

SENATE FINANCE COMMITTEE
MINUTES OF MEETING
FEBRUARY 4, 1977

The meeting was called to order at 8:30 a.m.

Senator Floyd R. Lamb was in the chair.

PRESENT: Senator Floyd R. Lamb, Chairman
Senator James I. Gibson, Vice-Chairman
Senator Eugene V. Echols
Senator Norman D. Glaser
Senator Norman Ty Hilbrecht
Senator Thomas R. C. Wilson
Senator C. Clifton Young

OTHERS: Ronald W. Sparks, Chief Deputy, Fiscal Analyst
Howard Barrett, Budget Director
Cy Ryan, UPI
Robert List, Attorney General
James Thompson, Deputy Attorney General
Norrine Barber, Attorney General's Office
Jack Sheehan, Executive Director, Department of Taxation
Jim Lien, Deputy
Tom Kruse, Deputy

Senator Lamb asked Mr. List to present his budget.

EXTRADITION CLERK: This budget was reviewed and there were no questions.

SPECIAL FUND: This fund is primarily for the prosecution and defense of suits unknown at the time of budget preparation, but which past experience dictates may be undertaken by the Attorney General in his role as chief law enforcement officer. Prosecutions arising as the result of special investigations by this office may require court action. Other cases such as environmental matters may be filed against the state. Both the prosecution and defense of litigation require extensive investigations and frequently abnormal costs in preparation. Often the services of expert witnesses are also needed.

The special fund would be available to fund investigation, preparation, legal costs and fees, and expert witness fees. In answer to questions, he detailed specific cases in which this fund had been used during the past biennium.

ATTORNEY GENERAL ADMINISTRATIVE FUND: The request for three additional deputies was discussed. Mr. List explained that when the budget had been submitted originally it was believed that federal monies would be available from LEAA to pay for one more deputy. They had since discovered that they could not obtain this money and he was asking that this additional salary be included in the budget. It was explained that the Governor had not deleted this position; it just was not known at that time that federal funds were not available. But Mr. List stated that they needed this position.

In answer to specific questions from Senator Wilson, he stated he believed that one more deputy to be assigned to Gaming Control would adequately cover the needs of that agency. He explained the need for deputies in the Welfare Department and stated that the need for deputies in the Highway Department would decrease now that the acquisition of land for the interstate system was nearly complete.

He said there was need for the legal steno whether or not the fourth deputy position was authorized. At present the staff were putting in a great deal of overtime, and this new position would cost no more than the overtime presently being paid.

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Mr. List answered questions relative to Other Contract Service and Other Building Rent, explaining that this was the cost of leasing for the Las Vegas Office. Senator Lamb asked him if he would get an estimate of the square feet in the Las Vegas office. He explained the amount requested in Other Furniture and Equipment would finish furnishing the Las Vegas office and provide new furniture for the office of the new deputies, if approved by the Legislature.

ANTI-SHOPLIFTING CAMPAIGN: In 1973, the Nevada Crime Commission granted \$12,500 to the Nevada Anti-Shoplifting Committee in order to conduct a publicity campaign to discourage shoplifting and to teach merchants how to implement the new anti-shoplifting law. This \$12,500 grant was supplemented with \$22,000 in retail merchant donations. There is no increase in this budget and none of the monies come from the general fund. The support for this program comes from the retail merchants. It is administered from the Office of the Attorney General, but no salary funds come from these monies.

PRIVATE DETECTIVE: This division serves primarily as a function to license private investigators. The Board is chaired by the Attorney General and is funded from license, investigative and examination fees.

Senator Lamb thanked the Attorney General and his staff for appearing.

DEPARTMENT OF TAXATION: Senator Lamb introduced Jack Sheehan, Executive Director, who in turn introduced his deputies James Lien and Tom Kruse.

Mr. Sheehan spoke from some prepared data, copy attached.

He stated that the Commission has gone through a reorganization as a result of several things, one of which was a study by Dr. Glenn Atkinson. The Department is being divided into two separate areas: One is the Excise Tax area, which is primarily audit and revenue divisions and one the Ad Valorem Division. Dr. Atkinson suggested that there should be a deputy director over each division. He stated that Mr. Kruse was now Acting Deputy over Excise but they were requesting that he be given the new unclassified Deputy Executive Director's position at a salary that would compare favorably with the present Deputy Executive Director, as they have similar obligations and responsibilities.

