

SENATE TAXATION COMMITTEE
MEETING OF MARCH 1, 1977

The meeting of the Senate Taxation Committee was called to order by Chairman Richard Bryan at 1:30 pm, with the following members present:

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

The first item under consideration by the Committee was:

SJR 5 of the 58th Session - Proposes to amend Nevada Constitution to allow imposition of the estate tax not to exceed credit allowable under federal law.

Senator Bryan advised that Mr. Fran Breen of the Nevada Bankers Association had contacted him and requested a second hearing on this measure in order to give representatives of his Association an opportunity to testify. The floor was given to Mr. Breen for presentation of his Association members and others opposing SJR 5.

Testifying in opposition were: Mr. Don W. Ashworth, representing himself; Mr. Bill Sanford, Sr.; Mr. Vern Willis, with the Las Vegas Chamber of Commerce and chairman of their Tax Committee; Mr. John DeLong with Merrill, Lynch, Pierce and Smith, Mr. Don Brown, Valley Bank; Mr. John R. Cockle, representing Nevada National Bank; Mr. George Folsom; Mr. Ted Nigro, Senior Vice President of Security National Bank; Mr. George Vargas, a Reno attorney; Mr. L. J. McGee, Citizens Bank; Mr. Dave Haft, Valley Bank of Nevada; Mr. Jordan J. Crouch, representing the Nevada Bankers Association; Mr. Jack Levy, Nevada Home Builders and Las Vegas Convention Authority.

The reasons given by those testifying in opposition were all basically the same and were as follows:

1. Nevada has always tried to maintain the position of a low key tax state and has used this philosophy for years in order to attract new people into the state.

2. The state would have to become involved in litigation with other states that might submit a claim on a portion of the estate tax credit. There is no way to determine in advance how much this could entail but it would be inevitable, particularly, in large estates where a considerable amount of money is under consideration. The IRS will give only one credit and will not go into a 'dual' credit situation in cases where the deceased paid taxes in two states.

3. This will take a considerable amount of administering in completing tax forms, policing the estates, etc.

4. We will not continue attracting people to our state that have been coming here due to our favorable tax structure. Cited several large estates such as Redfield, Cord, Hughes, etc.

5. This proposal has been before the legislature for many years and it has always been turned down because of the negative results it would provide to the state in the long run.

6. People with large estates that want to leave something to the state of Nevada can do so by making a contribution to the universities, through

scholarships, etc., so their money doesn't necessarily go to the federal government.

7. Many retirees move to Nevada for tax shelter; passage of this resolution would, they feel, eliminate that benefit and we would lose a good number of new residents.

8. It is felt that this would be 'opening the door' for additional taxes. It is agreed that at the present time there are no plans for new taxes, but at some future date, it would be very easy to institute a state income tax, etc., once we have let the barriers down on this one.

9. Several letters were introduced for the record verifying some of the concerns expressed by those testifying in opposition to the resolution. (letters are attached as part of the record).

10. Several of the residents with large estates have indicated that they would consider moving out of the state if this resolution were adopted.

Mr. Breen informed the committee he had been contacted by Mr. James Joyce representing Savings and Loan League, who indicated that he would like to go on record as opposing this measure but he was unable to be present.

Speaking in support of the resolution was Senator Hernstadt who suggested that the dollars now going to Washington could be used to improve the image of Nevada. The language in the measure says we should 'roll over and play dead' when it states that we will not enter into a dispute about the state that should receive the credit if there is more than one. He suggested an educational process, which shouldn't take long, be instituted to explain this to the people of the state. All of the wealthy residents have attorneys that would inform them that this would not be an additional tax; we would only be taking a credit that would ordinarily go to the federal government. Having this money returned to the state of Nevada would be a good source of revenue for us and will help ward off further taxes that would cost the residents money.

During discussion with several witnesses, the following points were brought up:

Senator Bryan pointed out, that at the 1973 session the Bankers Association had suggested an amendment and had stated that, if this amendment were included, their association would not oppose this measure. He explained that the amendment had been included and now they are back again expressing opposition to the bill. He asked what had happened to change their position.

The amendment they had proposed was as follows: Any lien for such estate tax shall attach no sooner than the time when the tax is due and payable, and no restriction on possession or use of a decedent's property shall be imposed by law prior to the time when the tax is due and payable. The State of Nevada shall accept the determination by the United States of the taxable estate without further audit.

