

MINUTES

ASSEMBLY COMMITTEE ON TAXATION
APRIL 28, 1977
9:30 a.m.

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

Members Excused: Mr. Harmon
Mr. Murphy

Guests Present: Bryn Armstrong, Las Vegas Sun
David W. Baker
Bob Broadbent, Clark County Commissioner
R. E. Cahill, Nevada Resort Association
John Ciardella, Department of Motor Vehicles
Harlan Elges, Gaming Control Board
Bob Faiss, Lionel Sawyer & Collins
Dana Greenleaf, Disabled American Veterans,
Nevada
Frank Johnson, Hilton Hotels Corp.
Les Kofoed, Gaming Industry Association
James C. Lien, Department of Taxation
Joe Midmore, Tobacco Tax Council
Gary Milliken, Clark County Assessor's
Office
Marilyn Paoli, Department of Taxation

As there was not a quorum present, Chairman May called a subcommittee meeting at 9:50 a.m. consisting of himself, Mr. Mann, and Mr. Horn to hear from Gary Milliken concerning a proposed bill, B.D.R. 31-1804 (Exhibit A).

Mr. Milliken stated that the proposed bill is referred to as a "Truth in Taxation" bill. The first bill of this type was passed in Florida in 1974, and since that time five other states have passed similar legislation. At the present time, similar proposals are before ten to twelve other legislatures.

Mr. Milliken read the following from the October 1976 issue of the International Assessor:

The new truth in taxation plan pioneered by Florida and adopted by several other states may prove far superior to temporary state lid laws in reconciling the local demand for fiscal flexibility

in state policy makers' fears about the misdirection of political responsibility. Under the Florida plan, local officials are free to set rates as high as they desire, provided that they follow a rigorous full disclosure procedure and thereby assume complete responsibility for the resultant increase in taxes.

Mr. Milliken stated that there are four main points to this. The primary effect is to keep taxpayers from paying maximum statutory rates after reevaluation. The second main point is that instead of entities maintaining the maximum tax rate, truth in taxation encourages a decrease in the tax rate. Third, it gives people an opportunity to participate in the establishing of the tax rates. Fourth, it provides each local government entity a 10% increase in tax revenue each year rather than absorbing the full reevaluation increase in one year. If additional revenue is required, then the governing body can hold a public meeting to accept testimony or to hear people on the increase of the tax rate.

Mr. Milliken passed out information (Exhibit B) which he said would be an example of what this bill would do to some of the entities in Clark County.

With a quorum present, Chairman May called the regular meeting to order at 10:09 a.m.

ASSEMBLY BILL 729

Bob Faiss spoke first against the amendments to this bill, and his statement is attached as Exhibit C.

Mr. Mann stated that it appeared to him that approximately 90% of the requested changes are requests that would address changes in the law which have been challenged in the courts. He said that he is a little leery to do something of this type this late in the session. He suggested that an interim study be done on gaming addressing the area of taxation.

Mr. Faiss said that this would be a fair thing. He said that it might show that a redistribution of taxation in the State would be needed. He further stated that it might show that the casino entertainment tax was a needless tax.

Chairman May stated that he hoped the interim study would address the question of whether or not this would be an expansion of the casino entertainment tax through a redefinition or if the bill would create a new tax entirely.

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ASSEMBLY BILL 700

Mr. Horn stated that from the testimony given on April 26, there was no opposition to this bill. He asked if action might be taken on it rather than holding it for the interim study also.

Frank Johnson stated that there was no opposition from his firm. He said that he did not think it was necessary, but that he did not oppose.

Mr. Faiss said that he knew of no opposition to the bill.

No action was taken on the bill.

SENATE BILL 420

Chairman May said that he had requested an amendment that would amend the title of the bill to delete the reference to tax. Attached as Exhibit D is the Committee approval of the amendment.

Mr. Craddock moved to give S.B. 420 an Amend, and Do Pass as Amended recommendation; Mr. Schofield seconded. Roll call on the motion:

Ayes - 6.
Nays - Mann - 1.
Absent - Harmon, Murphy - 2.

Chairman May adjourned the meeting at 10:32 a.m.

Respectfully submitted,

Carl R. Ruthstrom, Jr.

