SENATE TAXATION COMMITTEE
MEETING OF FEBRUARY 24, 1977

The meeting was called to order at 2:00 p.m. by Vice Chairman Hilbrecht who explained that Chairman Bryan would be late. The following members were present:

Senators Carl Dodge, Gary Sheerin, Richard Bryan, Norman Hilbrecht, Floyd Lamb and Norman Glaser.

Vice Chairman Hilbrecht announced that the bills under consideration today were:

SB No. 16 Provides for submission at next general election of question proposing certain changes in Sales and Use Tax law, and

SB No. 243 Provides rebate of sales tax on food to persons of limited income.

Both bills are designed to give low-income families relief from sales tax on food; SB No. 16 proposes that the sales tax should be removed entirely from food, and the lost revenues made up by increasing the levy on non-food items. SB No. 243 would grant annual food tax rebates of from $10 to $18 per person for households with yearly incomes of less than $6,000.

Senator Hilbrecht asked Senator Gojack to speak on SB No. 16 as she is the prime introducer.

Senator Gojack explained that SB No. 16 would allow the voters to decide in 1978 if they wanted to remove the sales tax on food and recover the lost money by increasing the general sales tax from 3½ to 4 percent. She distributed several fiscal reports that have been prepared by the Department of Taxation containing predictions for 1979 and 1980, when her bill would take effect. Total statewide tax revenue loss under SB No. 16 would be $110,000. Alterations in the tax formula would result in the state general fund loss of approximately $1-million, the city-county relief portion of the tax would increase by $936,000 and the school tax fund would lose $17,000.

It was pointed out, additionally, that the losses to the general fund could be made up by eliminating the collection allowance paid to retailers.

Senator Gojack explained that her proposal would eliminate the sales tax on food for human consumption that is sold in stores and taken home to prepare; this would not affect take-out food establishments, or restaurants. At the present time people in 24 states are paying over over two million dollars on food. Rationale behind using this method to assist low income families is predicated on the fact that whatever your income level, you must spend so much on food; therefore, the low income family is penalized the same amount as the economically advantaged families. There should be some break for the low income families. She stated SB No. 16 is a good, clean bill and is similar to the one introduced last session. This bill also brings back under legislative control all three sales taxes that now comprise the 3 or in some counties the 3½ percent sales tax we have; that is the 2% to the general fund enacted by the people, the city-county relief tax and the local school support tax.

There have been a number of figures floating around about what effect this bill would have, but according to the latest computation of the Nevada Tax Commission there would be a $250,000 loss to the state general fund under this bill. They have now changed the formula from SB No. 16 to what it was last session so we would have going to the state 2.25; city-county relief tax .60 and to the local school support tax 1.15 which totals 4% which is the increse from 3½% to 4%. Under that, there would only be a loss of approximately 1%.

We should look graphically at what happens when you look at different families with different income brackets and see what regressivity actually means. Some statistics she had obtained show that a family of four with an annual income of $5,000 is spending 48% of their income on food; families of four with a $25,000 annual income is spending something like 12% on food. She explained in support of her bill that it treats everybody the same and makes no classifications as far as people are concerned by simply relieving the people of the tax they now pay on groceries and letting them decide where they want to spend their money. The other advantage,there would be a few administrative costs in the beginning created by the need to go out to the stores and putting the provisions of SB No. 16 into operation but once that was done the paperwork would be negligible.

Senator Sheerin referred to the first page of one of the handouts indicating a general fund loss of $1-million, 34 thousand and questioned the latest figures by the Department of Taxation indicate that if we raise this from a 3½% to a 4% are we going to generate a total loss of $1-million? Senator Gojack stated that was correct.

The one way to recover the million dollar loss is on the collection allowance for the state 2% tax. We would reduce it from 2% to 1% to recover some more revenue, but if that were removed entirely, we would be as close to the break even point as you could come.

Senator Dodge quoted from an article in Time magazine from 1975 dealing with the question of food cost increases and food sales tax expenditures. He said the article deals with the whole system of food processing and distribution and they point out that they think these kinds of costs are going to continue to increase in the future and they will become a larger percentage of the amount of money that a family has to spend on food. Quoted from the article was the fact that in 1970 food claimed 33% of the income of a family of four earning $8,100. Today the figure is 37%. He is concerned that by narrowing the tax base, are we going to see a decline in our tax revenue from other sources that will bring revenue to the State of Nevada. He asked Senator Gojack if she had taken that in mind.

Senator Gojack commented that is a very real concern. The thing that comes through that article from Time magazine is that if indeed the average family has to continue to pay a higher percentage of their total income on food 33 to 37% that we cannot continue to keep raising the sales tax as a source of revenue. We should not be looking at the sales tax as the only source of revenue for the State of Nevada. We should be concerned more with what that means as a loss to the average family. She feels it is something that has to be considered - we must look at the average and below average income families.

Senator Hilbrecht expressed some concerns he had and would like to raise. He stated that he has seen a number of Senator Gojack's regressivity figures that range between $5,000 to $10,000, and yet has seen some other figures which indicate that the figures below that regressivity figure, the percent below it is a minority of the people in the state. His question is what about the majority of the people in the state who, under this bill, would be required to pay higher taxes on all other necessities such as clothing, restaurant food, which are really necessities, too.

The basic dispute as he sees it is that he doesn't feel that this measure, Senate Bill #16 is really going to reach the target group and will give to the vast majority of the people any fair or different tax treatment. Senator Gojack explained that when you talk about restaurant meals or things of that nature you are talking about discretionary income. But when you are talking about whatever the line of regressivity is whether it be 6 or 10 that the people who fall below that really have so little discretionary income to play around with. They don't have the choice of restaurant meals and so forth. As pointed out in the graph that she distributed, a family of four with an annual income of $5,000 spends 48% of that income on food. She really doesn't see this tax shift proposal as being unfair to those people with an income of $10,000 or above.

Considerable discussion followed on spending percentages of different size families and it was pointed out in reply to a question by Senator Glaser, that the amount of saving of a family of four under SB No. 16 would be $7 per month, or $84 per year, based on a $200 income per month. It was also brought out that even though families in Nevada can take advantage of the food stamp program, they must pay taxes on food purchased with them. Attention was called to pages 3 and 4 of the bill containing a list of exempted items and including some items that are not exempt. Senator Glaser asked if any of the store owners would have problems with this.

Proponents of this measure have contacted various grocery stores and found that there would be no problem implementing this program inasmuch as there are certain items now being sold through grocery stores that are tax exempt.

Senator Sheerin referred to the printed information distributed and pointed out that the figures on page 1 indicate that the figures would produce a million dollar net loss to the state but on the bottom left hand side of the second sheet while we are producing a million dollar net loss to the state general fund and a $17,000 net loss to the schools, we are producing a $900,000 increase to the counties, so we are talking about an overall potential loss to the State of Nevada and all of its entities of approximately $116,000. Is that correct? While the state is losing, the cities and counties are gaining so the net loss is only about $116,000 not a million. Senator Gojack pointed out that this could be recovered so there is no loss to the state. If we took the collection allowance off completely, we would more than recover that. Other states have done that.

Jim Lien from the Department of Taxation spoke next and indicated that he was present to answer any questions the committee might have.

His department is responsible for preparing projections, research reports, statistics, etc. He explained that he had prepared some reports for Senator Gojack on SB No. 16 but these have now been changed and are in their latest computations.

His department would like to suggest an amendment of pages 3 and 4; on page 3, he suggested we eliminate the list of items which are food for human consumption entirely. They would prefer that you say, "exempt from taxes are food for human consumption". On page 4, indicate what are not items of food for human consumption such as are listed there. This would do away with certain problems that define certain products. Much better off if we make it general and then list those items which are not for human consumption. On page 4 beginning on line 10 there is a list as to what prepared foods are for immediate consumption and these are the items which are not exempt from taxation that we would like to see added to that list. Eating establishments, grocery stores that have the prepared foods are also to be taxed.

Senator Bryan asked if Mr. Lien, or his staff, prepare the appropriate wording for the amendment they are suggesting.

Mr. Lien explained that one of the questions that arises is the administrative problems when a new tax is proposed. The administration of an act such as this would cause little or no administrative problems to his department. He explained that the language that was used in drafting this measure was patterned after the state of Iowa which has had little or no problems in administration.