Mr. George Folsom, from the Woodburn Law Firm, explained that he was involved in that discussion and he has learned from other members of the Bankers Association that they did receive a considerable amount of adverse

SENATE TAXATION COMMITTEE

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comments about that amendment and their pledge to support the resolution, whether it was added to the language or not. For this reason, they had withdrawn their support.

Mr. Folsom explained, as well, that he would suggest the addition of some language to assure the residents that there would be no state income tax inasmuch as he feels that is one barrier to acceptance. It would be "getting a foot in the door" for additional taxes and if this concept could be stopped, he felt passage would be more acceptable. His suggestion was as follows: "Nevada's Constitution prohibits any estate, inheritance, gift or individual income taxes except to the extent the federal government permits the state to pick up a portion which would otherwise go to the federal government. The taxpayer pays no more than the tax imposed by federal law alone. There is no state audit or any interference by the state with possession or disposal of property." Mr. Folsom suggested this would give us the benefit of the additional money from the tax credit and still give assurance of no additional taxes. A copy of his suggestion was given to Senator Lamb for further consideration.

Chris Zimmerman, Attorney for the Internal Revenue Service was present and answered questions that were raised by members of the committee in regard to this measure.

There was no further testimony to be presented, and Chairman Bryan Thanked the witnesses for their appearance today.

The next item on the agenda was:

AJR 10 of the 58th Session - Proposes constitutional amendment to except business inventories from property taxation and allows Legislature to exempt any other personal property from such taxation.

Speaking in support of this resolution was Mr. Ernest Newton of the Nevada Tax Payers Association. He stated that there is a great deal of misunderstanding about the impact of taxation. Nevada is very fortunate in the low level of taxation; our tax burden places us at 6 percent level of tax burden in the state. The largest burden of taxes in the state however is on the businessman and particularly on the gaming industry. He objects to the inventory tax for two reasons: 1) this should be recognized as a cost of doing business; this cost is eventually passed on to the ultimate consumer. and 2) the tax is inequitable and poorly administered. It is almost impossible to administer fairly and places a large burden on the small business in trying to accurately and honestly report his inventory. In effect, the honest merchant pays the tax, the less than candid merchant doesn't pay the tax. It is very unfair when compared with the merchant that is also in the freeport business because the freeport merchant can bring merchandise into Nevada for distribution to other states and Nevada and pays a property tax only on that merchandise that is ultimately sold in Nevada. The retail inventory can be turned over in a matter of days but his competitor must pay taxes on all the inventory he has in his place of business.

He explained he is aware of the figures showing the revenue loss if this is enacted, but he feels the loss would be more than made up by the increase in businesses that would come into the area if this were removed.

It was pointed out that the tax loss would be in the neighborhood of five to six million dollars per year and several members of the committee asked if there had been a companion measure submitted with this to make up the lost revenue. There was none. Several members expressed concern about what this would do to the small counties in their revenue loss. Mr. Newton expressed the opinion that this would be made up in additional revenue generated by increased business. Several members felt this would not be true in the small counties.

Also testifying in support of this measure was Mr. Randel Theobald, representing an association of businessmen. Mr. Theobald distributed information to the committee members and called particular attention to a book dealing with various states' inventory taxes, which was prepared for general distribution to the several states currently seeking to repeal their inventory tax. He submitted the following statement for the record: "The principles in the book are basic and universal, however, the applications in each State create variations of the problems. Averaging of inventories, no income tax and freeport in Nevada create significant variations in the effect of the inventory tax. Averaging of inventories compounds the problems of curtailing inventories and the problems of administration. Freeport diminishes the job losses attributed to the inventory tax in chapters 4, 5 and 7, but is extremely discriminatory to the businessmen and tax commission of Nevada.

The lack of income tax reduces the net gain to a state as shown in Chapter 4. Freeport and inventory tax repeal cannot be separated. Freeport repealed a portion of the inventory tax and in essence said to business, 'if you want to do business in Nevada and to serve the residents of Nevada, you must pay the penalty of the inventory tax. However, if you will promise not to pass your savings on to the residents of Nevada, you will be excused from paying that tax.'

He urged the committee to give favorable consideration to eliminating the inventory tax.

Mr. Jack Dayton, a Nevada businessman, spoke in support of the resolution explaining that he and his brother have a business in Nevada and have tried very hard to be honest in reporting on their inventories, however, they know of many businesses that do not. He feels this is an unfair tax because of the problems involved in administering it.