Carl R. Ruthstrom, Jr.
Secretary

EXHIBIT A

SUMMARY--Limits certain increases in local government budgets.
(BDR 31-1804)

Fiscal Note: Local Government Impact: Yes.
State or Industrial Insurance Impact: No.

AN ACT relating to local government finances; limiting increases in revenues from ad valorem taxes; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 354.600 is hereby amended to read as follows:

354.600 1. Each budget shall include detailed estimates of budget resources for the budget year classified by funds and sources in a manner and on forms prescribed by the department of taxation.

2. Each budget shall include detailed estimates of expenditures for the budget year classified in a manner and on forms prescribed by the department of taxation.

3. Except as provided in subsection 4, no budget may contain resources from ad valorem taxes of more than 10 percent in excess of the previous year's ad valorem revenue or the maximum allowed by the assessed valuation of the taxing entity, whichever is the lesser of the two.

4. A governing body may exceed the amounts provided in subsection 3 if the amount is not more than the assessed valuation of the taxing entity and a public hearing is held in the manner provided in NRS 354.596.

5. When there is an increase in assessed valuation of more than 10 percent within any taxing entity or a budget is adopted pursuant to the provisions of subsection 4, the governing body shall adjust the property tax rate accordingly.

HYPOTHETICAL CITY

1976-77 County Total Net Roll.	2,000,000,000	---	Roll increase of 11 percent
1975-76 County Total Net Roll.	1,800,000,000		
1976-77 City Net Roll	741,000,000	---	Revaluation increase of City for 30%
1975-76 City Net Roll	570,000,000		

<u>District</u>	<u>75-76 Rate</u>	<u>75-76 Revenue</u>	<u>76-77 Revenue Allowed + 10% of 75-76</u>	<u>Allowable Rate 76-77</u>
State*	.25	4,500,000	---	.25
School	2.2023	39,641,400	43,605,540	2.1753
General County	1.1305	20,349,000	22,383,900	1.1192
City	1.4122	8,049,540	8,854,494	1.1949
City Library	<u>.0050</u>	28,500	31,350	<u>.0042</u>
	5.0000			4.7436

(savings of 5.4%, first years bill)

City Home valued @ \$40,000 after revaluation
 Taxes first year @ present budget system = \$700.00
 Taxes first year allowing 10% budget increase = 664.10
 Taxes past year before 30% increase of revaluation = \$538.00

*remain the same - set by statute

EXHIBIT B

HYPOTHETICAL CITY

1977-78 County Total Net Roll	2,180,000,000	Increase of 9 percent
1976-77 County Total Net Roll	2,000,000,000	
1977-78 City Net Roll	770,640,000	Non-revaluation year, increase of 4 percent
1976-77 City Net Roll	741,000,000	

<u>DISTRICT</u>	<u>76-77 Rate</u>	<u>76-77 Revenue</u>	<u>77-78 Allowable Revenue (+10%)</u>	<u>77-78 Allowable Rate</u>
State*	.25	5,000,000	----	.25
School	2.1753	43,605,540	47,966,094	2.2003
General County	1.1192	22,383,900	24,622,290	1.1295
City	1.1949	8,854,494	9,739,943	1.2639
City Library	<u>.0042</u>	31,350	34.485	<u>.0045</u>
				4,8482 (savings of 3.1% second year)

City home valued @ \$40,000
 Taxes second year @ present budget system = \$700.00
 Taxes second year allowing 10% increase = 678.75

*state rate remains the same set by statute

PARADISE TOWN

1977-78	County Total Net Roll	2,217,600,000	---	Roll increase of 12 percent
1976-77	County Total Net Roll	1,980,000,000		
1977-78	Paradise Town Net Roll	680,845,000	---	Revaluation year, + 35 percent
1976-77	Paradise Town Net Roll	504,330,000		

<u>District</u>	<u>76-77 Rate</u>	<u>76-77 Revenue</u>	<u>77-78 Allowable Revenue (+10%)</u>	<u>77-78 Allowable Rate</u>
State*	.25	----	----	.25
School	2.2023	43,605,540	47,966,094	2.1630
General County	1.1305	22,383,900	24,622,290	1.1103
Paradise Town	1.3363	6,739,361	7,413,297	1.0888
Artesian Basin **	.0050	90,588	99,648	.0049
Clark County Library**	<u>.0759</u>	837,765	921,541	<u>.0745</u>
	5.0000			4.6915 (saving of 6.6% first year)