He stated that there had been a productivity study made, which he approved, in general. However in one area he was in total disagreement. The study had recommended the elimination of people through attrition and transfers. One of the positions that was recommended to be eliminated through attrition and which is not funded in the budget, is one of tax examiner. He was of the opinion that the Commission needed that position. He suggested that rather than have the two Property Appraisers, they approve one Property Appraiser and allow him to keep the Tax Examiner. He stated that there was a difference of \$4,000.00 in the two positions, and if Mr. Kruse was given the Deputy position, the \$4,000.00 gained in the original trade could be used to give him the needed salary for his position, so there would be no difference in terms of money.

Mr. Barrett stated in reply to questions that Mr. Sheehan had indicated that he could get the appraisals done in the time required with the one new Property Appraiser, therefore the Budget Division had no objection to this arrangement.

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Mr. Sheehan reiterated the remarks of the Attorney General earlier, that the Tax Commission had need for a new Deputy Attorney and the additional work he would generate would bring more money back into the state in revenues, than his salary amounted to.

In answer to Senator Lamb's query on collecting cigarette taxes on cigarettes sold on reservations, Mr. Sheehan advised that he has a bill coming into the Legislature that he hopes may be of help. Other states have been able to get around similar situations by taxing the consumer. In Nevada it is the wholesaler who is taxed. By taxing the consumer, it would be possible to sell cigarettes to the Indian population without the tax, but any others who bought cigarettes would pay the tax. By buying cigarettes wholesale from out-of-state suppliers, the state lost about \$117,000 in cigarette taxes in the past month.

SENIOR CITIZENS PROPERTY TAX ASSISTANCE: Mr. Sheehan stated the formula which was applied last year is being changed this year and based on the numbers used last year, this formula is anticipated to expend \$1.15 million from the appropriation of \$1.2 million. Because the formula is so close it was requested that the appropriation be made in one lump sum and any balance from the first year be allowed to flow into the second year.

Senator Lamb thanked Mr. Sheehan and others who had appeared before the Committee.


Senator Lamb read S. B. 125 as amended and it was moved by Senator Hilbrecht and seconded by Senator Young that it be accepted and re-referred back to the Senate Finance Committee. The motion passed.

Senator Lamb stated that there would be no formal meeting on March 4th as the Committee would visit Fort Churchill.

Further discussion reopened S. B. 125 and it was moved by Senator Young and seconded by Senator Gibson that the original action on the amendment be rescinded and Mr. Sparks be directed to have another amendment drafted. The motion passed.

The meeting adjourned at 10:10 a.m.

RESPECTFULLY SUBMITTED:


MURIEL P. MOONEY, SECRETARY

APPROVED:


FLOYD R. LAMB, CHAIRMAN

RECOMMENDATIONS REGARDING THE NEVADA TAX COMMISSION

I. Introduction

A. Findings

1. Based on testimony before the Governor's Assessment and Tax Equity Study Committee, a survey of other states and independent research, it is recommended that the Nevada Tax Commission be restructured to better meet the demands of a growing population, the need for appeal equity and administrative efficiency. The recommendations that follow are not to be interpreted as a critique of the present Tax Commission, but rather steps which this committee feels are necessary to meet the growing demands caused by population growth, changes in the tax base and revenue structure.

2. The theme of the recommendations that follow are based in part on developments in tax

administration and Nevada's historical demand for community involvement in State and local government.

II. Department of Taxation

A. This committee recommends the Tax Commission Staff be named the Department of Taxation. This Staff will serve not only the reformed Tax Commission, but also the proposed Board of Tax Appeals and Equalization.

1. Executive Director. It is recommended that the Executive Director of the Department of Taxation be appointed by and serve at the pleasure of the Governor. His principal duties are to include interpretations of tax policy in consultation with the Tax Commission and Board of Tax Appeals and Equalization, directing the general budget, and operational activities of the Department in conjunction with the Division Directors.

B. Excise Division

1. The Excise Division will administer all sales tax and related activities. It is recommended that the current Revenue and Audit Divisions be incorporated into sections of the Excise Division. The Division will operate under a separate budget developed by the Director and submitted to the Executive Director of the Department of Taxation. Personnel decisions affecting the Excise Division will be initiated by the Director and submitted to the Executive Director of the Department for review and final approval.
2. Director. It is recommended that the Director be a career professional paid commensurate with highest professional qualifications obtainable.
3. The Excise Division will maintain and direct where necessary regional offices and personnel in the outlying counties.

C. Ad Valorem Division

1. It is recommended that under a separate Director the Ad Valorem Division be established to administer state-wide utility assessment, assessment standards, and assist county assessors in all areas relating to property taxation. This Division would assume the principal duties of the present Division of Assessment Standards. The Division will consist of separate sections for Centrally Assessed Property and Assessment Standards and Assistance. All valuation duties would be included in this Section. Such duties are valuation of mining property, agricultural land and livestock, public utilities and banks. The Assessment Standards and Assistance Section would be responsible for training programs and assessment assistance to county assessors. This Section would also be responsible for insuring assessment equity among and within counties. The Division will

operate under a separate operating budget subject to Department approval. Personnel decisions affecting the Ad Valorem Division will be initiated by the Director and submitted to the Executive Director of the Department for review and final approval.