Mr. Sheehan of the Department of Taxation stated the counties do not include that inventory tax in computing their budget for each fiscal year inasmuch as they do not know in advance how much it will be. The money is usually used to 'fill the gap' for capital expenditures, etc. It was pointed out that the figures vary greatly from year to year.

Mr. Lee Harvey from J.C. Penney Company, testified in support of the measure. He verified the statements of the other witnesses wherein it was reported that this is not an equitable tax, it is very difficult to administer, the tax is applied whether the business makes any profit or not, and additionally the tax is applied over and over until the merchandise is sold. He gave several examples of businesses that, by their nature, have to carry the type of merchandise that does not have a fast turnover and therefore the tax is paid each time on the same item. Some businesses

manipulate their inventory so when they average it, it will be at a very low level. Also called attention to the necessity of some businesses that must have equipment or store fixtures to hold their merchandise; this is also taxable.

In response to a question by Senator Dodge, Mr. Harvey explained that most of the states surrounding us do not have an inventory tax or they are in the process of phasing it out. For example, Arizona, Utah and Idaho do not have one; those that do are phasing them out on a graduated basis of 10% a year. California has one but there has been a bill introduced in the legislature to eliminate it.

It was pointed out that the additional business that would have to be generated to make up this revenue also would be most difficult in most counties. For example, in Washoe County, they would need another \$40 million in sales in order to recover the loss. It is projected by the Department of Taxation that we would suffer a \$5 million revenue loss if this goes into effect. Mr. Sheehan stated his figures reflect that Washoe County would need additional sales of \$94.6 million rather than the \$40 million that was projected. Your total sales you would need to recover the loss would be \$350 to \$400 million statewide. For example, a new Kresge warehouse has been built in Washoe County and has an assessed value of \$2.3 million and has 755,000 square feet. In order to recover lost revenue by eliminating the business inventory tax and recover that through additional building in terms of warehouses, you would have to have an additional 52 of these warehouses around the state.

Mr. Pete Kelly, representing the Nevada Retail Association, stated they have for the past several years tried to eliminate the inventory tax. He gave a brief history of the efforts made by his Association trying to get this measure passed.

A suggestion was made by Senator Dodge that the fiscal impact on the smaller counties would be harmful and suggested considering a phase-out measure as an alternative. A transitional phaseout would soften the financial impact and the counties could make the appropriate adjustments each year. Mr. Kekly urged consideration of AJR 10, but as an alternate would go for AJR 21 which is the gradual phaseout measure.

Mr. Jake Von Toble, representing himself, explained that for many years he had been a Las Vegas businessman and was speaking in support of the resolution based on his experience as a businessman.

Those speaking in opposition to the resolution were:

Mr. Jack Hunter, Chairman of the Board of Equalization. He gave a brief resume of what the different counties would have to do to recover the tax revenue lost if this resolution were adopted. For example, in Elko County in order for them to make up the loss of \$519,000, they would have to sell \$34 million more in gross retail sales; this is not possible. They would have to have, immediately \$75 million in freeport, storage warehousing in one year to make it up. Humboldt County would have to have approximately \$20 million in freeport storage warehouse; Washoe County would have to have an additional \$94 million in retail sales; Clark County would have to have an additional \$127 million in retail sales; Carson City over \$7 million in

retail sales. If you go back and check the retail sales, you will see that they don't come anywhere near that.

On the question of whether this is an unfair tax, as has been charged, Mr. Hunter agreed that any tax is unfair, however, there are methods for administering the tax to make it as equitable as possible. The assessors offices were given the power of subpoena to go in and check on inventories in order to make it an honest reporting system. If this were repealed, where would we go to get the money to recover the loss; we have tried two times to raise the sales tax and both times have been defeated; we don't want an estate pickup tax; we don't want a state income tax. Where will the money come from? Perhaps we could give some thought to going to a 50 to 60% assessed tax valuation instead of 35%.

Mr. Hunter estimated there is approximately \$4 billion in taxable property in the State of Nevada and the total exemption valuation of livestock and business inventory is \$12 million. Now who is paying the tax and if you eliminate this, who is it going back on. It is going back to the home owner. He urged the committee give serious consideration to the fiscal impact this measure would have and defeat it.