He advised that in talking to the small grocery owners, he learned that they now have to segregate items into taxable and non-taxable but they are of the opinion that this would also have some benefits which will overcome the problems that they might have at first. The department feels the administrative cost that would be incurred would be minimal and would have to shift their staff to assist the stores at the beginning, but once the initial campaign is over they can resume their normal pattern. Most of the larger stores are audited within a normal range so they will not have to initiate additional audits to see whether they have or have not complied. They have worked up some alternative assumptions on the loss of revenue and ways of recovering that loss.

He stated that the projections they did in 1975 have been revised for this session. One assumption they have prepared reducing the collection allowances on the state collected tax and changing the administrative fee on the city-county relief tax and came across with a total of $110,000 loss to the state. The General Fund assumes $1-million of that or 1% of the tax that is collected. When we say reduce the collection allowance, collection allowances are for one purpose, for the purpose of reimbursing the retailer for any additional expense he might have to go to in collecting the tax and remitting it to the state.

This has changed now inasmuch as so much of that is computerized and the returns are more or less automatic and is no longer a burden on the store owners. For this reason, this collection allowance could be reduced. Nevertheless, there would still be a 1% under the current proposal.

The 1% tax, the local school tax and the city-county relief tax of ½%, each has a collection allowance of one half of one percent for the 1% tax that means one-half of the levy. The 2% tax had a 2% collection allowance and was out of proportion to the local school support tax and out of proportion to the city-county relief tax and so by reducing it to 1% you were able to recover approximately $1-million worth of revenue and still afford some allowance to the retailers. Senator Gojack was correct that if you took off collection allowances entirely you would be generating revenue for all three levels: local government, the schools and the state itself.

Senator Dodge indicated he wanted to be clear in his understanding that we are dealing with two types of administrative allowances: 1) the collection allowance to the retailers which you are paying is 2% on the state tax and ½% on the other two. On the city-county relief tax and the school support tax do you also make an administrative charge for the handling of that?

Mr. Lien replied in the affirmative that there is a statutory provision for a 1% of the collection to be transferred to the general fund as an administrative fee.

Senator Dodge then asked if he meant that we can reduce this loss by dropping off his administrative fee and was advised by Mr. Lien that was not the case. The collection allowance is one thing and they propose that the state collection allowance be reduced in ½ to 1%. As far as administrative fees are concerned on the city-county relief tax which is now 1%, by increasing it to 1½% you would recover the general fund. The proposal of .6 for city-county relief tax generates as it did in 1975 and would still under current projections close to $1-million worth of additional revenue for local entities. The administration of the city-county relief tax is more costly than the local school support tax and the local school support tax is a mandatory 1% across the state there being no contracts to enter into, no ordinance to be passed or anything else. The city-county relief tax requires an ordinance being passed at the local level, requires this department to enter into a contract with the local government. It is sporadic and not uniform throughout the seventeen counties. As a result you can make a case for the administrative cost being higher for the city-county relief tax than it is for the local school support tax. By increasing that administrative charge 1½ of 1% there is additional money generated for the general fund and yet under the proposal, the .6% would generate additional revenue for the local government above and beyond what they would normally receive. So the local government is not affected but the general fund does receive some benefit.

Senator Hilbrecht asked if the sales tax were removed as specified in SB No. 16 and no other amendment of the tax laws of the state were involved what is the gross loss to the revenue of the state? As stated another way, what are we making up with the half cent increase on the general sales tax?

Mr. Lien replied, $147,000.

Senator Hilbrecht then questioned what percentage of the sales tax dollar collected accounted for the exemptions. In 1975 when this was last discussed.

Mr. Lien replied that it was 11.53.

Senator Hilbrecht then asked about the share of the consumer dollar that is shifted out of other areas would now have to bear the tax which is being exempted under this bill has shifted from 11.5 to 13%.

Mr. Lien stated that there has been a historical pattern which reflects that there is a constant fluctuation. At one point it was at ten percent, then 11.8% and on down to 10.7%. In other words, it has been constant fluctuation.

Senator Hilbrecht asked if this is taking a definite trend. Isn't there a general trend toward compressing that amount of sales tax collected in all areas other than food and enlarging that share that is expended in the food or grocery area?

Mr. Lien explained that our statistics run from 1962 to 1975; from 1962 to 1963 it was 10.04%; in 1963 to 1964 and 1965 to 1966 it moved into the 11 and 11½% and peaked out at 11.6%. Then by 1970 it was down to 10.9, so the trend follows basically what the economic conditions are at the time. At the present time it is approximately 12.75%.

Senator Hilbrecht agreed that there was a definite gradual trend, but over the period it has never reversed itself except for a short period of time; 1969 and 1970, it was the lowest point.

Senator Bryan asked Mr. Lien if he could project if S. B. No. 16 was passed as to what it wouldbe next year or the year thereafter and Mr. Lien advised that between himself, Andy Grosse and Ron Sparks, they could prepare a projection but he did not promise how accurate it would be. They will be taking a considerable number of different things into consideration.

Senator Dodge stated that he would like to take a minute to reconcile some figures on the 'trend' we have been talking about in relationship to the Time magazine article. In his opinion, these figures are high, but in 1970 they have the average family of four with an annual income of $8,100 and the amount they spend on food was 33% and today the figure is 37%. In Nevada the average family is 3½. How do we reconcile in our situation in Nevada that 20% of expenditures on food as a sales tax item in the state by family units, as against this figure of 11 or 12% that you use as the amount of our total sales tax income on prepared food.

Mr. Lien explained because of the tax base that Nevada has the 20% is a rather common figure in several of our sales tax states but they are not sales tax states which have predominate as their industry the tourist business when you have nearly 1/2 of your sales tax dollar being generated by the tourist. His expenditures are not in the grocery store but a majority of his expenditures are in restaurants, clothing stores, etc. The answer is a small population of 600,00 plus versus 30-million tourists which are helping generate the tax dollar itself. It is the tax base difference. Senator Dodge stated that actually the tourism as well as other revenue structure accounts for this rather modest impact as a percentage of our total collection not our Nevada citizens.

Senator Sheerin pointed out some figures in the reports distributed by Senator Gojack where it is projected in 1979 and 1980 when we were making up projections, were they taking into account real growth and inflationary growth both using today's figures?

Mr. Lien stated they used the growth factor set forth in the executive budget; the 12% figure which is used in the executive budget.

Senator Sheerin said we have been talking about going to 4% on all other items. He asked if they figure on going to 4½% or 5% on luxury items and leaving non-luxury items at 3½%. Mr. Lien replied in the negative. He said they might suggest it would cause other kinds of administrative problems, too. Any time there is an exemption you add to the administrative problems and while the state now has two tax rates that it works with by introducing the third tax rate we are talking about now having a 3.4 countyor 4% county. By introducing into each of these counties a different rate you could be possibly running into some administrative problems.

Senator Bryan asked Mr. Ron Sparks, Chief Deputy Fiscal Analyst, if he would like to make any comments to the committee. Mr. Sparks advised that he has made some projections based on S. B. No. 16. Based on his projections and using what is contained in the bill the difference between Mr. Lien's figures and his projections as far as the loss for 1979-1980 a total loss of 1.2-million dollars and Mr. Lien's 1.4-million dollars so in general projections tend to agree. One area they do have a difference is in the local school support tax. As S.B No. 16 calls for that tax would go up 15% from 1% to 1.5%. The other two taxes--the 2% tax and the city- county relief tax both would only go up 14%. Based on that and using the base as contained in the executive budget he computed a very small increase in the local school support taxed if S. B. No. 16 were enacted and that increase amounts to $19-thousand in 1979-1980. Mr. Lien projected around a $100,000 loss. That was the only difference in projection figures.

Senator Hilbrecht asked if he has any projections from which he could establish the information about trends and the percentage of tax collected in the field in the area of food, the exempted area, as opposed to the percentage of total collections that would be in the 4% bracket. Mr. Sparks replied in the negative.

Senator Bryan asked if there were other witnesses to testify on S. B. No. 16.

Testifying in support of S. B. No. 16 were the following:

Mr. Lawrence J. Smoot, of the Nevada Hunger Taskforce and the Community Food Bank of Clark County. Mr. Smoot testified he works at the food bank and sees people daily who are in situations where they don't have enough money to buy groceries. He advised the committee that the rebate plan in S. B. No. 243 would cost more to administer than repealing the food tax and would not cover the total tax costs on groceries.