2. Director. It is recommended that the Director be a career professional paid commensurate with the highest professional qualifications obtainable.
3. It is further recommended that the Ad Valorem Division establish and supervise regional offices or activities where conditions warrant. It is recommended that careful considerations be made whereby individual counties share the expense of direct assessment provided by the Ad Valorem Division.

D. Research, Personnel, Budget, and General Administrative Sections

1. It is recommended that a section be established under direct supervision of the Department Executive Director to coordinate all department-wide functions and department-wide support activities.

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III. Tax Commission

A. We recommend that the Tax Commission be reduced from nine to seven Commissioners. The Commissioners would continue to be appointed by the Governor. In order for such a lay commission to function properly and have the confidence of the people, it must consist of qualified people who can represent the public interest as well as members who are knowledgeable about industries with special problems. Qualifications and interest in serving in the capacity of a Tax Commissioner should be the main criteria in all appointments. Because of the constantly changing structure of Nevada's economy, the sectors to be represented should no longer be specified by statute. However, people knowledgeable about, but not necessarily engaged in, agriculture, mines and public utilities would be valuable on the committee. Qualified people who would represent such interests as the homeowner, consumer and labor should also be sought. Generally we recommend that the Tax Commission be so composed as to develop an equitable balance in membership to bring forth knowledge and judgement in centrally assessed properties as defined in NRS 361.320 and other tax paying groups.

- B. This would be a lay board, compensated for expenses on a per diem basis. They would meet at least four times a year.

IV. Appeals and Equalization Structure

All available evidence dealing with improving property tax administration has stressed the recommendations to separate administration and policy duties from the appeals functions of the administering agency. At present, both duties are performed by the Nevada Tax Commission (see Appendix II). The above description is a model for administration and policy. Below is a model of an appeals and equalization structure. The model represents the combined thinking of various experts in the field and the concurrence of the committee.

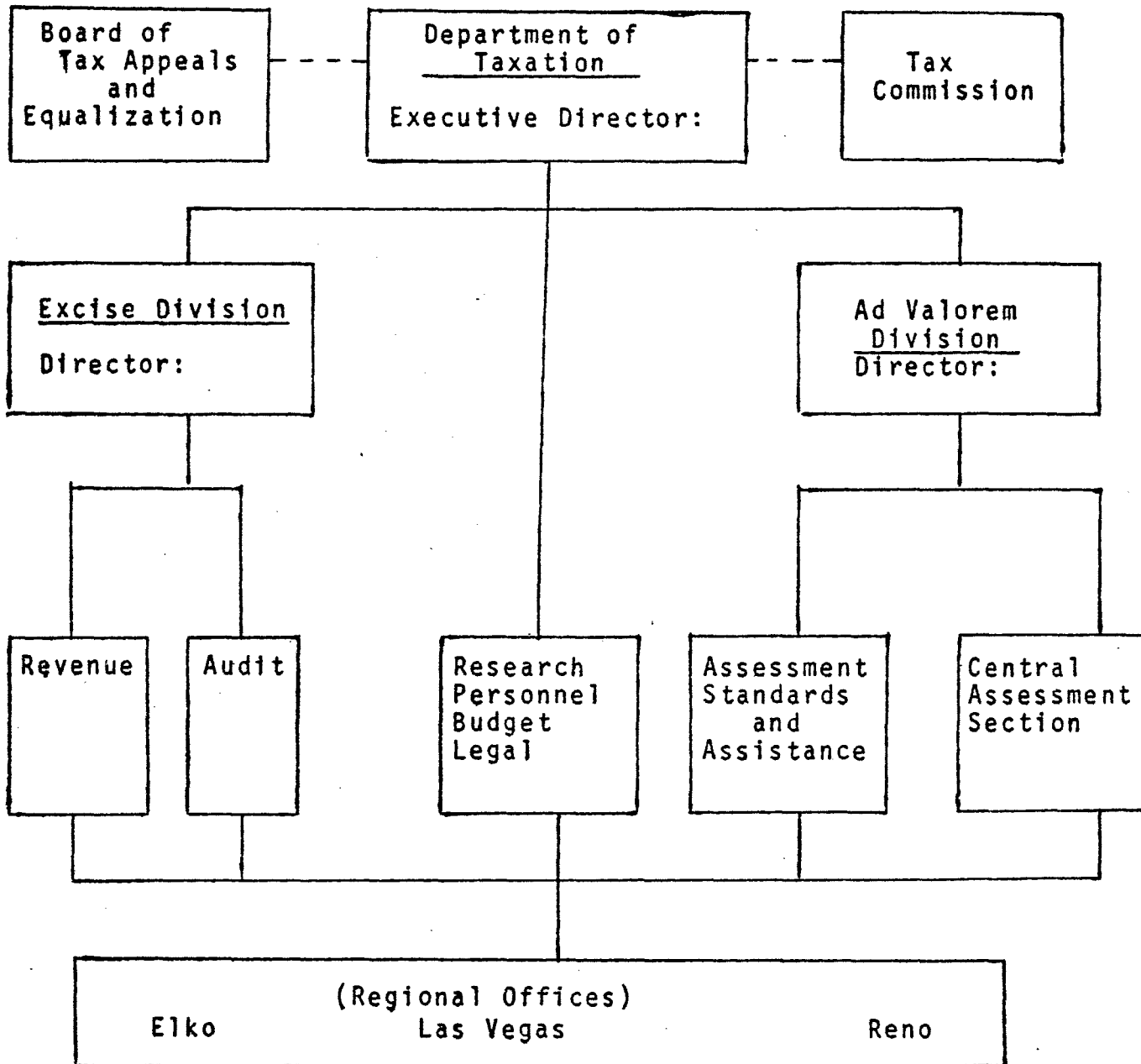
B. State Board of Tax Appeals and Equalization

