

MINUTES

ASSEMBLY COMMITTEE ON TAXATION  
MAY 3, 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: Ralph Best, City of Sparks  
Robert Broadbent, Clark County Commissioner  
Richard H. Bryan, Senator  
John Ciardella, Department of Motor Vehicles  
Henry Etchemendy, Carson City City Manager  
William H. Hernstadt, Senator  
Bob Kinder, City of Reno  
James C. Lien, Department of Taxation  
Russ McDonald, Washoe County  
Gary Milliken, Clark County Assessor's  
Office  
William W. Morris, UNLV  
Marilyn Paoli, Department of Taxation  
Wayne Pearson, UNLV  
Homer Rodriguez, Carson City Assessor  
John Tom Ross, University of Nevada Board  
of Regents  
James D. Salo, Attorney General - Taxation  
W. J. Slocum, Douglas County  
Steven Stucker, North Las Vegas  
Bob Warren, Nevada League of Cities  
Charles Zobell, Review-Journal

Chairman May called the meeting to order at 9:45 a.m.

SENATE BILL 303

Senator Richard Bryan was the first to testify on this bill. He said that the original bill would have caused a loss to cities and one county in the State of approximately \$3.9 million. He said that it was the feeling of the Senate Taxation Committee that to impose an absolute repeal of the utility franchise tax would create such an economic dislocation on local governments that it could not be justified.

Senator Bryan said that the Senate Taxation Committee recognized the equities of the bill. As utility bills increase, the amount of tax imposed increases. The increase has a double effect. He said that the Committee attempted to apply a ceiling on the amount to be collected. Whatever was realized by each of the entities for this fiscal year would be the ceiling. He said that the individual entities would have to anticipate the income from the franchise tax and scale down the rate. For example, if an entity levied a 4% tax against the utilities, and an increase was anticipated in the next fiscal year, the entity would have to scale the rate down to perhaps 3.7% or 3.6%.

Mr. Horn asked what this would do for the average citizen. Senator Bryan stated that by putting a ceiling on the amount of taxes that may be collected, the impact of the multiplier is reduced. There would not be a decrease in or elimination of revenue. He said that this would eliminate the dependence of the entities on this tax.

Mr. Dreyer asked concerning annexation of certain areas in Las Vegas if the people who might be included in the annexation would also be subject to the tax. Senator Bryan stated that the bill that provides for annexation also provides for a repeal of the franchise tax in Clark County, therefore the tax would not longer apply in the County.

Senator Bill Hernstadt spoke next in favor of the bill as the sponsor. He said that he and Senator Bryan did not see eye to eye on the bill, but that he would still support it. He said that he thought a tax on utility bills is one of the most regressive taxes imaginable. He said that this is worse than a sales tax on food.

Chairman May asked that the record reflect that Senator Hernstadt was still in favor of the bill as it was first introduced.

Bob Kinder spoke in opposition to the bill. He said that he recognized the problems with taxing utilities but that there was no alternative source suggested or offered. He said that this is one of few revenue sources that responds to changes in the economy. He said that if the bill is passed now, the City of Reno would have to cut its budgets 2%. He also stated that if the effective date was changed, it still would not be helpful because at some point the City would still have to cut costs.

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Chairman May asked what utilities the City of Reno applies the franchise tax to. Mr. Kinder said that the tax is applied to water, electricity and gas. He stated that the projected increase in revenues from this tax for the next fiscal year would be \$75,000 to \$100,000.

Henry Etchemendy spoke next in opposition to the bill. He said that the loss in the next fiscal year if this bill passed would be approximately \$14,300. He also stated that there would be an operational problem for the Public Service Commission. He asked how the utilities will be able to compute the percentage of tax that should be collected at the beginning of a fiscal year. He stated that there is a 2% franchise tax in Carson City on each utility.

Ralph Best was the next speaker in opposition to the bill. He said that the City of Sparks levies a 2% franchise tax on gas, electric, and water. There is a 5% tax on telephone service. He explained that there is also a franchise tax on cable television service. The City of Sparks has projected an increase of \$30,849 from this tax for 1977-78. He stated that local government budgets are closed at this time and that there is no way to go back and recoup this amount.

Mr. Craddock asked why the different entities levied different rates of tax. Mr. Best said that the franchise rates were negotiated before 1956. He said that he thought it was negotiated on what could be obtained at the time the franchise was granted.

Robert Broadbent stated that Humboldt County would lose approximately \$16,000 in projected revenue if this bill passed.

Steven Stucker said that the City of North Las Vegas would be opposed to this bill. He said that he had heard no feasible alternatives for making up the revenues. He further stated that there have been several bills passed this session that already have decreased revenues to the cities.

Bob Warren spoke next in opposition to the bill. He stated that the State was not getting smaller. Realistically, he stated that one cannot expect the entities of the State to provide less services. He said that there have already been several bills passed lessening revenue to entities in the State, but that this was a big bite. He said that this bill would probably be the most damaging piece of legislation to come before the Committee.

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Senator Hernstadt stated that it was not the intent of the Senate Taxation Committee to cut the revenue, simply to place a ceiling on it. He also stated that the utilities are not paying the tax; the people are paying the tax. He stated that he felt the effective date should remain the same because he felt that some entities would raise the franchise tax before the effective date so that the ceiling would be higher. He said that they may not do that, but that he was trying to protect the "little people" from getting taxed any more.

No action was taken at this meeting on the bill.

SENATE BILL 473

John Ciardella stated that the thrust of the bill is when the Department of Motor Vehicles cannot determine the original manufacturer's suggested retail price of a vehicle, that the DMV will be able to place a price based on the weight of the vehicle. He said that the Department had been using this system but had been informed by the Attorney General's office that they needed enabling legislation to do this. He said that this bill will make it legal.

Mr. Mann moved to give S.B. 473 a Do Pass recommendation; Mr. Jacobsen seconded. The vote was unanimous in favor of the motion with Mr. Schofield, Mr. Harmon, and Mr. Murphy absent.

SENATE BILL 303

Mr. Craddock requested that the following remarks be included in the minutes:

Escalation of energy costs is and will continue to cause obsolescence in poorly insulated homes. That will result in a further degradation of the tax base as homes are vacated because of the inability of the owner to meet the costs of occupancy, such as utility bills, house payments, and property tax. This has a direct relationship to S.B. 303.

ASSEMBLY BILL 612

Bill Morris stated that the Senate had amended this bill so that there could only be one facility, and no money could be expended on the UNLV facility until after the 1979 Session of the Legislature. He stated that UNLV would like to have the language in the bill to start the drawings, planning, and

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design, which he stated will take several months. He also said that there is really no way to know how long it will be before Senator Cannon's bill might be passed in the United States Congress, and the bill is based on this to begin with. He said the language that UNLV would like is being worked out by Russ McDonald. He thanked the Committee and the Assembly as a whole for their consideration on the original measure.

Chairman May stated that he would request for the conference committee on this bill himself, Mr. Mann, and Mr. Harmon.

Chairman May adjourned the meeting at 10:50 a.m.

Respectfully submitted,

*Carl R. Ruthstrom Jr.*

Carl R. Ruthstrom, Jr.  
Secretary



ASSEMBLY COMMITTEE ON TAXATION  
FIFTY-NINTH SESSION, 1977

MEETING ROLL CALL

MEETING DATE: TUESDAY, MAY 3, 1977

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