He also testified that qualifying families would be forced to wait until the end of the fiscal year to obtain the rebate and suggested that all eligible persons would not be reached.

He urged favorable consideration and passage of S. B. No. 16.

Alice Locicero of the Hunger Task Force, testified that food is one of peoples' basic needs; it should be made available to them as easily and reasonably priced as possible. S. B. No. 16 would benefit low income families, large families and persons on fixed incomes.

Midgene Spatz, representing the League of Women Voters, testified at length in support of S. B. No. 16, stating the repeal of the food tax is one way to provide relief without instituting a new program. She said the voters of the state who approved the original sales tax would be given an opportunity to decide if they want to alter it by eliminating the tax on groceries.

Thomas F. Cargill, professor of economics at the University of Nevada, Reno, testified that the sales tax is a very regressive tax and places a heavy burden on lower income groups who spend large portions of their income on food items. He said the recent years of inflation have increased the degree of regressivity experienced by low income groups in Nevada.

Mr. Richard Siegel, a professor of political science, spoke in support of S. B. No. 16 and the statements made by Dr. Cargill. Adding that with the increased cost of utilities, it is becoming harder and harder for the low income families to survive. The sales tax on food is about the only way the legislature can move to give them any assistance.

Mr. Robert Rose, president elect of Nevada State Education Association, spoke in behalf of his association members urging support for S. B. No. 16. He reminded the committee members that 14 of the 20 senators have co-sponsored this bill and urged the committee to give early consideration to its passage. He added that in 1975 when a similar bill was introduced, his association was divided as to their feelings, but they are 100% behind this measure this year.

Mr. Bob Warren, speaking in behalf of the Nevada League of Cities, testified that his association is in a curious position. Two years ago, they did not support this bill because it would preempt the choice that the legislature might want to make in providing income to the cities. He urged that the committee take a careful look 'down the road' to see if, by passing this bill, that you will not be politically creating a situation where you where you will not be in a position to give consideration to the political subdivisions.

Connie Albrecht, representing the Children's Foundation, the southwest regional office, explained some of the problems her office has in dealing with people who are eligible for these federally-subsidized programs in the area of not having the means of making these programs known to everyone. She asked, specifically, how the state was going to publicize this so that people would know where to go and how to file for the rebate. She emphasized that the low income families need the extra money at the time of purchase, not a year later.

Margaret Oakley, from the Nevada Hunger Task Force, concurred with the previous testimony given in stating that this bill will benefit all of us, but particularly will give benefit to persons of low income.

Mr. Scott Jordan, Attorney for Washoe County Legal Services, speaking in support of S. B. No. 16 said the people he deals with would qualify for this benefit and these people have very little choice as to the amount of money that they spend on food. Those families don't have the choice of spending less. They are forced to live on fixed incomes. In his opinion, S. B. No. 16 is the better bill. This bill doesn't require the initial payment of the sales tax and doesn't require filing a request for the rebate. He suggested the members keep in mind the fact that they are charged with the responsibility of solving the economic problems of the state and also of the low income constituents.

Grace Gaylor, speaking in behalf of the United Presbyterian Women, spoke in favor of S. B. No. 16, primarily due to the additional expense involved in administering S. B. No. 243.

Gene Loveless, Church Women United, indicated the senior citizens would benefit from S. B. No. 16 due to the convenience of receiving the tax benefit. It would not be necessary for them to find a means of applying for the rebate; it would be a 'built in' savings.

George Hawes, representing the AARP and NRTA, spoke in favor of S. B. No. 16. He advised that he has contacted numerous senior citizens and they have all indicated a desire to see the sales tax on food removed. They are not too involved with the mechanics, but they are sincerely interested in relief from the sales tax. He stated he has not discussed the S. B. No. 243 provisions with many people, but he will.

Speaking in opposition to S. B. No. 243 were:

Midgene Spatz entered several questions into the record:

1. She reminded the members that the tax revenue loss under S. B. No. 16 is projected to be $1.2 million; the cost under S. B. No. 243 could run as high as 8 to 10 million. Under an amended formula, the cost would run less, but there is still a considerable difference in costs.

Mr. Andrew Gross distributed an analysis he had prepared (copy attached) showing the projected amounts in conjunction with Mrs. Spatz's testimony.

2. Does the proposed rebate really reach the target group? The proposed new formula here doesn't equal the amount of food tax spent. Is there any attempt made to equalize the amount they actually spend on tax on food.

3. We have eliminated the problem of keeping receipts by amendment which would be very impractical but even the problem of applying for the rebate for the target group stands in the way of a very full implementation of this aid. The senior citizens groups are organized and they can help each other. The other target group who is the very low income families don't have the advocacy or the expertise or the ability to make these applications properly and show their eligibility and get the tax rebate.

She doesn't think that would really help the target group.

4. In Section 8, item 2 through 8-C, why the 'waiver of confidentiality' - is this necessary? Is that an undue discrimination against the people who have to file?

5. What means will be used to notify the 94,200 people eligible for the rebate? Will a letter be sent to each announcing the availability of the rebate including instructions for making application?

6. Also, why is there only one month for which application can be made, which is July and 18 months after expenditure? Then the Tax Department has until December 1 to make the refund. That is one month short of two years for receiving the rebate. She doesn't see that to be immediate implementation and every year that this is in effect, they have a 23 month delay in getting this rebate.

7. Also questioned was the 'Do Not Forward' notice to be placed on the rebate envelope. Will the Tax Department then attempt to locate the eligible persons who have moved during the 23 month delay and if not will the rebate checks revert back to the general fund.

8. Is S. B. No. 243 a proposal sincerely intended to give tangible aid to the target group or is it a token effort which might stand in the way of later constructive proposals. It might stand symbolically as a solution to a need met and disposed of; a need that we are most reluctant to admit is one of our social responsibilities in the State of Nevada.

Senator Hilbrecht questioned the statement about the waiting period being 23 months; he pointed out that it would be one year to 16 months.

Mr. Scott Jordan spoke on S. B. No. 243 and explained that he had just today received the amendments and had one comment about them. Throughout the discussion today, the presumption that we have been operating under is that both of these bills have an intention of benefiting the low income persons from paying sales tax on groceries. It was testified earlier that a low income family saved on the average of $7 per family per month. In the bill, as it has been amended, for the largest rebate group which is the group whose income is $3,000 or less in the household, the maximum amount of rebate is only $18 per person. He would question that reduction and the amount of rebate if the goal of the bill is actually to provide benefit for the low income person.

Senator Hilbrecht explained that they had a serious problem in getting this bill drafted. This bill is really not the one that Senator Dodge and himself wanted.

The $90 figure got in there because it was thought that this was a gross family figure and what happened is when the bill was drafted the two things were co-mingled. He stated he realizes it doesn't read that way. They really felt that the $18 figure is a better figure than the $90 cut off which was intended to be a family group, when the bill drafting request went in. That is an internal difficulty. They do propose an amendment for this bill.

Senator Bryan explained that, in an attempt to schedule both of these bills at one tome for the convenience of those wishing to testify, it had been impossible to have S. B. No. 243 ready and reprinted with the proposed amendment.

Mr. Lien added that S. B. No. 243 is being redrafted with some changes; the changes were outlined as follows:

1. They have a question of Section 8 having to do with the adjusted gross income on the internal revenue code. They would like to have that stricken from the bill.

As it stands now, his department would be asked to look at the income for a fiscal year period, that is from July 1 to June 30. They have no problem in Section 4 where they are talking about establish that income of $6,000 for the proceeding fiscal year but if he has to attempt to verify according to the internal revenue code adjusted gross income, which is on a calendar year. This would create administrative problems and it would be his suggestion to eliminate that section. Perhaps the wording could be, 'income from whatever source' and they would proceed as a Department under Section 4 to determine whether the individual had a $6,000 income for that proceeding fiscal year.

He explained he had sent Senator Hilbrecht a memo suggesting that the rebates be at a different level and stated that the reason for that different level was based on information from the Department of Human Resources and the Welfare Department Food Stamp Program. They estimate that the minimum spending per person is $50 per month in taxes and that equates out to be a $21 a year rebate rather than an $18 a year rebate. They gave that as a matter of information that can be considered by the drafters.