The committee recommends:

1. That a State Board of Tax Appeals and Equalization be established:

- (a) To perform the tax equalization function.

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(b) And hear appeals from decisions of the Department of Taxation and county boards.

(c) The Board would consist of three qualified lay members.

2. That besides hearing individual appeals, the Board will have the power to instruct the Department of Taxation and individual county assessors to take appropriate action in order to equalize assessments among different classes of property and among individual counties.

3. That the Governor appoint the members of the Board for four years on a staggered basis.

4. That membership on the Board would be constituted from the following:

(a) One qualified property appraiser

(b) One certified public accountant

(c) One qualified public member

Additional secretarial staff and legal counsel would be provided by the Chairman of the Department of Taxation and the Attorney General's Office.

AGRICULTURAL

5. That the State Board of Tax Appeals and Equalization meet immediately after county appeals are heard to hear major appeals of centrally assessed properties, to settle major disputes which would affect local revenue most severely. Following the session on major appeals the Board will hear local resident appeals in the outlying counties. The taxpayer must file intent by a specified date and be allowed to pay his taxes under protest pending the appeal decision. Such appeals would follow a minimum procedure, to insure complete ease and understanding of the appeals process. Determination of minor disputes should be made before the second fiscal quarter or October 1 instead of the present February deadline. A financial burden is not placed on those taxpayers paying under protest pending an appeal, since only one quarter of taxes must be paid under protest. This extension will spread the workload of the State Board over a longer period of time so that the burden is not so heavy on the individuals serving on the Board, and yet not place an undue burden on the taxpayer.

V. County Administration of the Property Tax

- A. The evidence that has come to this committee has not only consisted of recommendations regarding state level administration and appeal, but it has also dealt with attempts to improve administration and equity of the property tax at the county level. The following are recommendations directed at improving local assessment, administration, and equity.
- B. Regarding County Assessors, it is recommended that stringent professional qualifications be required through State directed training programs. The initial qualifications to run for the office of County Assessor would not be changed. However, it is recommended that the Ad Valorem Division of the Department of Taxation establish criteria for certification of competence of County Assessors and their appraisal staff and that they be required to meet the certification standards. The Assessors and their staffs would be given four years to meet these standards. Failure to meet the standards would disqualify filing for a new term of office. Staff who

failed to be certified would be removed from office.

In order to encourage continuing education of assessors and appraisers compensation should be increased not only for completing certification, but for participating in training programs approved by the State beyond the minimum certification program.

C. County Tax Appeals and Equalization

1. It is recommended that the present County Appeals Board be reconstituted by an appointed, three to five man lay, professionally qualified Board. Nomination to the Board will be made by the Chairman of the County Commissioners and approved by the full Commission. It is further recommended that the Commission Chairman select his nominees from the following areas: real estate appraisal, accounting or finance, locally elected official, and the general public at large. The make up of the local lay board would emphasize professional qualifications. Locally elected officials may be included,

but not more than two on a five man committee or not more than one on a three man committee.

Determination of the size of the Board will be made on a population basis, possibly with Clark and Washoe Counties having five man boards and the remaining counties having three man boards. Once the size of the Board has been determined, changes will not be allowed. This will prevent "board packing" by the County Commissioners.