Home valued @ \$40,000 after revaluation
 Taxes first year @ present budget system = \$700.00
 Taxes first year allowable 10% increase = 656.81
 Taxes past year before 35% increase = 518.00

* State set by statute
 ** Represents total districts covered by these rates assuming 12% increase.
 76-77 Lib. Dist. 1, 103, 775, 200
 76-77 Art. Basin 1, 811, 776, 9 45

NORTH LAS VEGAS

County Overall Net Roll Increase - 9 percent

1976-77 Net Roll 134,759,762 --- Revaluation increase of + 41 percent
 1975-76 Net Roll 95,539,734

<u>District</u>	<u>75-76 Rate</u>	<u>75-76 Revenue</u>	<u>76-77 Allowable Revenue (+10%)</u>	<u>76-77 Allowable Rate</u>
State*	.25	-----	-----	.25
School**	2.2023	-----	-----	2.2023
General County**	1.1305	-----	-----	1.1305
North Las Vegas City	1.4122	1,349,211	1,484,132	1.1013
Artesian Basin**	<u>.0050</u>	-----	-----	<u>.0050</u>
	5.0000			4.6891 (6.6% savings)

Value of NLV home @ \$40,000 after revaluation
 First year @ present budget system = \$700.00
 First year allowing 10% increase = 656.47
 Taxes past year before 41% increase 496.45

* Rate remains same set by statute
 ** Rates remain same since the total districts
 did not exceed 10% net increase

NORTH LAS VEGAS

County overall Net Roll Increase - 9 percent

1977-78 Net Roll for City 138,802,554 --- Non-Revaluation year increase 3 percent
 1976-77 Net Roll for City 134,759,762

<u>District</u>	<u>76-77 Rate</u>	<u>76-77 Revenue</u>	<u>77-78 Allowable Revenue (+10%)</u>	<u>77-78 Allowable Rate</u>
State*	.25	----	----	.25
School**	2.2023	----	----	2.2023
General County**	1.1305	----	----	1.1305
North Las Vegas City	1.1013	1,484,132	1,632,545	1.1762
Artesian Basin**	.0050	----	----	.0050
				<u>4.7640</u>

(4.95% savings second year)

NLV Home valued @ \$40,000

Second year @ present budget system = \$700.00
 Second year allowable 10% increase = 666.96

*Rate remains same set by statute
 **Rates remain same since the total districts did not exceed 10% net increase

DISTRICT 050 - BOULDER CITY

Overall increase of total roll - 9 percent

1976-77 Net roll, district 050, before County Board of Equalization 33,251,681 --- increase of 43%
 1975-76 Net roll, district 050, before County Board of Equalization 23,174,089
 (net roll includes projection for personal property tax)

<u>District</u>	<u>75-76 Rate</u>	<u>75-76 Revenue</u>	<u>76-77 Allowable Revenue (10% of 75-76)</u>	<u>76-77 Allowable Rate</u>
State*	.25	----	----	.25
School**	2.2023	----	----	2.2023
General County**	1.1305	----	----	1.1305
B. C. Library	.1500	34,761	38,237	.1150
B. C. Swimming Pool	.0702	16,268	17,895	.0538
B. C. Town	1.1970	277,392	305,132	<u>3,5828</u>

4,6692
 (savings of approximately 7.1% on individual tax bills)

B. C. Home valued @ 40,000 after revaluation
 Taxes first year @ present budget system = \$700
 First year allowing 10% increase = 653.69
 Taxes past year before 43% increase = 489

* Rate remains same set by statute
 ** Rates remain same since the total districts did not exceed 10% net increase

EXHIBIT C

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
April 28, 1977

My testimony concerns A.B. 729 and amendments to that bill which this committee has been asked to consider.

It is my understanding that A.B. 729 is an attempt to meet the problem of wholesale tickets to casino shows. However, the language of the bill goes beyond that purpose. Imposing the casino entertainment tax on "every ticket of admission to a show in a licensed gaming establishment" would subject movie theaters in the MGM Grand and the Sahara-Tahoe, as well as possibly other activities, to the tax. I recognize that is not the intent of the supporters of the bill.