Senator Hilbrecht stated that he questioned the population figures as being high but even using that higher population figure we have a number of $1,800,000; he asked if that is at the $22 figure. Mr. Lien answered in the affirmative, adding that this was using the higher population figure, using the $21 rebate and the breakdown in categories of $1,800,000 as a maximum that would be expended. That is if everyone qualified.

If only two-thirds qualify, we could add an administrative cost and only $1,200,000 under the very maximum program, even with the $21 rebate in it.

Senator Gojack submitted for the record two letters that she had received in support of Senate Bill No. 16 from Dr. Glen Atkinson, Associate Professor from the University of Nevada, Reno, with accompanying statistics, and a letter from Mr. James T. Richardson, Legislative Support Committee, Washoe County Democratic Party.

The Chairman assured those present that there would be an additional hearing on these two measures in order to give everyone a chance to testify. This will be done after S. B. No. 243 has been redrafted according to the wishes of the sponsors.

There being no further business, the meeting was adjourned.

APPROVED:

Richard H. Bryan

Richard Bryan, Chairman

Respectfully submitted,

Nykki Kinsley

Nykki Kinsley, Secretary

TESTIMONY BEFORE THE STATE SENATE TAXATION COMMITTEE 2-24-77

Senators Bryan, Hilbrecht, Dodge, Sheerin & Glasier present

Lawrence J. Smoot; United Methodist Urban Minister in Clark Co. Representing the Community Food Bank of Clark Co. & the Nevada Hunger Taskforce.

I am here today to testify in support of the removal of sales tax on food and medical supplies as proposed in Senate Bill 16. I have two main reasons for doing so:

First, the present tax levy system as it applies to food is in my opinion unjust. Any sales tax on food is regressive, placing the heaviest burdens on those who can least afford them. Food is a necessity for sustaining life. Everyone needs and buys food in relatively the same amounts. The difference between the food expenditure of a person on a low income and that of a person having great wealth is relatively small. The difference in the ability to support State services paid for by sales tax revenues is very large.

For example, a family of four making $5000. per year can presently expect to be taxed on about 48% of their total income via the sales tax on food. (Based on minimum diet & corresponding minimal expenditure on food 11.54 per person per week x 4 x 52 = $2400. per year) Total tax liability over a year equals $84., or $1.68 out of every $100. income. Presently about two weeks' grocery budget is eaten up by sales tax. For a family with a very low income or a senior citizen on a fixed income that two weeks' grocery cost can make a great deal of difference.

On the other hand, a family of four making $20,000. feels very little impact on their budget from sales tax. If they limit their food expenses to the same level projected for the first example family, (11.54 per person per week) only 12% of total income would be taxed. Assuming they spent 50% more on food (17.31 per person per week), only 18% of their total income would be liable to sales tax on food. That's about 63¢ on every $100. total income, or about $126. total per year--quite a difference in impact!

SB 16 would greatly assist in making the tax structure of our State more equitable. The .05¢ increase proposed on non-food items allows those families forced to spend large portions of their income on food relief, while placing the burden of supporting State services presently paid for by food sales tax revenues on persons better able to pay.

As an example, the family with $5000. income would benefit substantially. If they were to spend 100% of non-food expenditures on taxable items affected by this increase, their additional tax liability would amount to only $13.--a savings of $71. As per Dept. of Taxation figures, the persons who would bear an additional tax burden due to this increase would be those with an income above $10,000. The increase would be felt at gradated levels of income and expenditure on non-food items. Benefits would be felt most by those in lower income brackets with larger numbers of children in families. Most important, the tax burden would shift from those who spent the bulk of their income on food to those who had income to spend on other items, mostly non-essentials.

As a resident of Clark Co., where the tourism is one of the primary causes of crime, I would like to see the tax burden presently placed on large families placed on tourists. One out of three crimes committed in my county is committed by a tourist or "transient". It seems right that tourists, for whose benefit many improvements are made and paid for from State income should shoulder a larger part of the tax burden.

My second reason for supporting a tax repeal, rather than a tax rebate or other program is the effect such a program can have on the people who are intended to benefit and on the State. Having studied the economic impact of rebates and the potential impact of this legislation, I feel that SB 16 has a potentially better impact on overall State economy and a definitely better impact on those low-income residents intended to benefit.

Most recent figures show that the State may lose up to 1.4 million dollars if SB 16 is enacted and passed by voters in 1979-80. At the last State Legislature a projection of about $2 million profit was projected if a repeal of sales tax on food was passed. Why? Food prices rose over 16% in two years. The portion of State sales tax revenues from food rose from 11.5% to 13%. Over the same period wages rose about 13%, utilities 12% and housing 14%.

Thus, during a period of relative recession food costs skyrocketed faster than any other standard expense to families in our State. U.S. Dept. of Commerce indicators project that families will be spending less of their budget on food than they presently do when the inflationary trend in that particular industry slows-in about 2 years. The important dynamic to note is that food prices are projected to become less of an expense to families and that than the State can project a profit in the near future if the tax is shifted from food to other items as proposed in SB 16.

Beyond the potential benefit to the State, the proposed repeal of sales tax on food would benefit all citizens. I feel the example of the last two years shows this in some very concrete terms: While prices rose drastically in almost all areas, wages did not follow in relative growth rate(s). (Reference Dept. of Taxation figures) If the sales tax were removed from food in a similar period, the overall effect of an "economic crunch" would be eased in the following 3 ways;

1. Marginal and Low-Income families, particularly 1-parent families, would find it easier to survive. Those with employment would be less apt to quit and go on welfare, having more budget for things like child care and job-related expenses. Their enhanced upward-mobility would assist the total economic status of the State.
2. Middle-Income families would have more actual budget for non-essentials, boosting total sales. Even investments by this group, as opposed to non-essential purchases, would assist the overall economy across the board.
3. High-Income families would benefit from the economic boosts in other income brackets. Business owners, for instance, have an obvious benefit in the expanded buying power of families. Professionals, often suffering from reduced clientele, could anticipate that family budgets for their services would not be cut as readily. Of course, the burden of families on welfare in an economic crunch would be lessened.

The idea of a rebate, while commendable, has many flaws. Not the least of these is the level of participation. In our State, where there is no established route of contact between residents and State Taxation facilities (i.e. State Income Tax or other regular contact mandatory for every wage-earner) one can project a very low level of participation. The corresponding impact of such a program is very low--for proposed beneficiaries AND the State economy.

Using the rebate on property tax for senior citizens as a model for discussion, or projection of the effects of this program reveals 4 important things:

1. The average cost of 1 application was $7.00-(per State Taxation Dept. figures)-obviously very high for a proposed rebate of only $18.00 per person, per annum.
2. Participation of senior citizens over 62 in this program was only 1-in-6, even though two-thirds of all those qualified (as property-owners, etc.) participated. Those two-of-three who participated in Clark Co. represented the upper two-thirds of senior citizens on the income scale. The less sophisticated, poorer third of seniors who qualified did not participate. These are the persons who needed the dollars most. Thus, the impact of such a program on the "target population" must be questioned.
3. Participation, based on the relative sophistication of persons, and probably on relative poverty or affluence, of the "target population" addressed in SB 243 will be hindered further by the time and knowledge needed to apply for a rebate of sales tax on food. No provision in present proposal(s) exists for advertising the availability of the rebate, nor for transportation to sites of application. Thus, one may postulate that only the relatively "non-poor", sophisticated poor will take advantage of the program. Result--Low Impact
4. One cannot overlook the transient nature of poor persons in our State. Most do not own property (real estate). Many do not make enough even to file income tax returns. Thus, without a special effort to follow and contact persons who qualify, the assistance which a rebate program gives becomes more and more negligible.

Beyond the rather obvious flaws built in to a rebate program in our particular State, the basic result of any rebate is to put back a rather large sum of dollars taken out of the budget over a long period at one time. If one is truly to raise the quality of life for a specific group, the idea of a rebate is counter-productive. Studies of the recent Federal Income Tax rebates show that the injection of capital at one time is not as productive for the individual or the overall economy as a reduction of initial cost(s). People save, or spend in advance, rebates given on things like Income Tax, automobiles, etc. Small savings, on an ongoing basis, get into the regular budget for things needed day-to-day. Thus, a savings through removal of sales tax can be projected to get into the expenditures that raise the quality of life by building the buying-power of individual and assist the overall State economy by increasing expenditures at all levels of income.

