C

Sec. \_\_\_\_\_ NRS 463.0114 is hereby amended to read as follows:

463.0114 "Gross revenue" means the total of all sums received as winnings less only [the total of all sums] cash, at face value, directly paid out [as losses] by a licensee [under a state gaming license during a calendar quarter] as a result of a specific wager.  
Gross revenue shall be determined upon a calendar quarter basis.

Sec. \_\_\_\_\_

463.4 Refund of casino entertainment taxes erroneously over-  
paid. Refunds of casino entertainment taxes erroneously overpaid  
shall be made to the gaming licensee only where the amounts orig-  
inally paid were not passed on to the patron. Refunds of casino  
entertainment taxes which were passed along to patrons shall be  
repaid to the patron who originally paid the tax or, in the absence  
of actual proof of payment, be retained in the general fund of the  
State of Nevada for the benefit of all citizens.



ASSEMBLY COMMITTEE ON TAXATION  
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: TUESDAY, APRIL 26, 1977

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