I recommend the language be clarified by having line 24 of page 1 read:

"Every ticket of admission to a show which is subject to the casino entertainment tax shall have the price of the ticket imprinted thereon."

This will prevent an unintended expansion of the tax.

The gaming authorities have proposed two amendments to A.B. 729. One of them would place the casino entertainment tax on sales of tobacco and photographic products and to the MGM Grand jai alai fronton. However, the language of both amendments is such that they not only apply to those subjects but to many other activities as well.

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
April 28, 1977

I believe it is obvious, as Assemblyman Mann suggested, that these amendments are a reaction to two setbacks suffered by the commission. You have been asked to ratify by legislation two instances where the gaming authorities assessed the tax contrary to law.

The first instance was assessing the tax on photographs taken in showrooms. The Nevada Supreme Court, in Cashman Photo Concessions and Labs v. Nevada Gaming Commission, ruled this administrative action was invalid.

The second instance was assessing the tax on admissions to the jai alai fronton at the MGM Grand Hotel and on food and drink sold there. From all that we can determine, the imposition of this tax was without formal hearings, formal consideration or vote of the gaming authorities and without any Attorney General's opinion. The MGM was simply ordered to start paying the tax on jai alai.

The MGM filed suit to recover those taxes and the gaming commission, on the advice of the attorney general, settled the case by refunding a substantial amount of the taxes collected.

Settlement of that case was based on an opinion of the Attorney General's office, which stated that, in light of

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
April 28, 1977

the Cashman Photo decision, the casino entertainment tax could not be assessed on jai alai.

Mr. Mann has already indicated the subcommittee feels it would be unfair to single out photography for application of the tax. I submit the same is true of cigarettes and jai alai.

Because of the bookkeeping involved, such a change probably would end sales of cigarettes in showrooms. Cigarette girls sell both in and outside showrooms. They would have a very difficult job of tax allocation.

There is no rational purpose in discriminating against jai alai, among all the sports events which are held at licensed gaming establishments. Unlike those other sports events and unlike the showrooms, jai alai at the MGM Grand pays substantial tax revenue to the state. In 1976, the MGM Grand paid a pari-mutuel gaming tax to the state in excess of \$204,000.

It would be one thing if the legislature had determined it was in the interest of the state to change the casino entertainment tax so that it would apply to photos and jai alai. But that is not the case. You are being asked to do nothing more than give the force of law to administrative mistakes.

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
April 28, 1977

In answer to a question raised by Chairman May, adoption of any change in the casino entertainment tax would be an enactment of an entirely new tax, even though it might carry the same name. To change the law to apply to anything other than cabaret entertainment would change the intent of the law, which has been unchanged since the Nevada law was adopted in 1965 and its federal predecessor was adopted more than 40 years earlier.

The casino entertainment tax was adopted in 1965 to capture the tax revenue from cabaret entertainment which had been going to the federal government under the federal cabaret tax since 1917. Our law was adopted when we learned the federal government was going to phase out the cabaret tax.

The language of our law is virtually identical to the federal cabaret tax law and it applied from the inception to only the things the cabaret tax covered. In fact, the casino first paid its federal cabaret tax and then paid the state 50% of what it paid the federal government. Therefore, the casino entertainment tax couldn't apply to anything that wasn't covered by the federal cabaret tax.

Gaming Regulation 13 was adopted in 1965 to implement collection of the casino entertainment tax. At the time

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
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of its adoption, the then-chairman of the gaming commission, Milton Keefer, stated that the commission would apply the test and formula that had been developed by the federal government in administering the cabaret tax because the commission felt that was the clear intent of the legislature.

The Attorney General's office at one point attempted to defend the position that the 1967 amendments broadened the scope of the tax. Neither the legislative history of those amendments nor the rules of statutory construction substantiate that position.

You will recall there was no sentiment in the 1967 session to expand the casino entertainment tax. Instead, the legislature was under heavy fire from the musicians and culinary unions to abolish it.

S.B. 134, introduced February 8, 1967, called for repeal of the casino entertainment tax.

S.B. 162, introduced February 13, 1967, would have given an exemption to licensed gaming establishments employing "three or fewer musicians." "Musician" was deemed to include "a vocalist."

Ed Bowers, Executive Secretary of the Nevada Gaming Commission, offered an alternative to S.B. 162 at a joint meeting of the Taxation Committees of the two houses on March 6, 1967.