To summarize, the regressivity of the present sales tax levied on food is evident. It places the heaviest burdens on those persons who can least afford them, creating a situation that definitely needs to be ammended. The sales tax on food is not a constant asset or liability to the State, when the dynamics of past inflationary trends are taken into account. The removal of sales tax on food and a shift of burden in recouping the tax could in fact, be an asset to the State government's economy.

The rebate system of reducing the burden on low-income persons is flawed throughout. The individual impact can be projected to be very low and little or no State-wide impact can be anticipated.

At this point one might wonder what, exactly was anticipated by the introduction of a rebate bill. Was it not simply a ploy to divide the forces supporting a removal of sales tax on food long enough to let legislators off the hook for two more years?

UNIVERSITY OF NEVADA

COLLEGE OF BUSINESS ADMINISTRATION

DEPARTMENT OF ECONOMICS

RENO, NEVADA 89507

February 23, 1977

The Honorable Mary Gojack
Nevada State Senator
State Legislative Building
Carson City, NV 89710

Dear Mary:

Almost all students of the tax system recognize that a sales tax which exempts expenditures for personal services but taxes food for home consumption is particularly regressive. Senate Bill 16 would partially redress this situation.

X The respected Advisory Commission on Intergovernmental Relations has long recommended that groceries be removed from the tax base. The Lybrand Report made this recommendation to the Nevada Legislature in 1966.

This Bill would not result in lower tax collections, unless an increasing proportion of the family budget is needed for groceries. In that case, an ever stronger case can be made to shift the tax from low income families.

While the tax on groceries is most burdensome on the poor, it is also a burden on the average family. According to the Advisory Commission on Intergovernmental Relations, a family with $14,000 income in 1975 spent 1.3 percent of their income on sales taxes, a family with $28,000 income spent 0.9 percent, and a family with $56,000 spent only 0.7 percent. Moreover, the burden has been increasing more rapidly on the average family (116.7 percent increase between 1953 and 1975) than on the higher income groups (80.0 percent and 75.0 percent). Please see Table attached.

Finally, it is often said that out-of-state visitors pay much of Nevada's taxes. However, visitors do not purchase groceries in any substantial amounts. The effect of this Bill would be to shift more of the burden to tourists, especially to the tax category of eating and drinking places.

Sincerely,

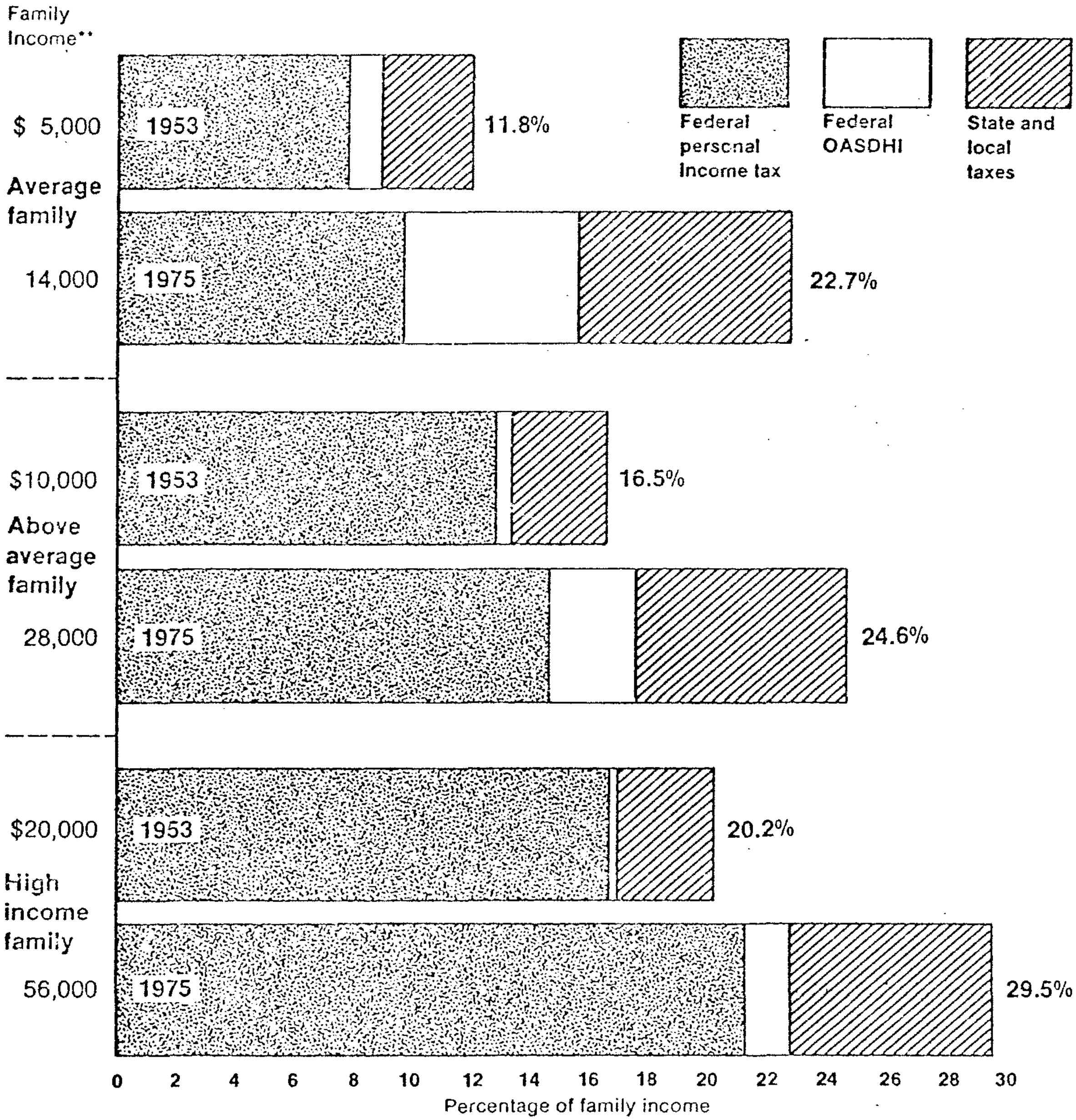
Glen

Glen W. Atkinson
Associate Professor

GWA/dm

CHART XVI

The Narrowing of the Gap in Direct Tax Burdens Borne by Average and Upper Income Families, 1953 and 1975*



*These estimates assume a family of four and include only: Federal personal income, Federal OASDHI, state and local personal income and general sales taxes, and local residential property taxes.

**Average family income in 1953 was $5,000; in 1975, $14,000.

Source: Table XVI.

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Feb. 21, 1977
2075 Marlette
Reno, Nevada 89503

The Honorable Mary Gojack, Senator
Nevada State Legislature
Carson City, Nv.

Dear Senator Gojack,

It is my understanding that this week testimony is to be heard concerning your bill to remove the sales tax from food bought in retail outlets in Nevada. I am very pleased that this bill has come to a hearing, but am distressed that I will not be able to attend the hearing because of a prior commitment out of state.

If I was going to be here, I would certianly have wanted to testify in favor of your bill. I am a member of the Legislative Support Commitee for both the State and the Washoe County Demoncratic Party organizations, and would have testified on behalf of those groups in person. However, since I will be gone the day of the hearing, I would appreciate your reading this brief note into the record in support of your bill.

At the Washoe County Democratic Convention held last spring, your concept of how to get rid of the sales tax on food and shift the tax burden elsewhere was whole-heartedly adopted. Later that spring the same idea was adopted at the State Demoncratic Party Convention in Las Vegas. Democrats from the entire state agreed that having a sales tax on food was extremely regressive, and that such a tax was unfair, particularly to those on low incomes, including the elderly. Democrats want the tax on food removed, and soon.

Thank you for your consideration, and good luck in your efforts to solve this problem of our tax structure.

Sincerely yours,

James T. Richardson

James T. Richardson
Legislative Support Committees,
Washoe County Democratic Party
State Democratic Party

TABLE XVI

The Narrowing of the Gap in Direct Tax Burdens Borne by Average and Upper Income Families, 1953 and 1975

Type of Tax	Average Family[1]			Twice the Average Family[2]			Four Times the Average Family[3]		
	Tax as Percent of Family Income		Percent Increase	Tax as Percent of Family Income		Percent Increase	Tax as Percent of Family Income		Percent Increase
	1953	1975	1953-1975	1953	1975	1953-1975	1953	1975	1953-1975
Total	**11.8**	**22.7**	**92.4**	**16.5**	**24.6**	**49.1**	**20.2**	**29.5**	**46.0**
Federal personal income tax	7.6	9.6	26.3	12.8	14.7	14.8	16.6	21.1	27.1
Social security tax (OASDHI)	1.1	5.9	436.4	0.5	2.9	480.0	0.3	1.5	400.0
Local residential property	2.2	4.0	81.8	1.8	3.2	77.8	1.7	2.5	47.1
State-local personal income	0.3	1.9	533.3	0.9	2.9	222.2	1.2	3.7	208.3
State-local general sales	0.6	1.3	116.7	0.5	0.9	80.0	0.4	0.7	75.0

[1]Estimates for average family earning $5,000 in 1953 and $14,000 in 1975 assuming all income from wages and salaries, and earned by one spouse.

[2]Estimates for twice the average family. Family earning $10,000 in 1953 and $28,000 in 1975 and assumes that earnings include $105 (interest on state and local debt, and excludable dividends) in 1975 and $25 in 1953; also assumes the inclusion of net long-term capital gains of $1,040 in 1975 and $350 in 1953.

[3]Estimates for four times the average family. Family earning $20,000 in 1953 and $56,000 in 1975 and assumes that earnings include $965 (interest on state and local debt, and excludable dividends) in 1975 and $265 in 1953; also assumes the inclusion of net long-term capital gains of $6,400 in 1975 and $1,730 in 1953.

(For additional assumptions used in these computations, see "Note" on next page).

Source: ACIR staff computations.

LEGISLATIVE COUNSEL BUREAU
LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

ARTHUR J. PALMER, Director
(702) 885-5627

JAMES I. GIBSON, Senator, Chairman
Arthur J. Palmer, Director, Secretary

INTERIM FINANCE COMMITTEE (702) 885-5640
DONALD R. MELLO, Assemblyman, Chairman
Ronald W. Sparks, Senate Fiscal Analyst
John F. Dolan, Assembly Fiscal Analyst

FRANK W. DAYKIN, Legislative Counsel (702) 885-5627
EARL T. OLIVER, Legislative Auditor (702) 885-5620
ANDREW P. GROSE, Research Director (702) 885-5637

February 22, 1977

M E M O R A N D U M

TO: Senator Mary Gojack

FROM: Andrew P. Grose, Research Director

SUBJECT: Sales Tax Rebate Plans

I have calculated the approximate costs of food sales tax rebate plans using $10,000 as the annual income cutoff point. Each model has certain assumptions which will be spelled out.

Model I

Income maximum $10,000
Rebate $18 per capita (based on the tax on $10 of food purchases per person per week)
Rebate not graduated as to income level or number of dependents

Percent of population in families of $10,000 or less annual income, 35.4 percent (1974 Census figures).

Estimated 1976 population 628,000

Number eligible: 222.312

Cost of $18 flat rebates: $4,001,616

Model II

Income maximum $10,000
Maximum rebate $18 per capita

Graduate the rebate as follows:

Under $3,000 income, $18 per capita
$3,000-$5,000 income, $15 per capita
$5,000-$7,000 income, $12 per capita
$7,000-$10,000 income, $9 per capita

Percent of population in each income category:

Under $3,000, 4.7 percent
$3,000-$5,000, 7.2 percent
$5,000-$7,000, 9.4 percent
$7,000-$10,000, 14.1 percent

Using population of 628,000, number of people and cost at each category:

Category	People	Cost
Under $3,000	29,516	$531,288
$3,000-$5,000	45,216	$678,240
$5,000-$7,000	59,032	$708,384
$7,000-$10,000	88,548	$796,932
		$2,714,844

Model III

All the same assumptions as Model II except use $18, $13, $8 and $3 as the rebates. Total cost, $1,856,996.

Model IV

All the same assumptions as Model I except graduate the $18 rebate for successive dependents. For instance, rebate $18 to head of household, $15 to first dependent, $12 to second dependent, $9 to third dependent and $6 to each additional dependent over three.

This model uses the average family size of 3.48 for calculations.

There are 222,312 people in the under $10,000 family income category.

Rebate to heads of households,	$1,149,876
Rebate to first dependents,	958,230
Rebate to second dependents,	766,584
Rebate to third dependents,	578,938
Rebate to additional dependents,	183,980
Total	$3,637,608

Our department of taxation has not done a study of the participation rate in the senior citizens' program but an educated guess can be made. If we assume that the fiscal note that resulted in a $1.2 million per year appropriation was based on a valid estimation of the eligibles, then we can say that about one-third of the eligibles have not applied. This is based on the fact that $800,000 will be spent on the program this year.

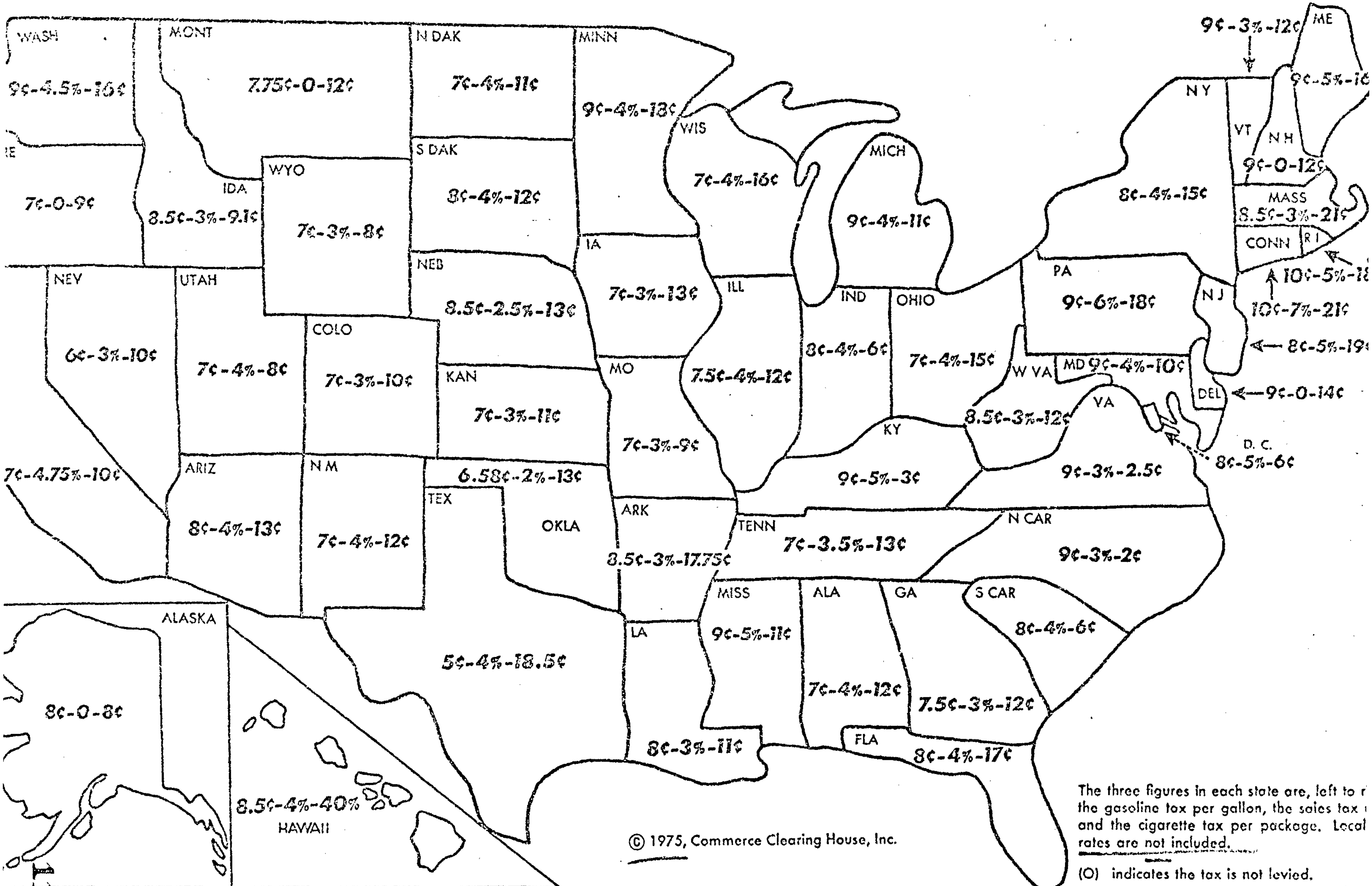
No state without an income tax rebates food tax. Only six states rebate--Colorado, Hawaii, Indiana, Massachusetts, Nebraska and Vermont. In addition, the District of Columbia rebates. Massachusetts has a rebate but also exempts food from tax.