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
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"Mr. Bowers stated that this bill would be difficult to administer, due to the fact that jukebox and dancing facilities are also covered by the casino tax. He suggested basing any exemptions upon the number of games or slot machines in an establishment, rather than upon the number of musicians employed." (Minutes of Hearing on Cabaret Tax, Joint Meeting of Senate and Assembly Committees on Taxation, March 6, 1967, at 3.)

The Senate adopted Bowers' recommendations in S.B. 390, which amended NRS 463.401 to provide that a licensed gaming establishment is not subject to the casino entertainment tax 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." (1967 Statutes of Nevada, Chapter 356.)

The only other change to NRS 463.401 was, as stated in the summary of S.B. 390, "to eliminate obsolete references to the federal cabaret tax." Instead of a tax which was "an amount equal to the difference between the federal cabaret tax applicable to such establishment at the rate prevailing on January 1, 1965, and the tax actually imposed and collected by the Federal Government (1965 Statutes of Nevada, Chapter 525 § 2(2)(b)), or 10 percent, the law was amended to assess a

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
April 28, 1977

tax of "10 percent of all amounts paid for admission, merchandise, refreshment or service." 463.401(2). The only effect of this change, according to Assemblyman Swackhamer, was that "[i]f the federal government wanted to reinstate the entertainment tax, it would have to be on top of the state levy." (Nevada State Journal, March 14, 1967, at 1.) This language was taken from 26 U.S.C. 4321(6), the federal cabaret tax, which imposed a tax on "10 percent of all amounts paid for admission, refreshment, service or merchandise." Thus, the scope of the casino entertainment tax was not increased beyond the scope of the federal cabaret tax; it was decreased.

However, there is a greater danger in the amendments than the discrimination against the MGM Grand.

In adopting any of the language which has been suggested to you, you will be opening a Pandora's box of problems which could snarl gaming administration in legal fights until you can meet in two years to resolve those problems.

Both of the amendments call for imposition of the new casino entertainment tax on the licensee where admission is charged and entertainment is provided.

If you adopt the language, you will extend the tax

Testimony of Bob Faiss re A.B. 729
Lionel Sawyer & Collins
Assembly Committee on Taxation
April 28, 1977

to such events held on the premises of licensed gaming establishments as these:

A Rotary or Kiwanis meeting which has a speaker.

A high school prom or any other dance.

A golf, tennis or boxing match.

A fund-raiser for a political candidate or for a charity. (NLV Demo Club - Silver Nugget Red, White & Blue Ball.)

A convention.

Even on bowling at the Showboat Hotel Lanes in Las Vegas.

Before you make a move which has such implications, it deserves the fullest study. It is not a matter to be hastily considered in the hectic closing days of this session.

MEMO

4/28/77
10:50AM

From the desk of...

PAUL W. MAY
Assemblyman, District 19 (Clark)

TO ATTENTION MEMBERS:

IF THE ATTACHED AMENDMENT TO
THE TITLE OF SB 420 IS OK.

PLEASE INITIAL -

MAY (initials)
SCHOFIELD (initials)
CARRUCK (initials)
DRYER (initials)
HAMMAN (initials)
HOMER (initials)
MAY (initials)

MUMBY (initials)
STREUBER (initials)

3309 Wright Ave., North Las Vegas, Nevada 89030

P

GUEST LIST

<u>NAME</u>	<u>REPRESENTING</u>	<u>WISH TO SPEAK</u>	
(Please print)		Yes	No
David W. Baker			
Gary Milliken	Clark County Assessor's Office		
Harlan E. Lees	Gaming Bd		
Frank Johnson	Hilton Hotels Corp.	✓	
Bob Faiss	MAN Grand	✓	
Les Kofoed	Gaming Ind. Assn.	✓ ?	
James C. Lien	Dept. of Taxation		
Marilyn Paoli	Dept. of Taxation		
B E Cahill	Rev. Assn	-	
John C. Airdell	Dept. motor veh	-	
DANA GREENLEAF	D. A. V. Dept Nev.	✓	
Bob Broadbent	Clark Co. Commisioner		
Joe Midmore	Tobacco Tax Council.		X

ASSEMBLY COMMITTEE ON TAXATION
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: THURSDAY, APRIL 28, 1977

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