In Indiana, an income tax state that rebates tax on food, about 6.3 percent of the population is unaccounted for in income tax returns. It is assumed that these people are low income and do not have to file except to get a rebate. I would think that in a state with no income tax filing, the percentage who would not file for the rebate would be even higher. Also, the 6.3

percent figure in Indiana is of total population. If Indiana has the same percentage of people under $7,000 as Nevada, that would mean that about one-third of Indiana's eligibles do not apply for rebates. That would equal our nonapplying senior citizens. Colorado had no figures on this but their statistics branch thought the one-third estimate was probably valid.

APG/jd

STATE GASOLINE, SALES AND CIGARETTE TAX RATES AS OF JULY 1, 1975



The three figures in each state are, left to r[ight,] the gasoline tax per gallon, the sales tax [and] and the cigarette tax per package. Local rates are not included.

(O) indicates the tax is not levied.

HOW DOES THIS AFFECT OUR SCHOOLS?

Department of Taxation studies show that the State Distributive School Fund would continue to receive at least the same amount of revenue as it does now. All 17 School Districts will receive at least as much from the Local School Support Tax (1% of the total sales tax now levied) as they do now. During the last session both Clark And Washoe County School Districts indicated that the proposal would not adversely affect their budgets.

HOW DOES THIS AFFECT OUR CITIES AND COUNTIES?

Department of Taxation projections indicate that my proposal would generate additional monies for counties and cities to help offset the increasing costs of local government.

ARE THERE ADDITIONAL COSTS TO THE MERCHANT?

Department of Taxation surveys taken in 1974 and 1975 indicated that most merchants felt there would be little or no additional long range increase in administrative costs.

ARE THERE ADDITIONAL COSTS TO THE STATE OF NEVADA?

Representatives of the Department of Taxation, which administers and collects the sales tax, testified before the Senate Taxation Committee that there would be little or no additional long range administrative costs for the State.

HOW WOULD THE REPEAL OF THE SALES TAX FROM GROCERIES HELP LOW INCOME AND FIXED INCOME PEOPLE?

This proposal would help by shifting more of the sales tax burden to higher income people and Nevada's 28 million annual tourists.

WHAT CAN *YOU* DO TO HELP?

Contact *your* state legislators. It's an election year, ask candidates where *they* stand on this issue.

Write letters to newspapers and elected officials indicating how *you* feel on this issue.

Get *your* group or organization to look at this issue and express its opinions, as a group, to newspapers and elected officials and those who are seeking *your* vote.

Senator Mary Gojack
3855 Skyline Blvd.
Reno, Nevada 89509
825-9652

SHOULD YOU PAY TAXES ON GROCERIES?

If your answer is NO, you should support the repeal of Nevada sales tax on groceries.

DID YOU KNOW?

1. Simply put, lower income and fixed income people spend much more of their income for food than others.

2. Let's look at two similar families of four, one with $5,000 annual income and the other with $25,000 annual income. Studies show: The average grocery costs per year for such a family earning $5,000 are $2,400 ($200 per month) and for such a family earning $25,000 are $3,000 ($250 per month).

SO,

Income	$5000	Income	$25000
Less groceries	2400	Less groceries	3000
	$2600		$22000

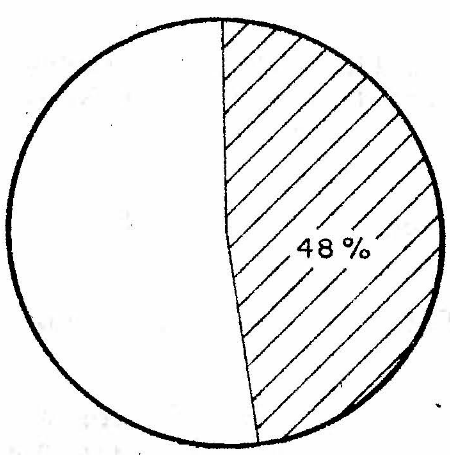
$30,000

Or, the $5,000 income family retains $2,600 for all other housing, clothing, transportation and other expenses (including other taxes) for the year, but, the $25,000 income family retains $22,000 for those expenses.

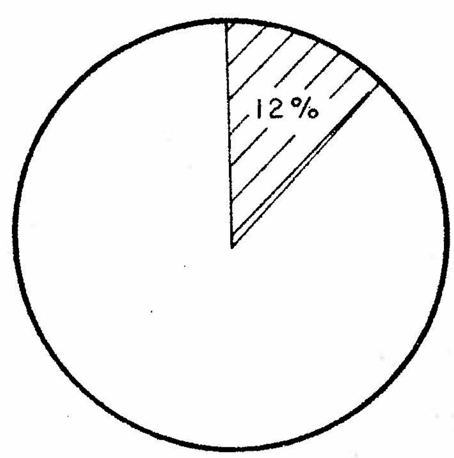
OR TO PUT IT GRAPHICALLY,

Percentage of Family Income Spent on Groceries

Family of Four,
$5,000 yearly income



Family of Four,
$25,000 yearly income



S.B. 386 introduced at the last legislative session by Senators Gojack, Young, Sheerin, Bryan, Schofield, Blakemore, Herr, Foote, Walker and Neal, would remove the sales tax from groceries and make up lost revenue by adding up to one half percent on all other taxable sales. If so, in the 6 rural counties currently paying 3% the rate would go up to 3 1/2%. In the 11 counties currently paying 3 1/2% the rate would go to 4%. The rate in Washoe, Clark and Elko counties would go to 4%.

HOW WOULD IT WORK?

Since the people of Nevada voted to impose the original sales tax in 1955 it can only be amended by another vote of the people. The grocery exemption bill would place the question on the ballot. If it passes the vote of the people, any additional increases in rate or scope of the sales tax would once again require a vote of the people.

STATE OF NEVADA
Department of Taxation
CARSON CITY, NEVADA 89710
In-State Toll Free 800-992-0900

MIKE O'CALLAGHAN, *Governor* • • JOHN J. SHEEHAN, *Executive Director*

MEMORANDUM
February 24, 1977

TO: Senator Mary Gojack

FROM: James C. Lien, Deputy Executive Director

SUBJECT: Fiscal Impact of SB 16

The Department has revised its percentage of sales tax attributable to food sales as defined in SB 16. Included in the formula is the impact of extending the exemption to certain medications and medical devices.

Because food prices have risen sharply and certain areas of the state have felt an economic slowdown, a shift in the percentage of sales in food stores attributable to food has occurred. Accordingly, to reflect the food impact, we've taken 80% of the store sales as being food as defined in SB 16 and determined 13% of the sales tax collected would be lost with the extended exemptions. This is reflected in the statistics and projections forwarded to you February 7.

Attached hereto are revised projections based on two added assumptions:

1) That the collection allowance for the state 2% tax be reduced from 2% to 1% - more in line with subsequent enacted bills (LSST & CCRT); and

2) That the tax rates be revised accordingly:

State from 2.28 to	2.25
LSST - remain same	1.15
CCRT from .57 to	.60
	4.00%

The result of those two added assumptions allows for the generation of added revenue for recipients of the CCRT and reduced the projected 1979-80 general fund loss to approximately $1,034,511 or approximately 1%.

Any questions you have, please contact me.

STATE OF NEVADA
Department of Taxation
CARSON CITY, NEVADA 89710
In-State Toll Free 800-992-0900
MIKE O'CALLAGHAN, *Governor* • • JOHN J. SHEEHAN, *Executive Director*

February 24, 1977

1979-80

SUMMARY OF AMENDED SB 16

	Present System 3.5 Percent	SB 16 4 Percent
State General Fund	$103,541,130	$102,377,619
State School Distributive Fund (LSST)	2,898,145	2,903,361
County School Distributive Fund (LSST)	48,830,560	48,813,010
County/Cities (CCRT)	24,748,718	25,814,337
TOTALS	$180,018,553	$179,908,327

These figures are based on the assumptions that the rates used in SB 16 are:

Sales and Use Tax	2.25%
Local School Support Tax	1.15%
County/City Relief Tax	.60%

These percentages, along with a reduction of the retailers collection allowance in the Sales and Use Tax portion from 2 percent to 1 percent bring SB 16 to $110,226 short of what would be collected under our current system.

If the 1 percent administration fee charged to CCRT was changed to 1.5 percent:

	Difference		Present System	1.5 Percent Administration Fee
SPARKS 19,000	($1,034,511)	General Fund	$103,541,130	$102,506,619
	(17,550)	Local Schools	48,830,560	48,813,010
	$ 936,619	County/Cities	24,748,718	25,685,337

SUMMARY--Provides rebate of sales taxes on food to persons of limited income. (BDR 32-916)
Fiscal Note: Local Government Impact: No.
State or Industrial Insurance Impact: Yes.

AN ACT relating to sales and related taxes; providing for the return of such taxes paid on food to persons of limited income; specifying eligible persons; providing penalties for violations; 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. Title 32 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 14, inclusive, of this act.

Sec. 2. As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 3 to 9, inclusive, of this act have the meanings ascribed to them in those sections.

Sec. 3. "Department" means the department of taxation.

Sec. 4. "Eligible person" means the head of a household who:

1. Receives a retirement or disability pension from the United States Veterans' Administration, the United States Social Security Administration, the United States Railroad Retirement Board, the public employees' retirement system of this state or a public employees' retirement system of another jurisdiction and whose household income did not exceed $6,000 for the preceding fiscal year.

2. Otherwise satisfies the department by affidavit that his household income did not exceed $6,000 for the preceding fiscal year.

3. Receives compensation for a full disability from the Nevada industrial commission or from or through an equivalent body in another jurisdiction.

4. Receives through the welfare division of the department of human resources state aid to the medically indigent, aid to dependent children, supplemental security income, or food stamps.

Sec. 5. "Evidence" means any document submitted to the department as an aid to establishing eligibility.

Sec. 6. The "head of a household" is:

1. A person living alone.

2. The husband, in the case of a married couple.

3. Any other person who maintains as his home a household which is the principal residence of one or more of his children, stepchildren, adopted children, grandchildren or parents.

Sec. 7. "Household income" means the income of the head of the household plus the income of each additional member of the household.

Sec. 8. "Income" means adjusted gross income, as defined in the Internal Revenue Code, plus the following items: tax-free interest; the untaxed portion of pensions or annuities; railroad retirement benefits; veterans' pensions and compensation; payments received under the Social Security Act, except supplemental security income and hospital and medical insurance benefits for the aged and disabled; public welfare payments, including shelter allowances; unemployment insurance benefits; all "loss of time" and disability insurance payments; untaxed alimony; support payments; allowances received by dependents of servicemen; the amount of recognized capital gains exluded from adjusted gross income; life insurance proceeds; bequests and inheritances; cash gifts over $300 not between household members and such other kinds of cash flow into a household as the commission specifies by regulation.

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Sec. 9. "Tax" means sales tax, use tax, local school support tax and city-county relief tax paid on purchases made in the State of Nevada.

Sec. 10. 1. Each eligible person may apply during the month of July in each year for an allowance to compensate for the tax which he has paid on purchases of food during the previous fiscal year.

2. An application filed under the provisions of this section shall be filed on a form prescribed and provided by the department, and shall be accompanied by:

(a) Evidence of eligibility in a form acceptable to the department.

(b) A waiver of confidentiality of the information on file with any agency mentioned in section 4 of this act, and permission for the department to inquire into the circumstances of any pension or compensation.

Sec. 11. The department may:

1. Design application forms and specify reasonable information to be included thereon.

2. Investigate the status of any applicant, whether or not the applicant has received an allowance in any previous fiscal year.

Sec. 12. The department shall:

1. Adopt regulations for submission of applications, establishment of eligibility and payment of allowances.

2. Determine whether each applicant is an eligible person and inform each applicant who is rejected of the reasons for his rejection and of his right to a hearing before an employee of the department.

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3. Conduct hearings to investigate the claims of applicants whose applications for an allowance have been denied and who have requested a hearing. The decision of the department, rendered after hearing, constitutes final administrative action.

Sec. 13. 1. To each person found eligible, the department shall pay for the head of the household and each additional member of the household for whom he provides more than one-half of that member's support:

(a) $18 if the household income is $3,000 or less.

(b) $14 if the household income exceeds $3,000 but is less than $4,500.

(c) $10 if the household income is $4,500 or more.

2. Allowances paid under the provisions of this section shall be paid from the state general fund with money appropriated for that purpose.

3. Warrants prepared for payment of allowances under this section shall be mailed no later than November 1 of the year in which the application was received to the address shown on the application, and each envelope shall carry the direction "Do Not Forward."

Sec. 14. Any person who submits an application and who:

1. Knows himself to be ineligible for an allowance under this chapter; or

2. Includes any information which he knows to be false or materially misleading,

is guilty of a gross misdemeanor.

Sec. 15. The first applications under this act shall be accepted by the department of taxation during the month of July 1978 for fiscal year 1977-1978.

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S.B. 243
Interim Fiscal Note

(Prepared by Office of Research, not Department of Taxation)

This note is based upon the amended version of S.B. 243.

Assumptions:

1977 Nevada population: 628,000

Income ranges and rebates:

$0-$3,000	- $18 per capita
$3001-$4,499	$14 per capita
$4,500-$6,000	$10 per capita
Over $6,000	$ 0

Income ranges, percentage of population and population:

$0-$3,000	4.7%	29,516
$3,001-$4,449	5.4%	33,912
$4,500-$6,000	6.5%	40,820

Income ranges, rebates and cost:

$0-$3,000	29,516	X	$18 =	$ 531,288
	33,912	X	14 =	474,768
	40,820	X	10 =	408,200
			TOTAL	$1,414,256

Administration Costs		$ 21,618
	TOTAL	$1,435,874

PLEASE PRINT

Taxation - Feb. 24, 1977

NAME	Representing
Jean Loveless	Church Women United
Grace Gaylord	United Presbyterian Women
Connie Albrecht	The Children's Foundation (Southwest Regional)
Margaret Oakly	Nev. Hunger Task Force
Paul Ghillarducci	Nevada State Education Association
Steve Stucker	North Las Vegas
Robert Warren	Nev League of Cities
Paul Ghilarducci	NSEA
Donna Sutton	self
Scott Jordan	Washoe Legal Services
Midgene SPÄTZ	League of Women Voters
Linda Butler	Diocese of Nev Hunger Task Force
LAWRENCE J. SMOOT	NEV. HUNGER TASKFORCE
Tony E. Butler	Chairman, Diocese of Nevada Hunger Task Force
Josephine Borgeson	Diocese of Nevada Hunger Task Force

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HANS RADTKE	yes	SB 90	UNR
Jean			
Richard Siegel	yes	SB 16 243	self
[illegible]ie Louciro	yes	SB 16	Hunger Taskforce
Paul Ghilarducci	Yes	SB 16	NSEA
Robert Warren	yes	SB 16	Nev League of Cities
Connie Albrecht	yes	SB 16 SB 243	Children's Foundation
Margaret Oakley	yes	SB 16	Nev Hunger Task Force
Scott Jordan	yes	SB 16	Washoe Legal Services
Midgene SPÄTZ	yes	SB 16	League of Women Voters
Lawrence J. Smoot	yes	SB 16	Nevada Hunger Taskforce
Tony E. Butler	no	SB 16	Chmn. Nevada Hunger Task Force
STEVEN STUCKER	YES	SB 243	City of NORTH LAS VEGAS
Tom Cargill	yes	SB 16	
G. Holbrook Hawes	yes	SB 16	AARP-NRTA

AGENDA FOR COMMITTEE ON TAXATION

Date FEB. 24,1977 Time 2:00 p.m. Room 231

Bills or Resolutions to be considered	Subject	Counsel requested*
S. B. No. 16	Provides for submission at next general election of question proposing certain changes in Sales and Use Tax Law.	
S. B. No. 243	Provides rebate of sales taxes on food to persons of limited income.	

*Please do not ask for counsel unless necessary.

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