County officials testifying in opposition to the measure were:

Mr. William Slocum, Douglas County Commissioner, expressed concern for his county's financial position if this were approved. His county would have to have \$16 million in freeport in one year to make up for the loss.

Mr. Pete Knight, District Attorney of Nye County, stated he can't understand why business inventories should get separate treatment from all personal property. As it stands now, Nye County could lose as much as 20% of their tax revenue if this were passed and they can't afford that loss. Considering the information they compiled, the merchandise, the inventory and the livestock could lose up to \$440,000 which is badly needed in his county. There is no way their sales are going to increase to pick up the \$2½ million. No one has built a large warehouse in Nye County so they are not going to get the benefit of the freeport law. They are here to urge consideration for special concern - not special interest. His comments were concurred in by Mr. Roy Neighbors, Administrator for Nye County.

Mr. 'Mouldy' Williams, a member of the Board of Equalization, concurs with statements made by Mr. Jack Hunter. This is a 'pass on' tax and is passed on to the ultimate consumer.

Mr. Tom Moore, representing the Clark County Board of Commissioners, stated his Commissioners are very much opposed to this resolution without some type of offset measure to recover the revenue loss.

He explained that for fiscal year 1975-76, the revenue raised by this tax was \$2,110,906 in Clark County; the County Assessor has projected for fiscal year 1976-1977 the revenue loss of \$4,279,000; in 1977-1978 the loss would be approximately \$4,500,000.

He explained, additionally, that there would be between \$300,000 to \$400,000 of this revenue would be distributed to the Clark County School District. Although the school district does not have anyone present today,

he has been instructed to register opposition to this resolution, in their behalf.

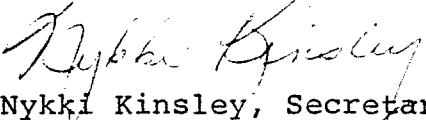
Mr. Homer Rodriguez, Carson City Assessor, spoke in opposition to the measure stating they were very concerned about the revenue loss. They have estimated a loss of \$111,433 using the valuation figures that they have as of right now. He can see no way in which this revenue can be recovered.

He advised that he is speaking for sixteen Nevada counties within the State of Nevada; he explained that Clark County has taken no position either way on this, but that he has been directed by all other counties to speak in opposition to the measure.

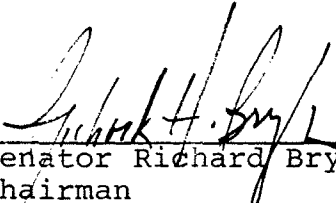
He added that, he believed there was a legal opinion from Mr. Daykin's office stating that livestock is included in the inventory included in this measure.

There being no further witnesses, the hearing was adjourned by Chairman Bryan who advised that the committee would review the facts presented today and make a determination at a later date.

Respectfully submitted,


Nykki Kinsley, Secretary

APPROVED BY:



Senator Richard Bryan
Chairman



FIRST NATIONAL BANK
OF NEVADA

E. R. VACCHINA
SENIOR VICE PRESIDENT AND
EXECUTIVE OFFICER TRUST ACTIVITIES

February 28, 1977

F. R. Breen, Esq.
Breen, Young, Whitehead & Hoy
232 Court Street
Reno, Nevada 89501

Dear Fran:

Would you please present to the members of the Senate Taxation Committee the following information on my behalf.

You will recall the recent newspaper articles wherein there was much publicity that the State of Nevada could obtain a considerable amount of inheritance tax funds from the deferred payments to be paid by the Hughes' Estate.

Let me advise you that our bank, as one of the co-administrators of this estate, does not see where this is at all possible. First the bulk of all of the assets are in the states of California and Texas, both of whom have more than the tax credit inheritance tax. At the present time, we are negotiating with both states to try and reach some agreement so that the federal estate tax payments can start after our extension expires. I can assure the Committee that the amount paid to Texas and California will exceed any credit which might have been allowed to the State of Nevada, and under our proposed tax law this would mean Nevada would receive no funds from this source.

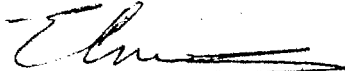
In addition, you might point out to the Committee that it is our intention at this time to file an Inventory and Appraisal to the Hughes' Estate by March 15. This might materially change some of their feelings in this matter.

-2- F. R. Breen, Esq.

I also enclose a letter addressed to me from Mr. Raymond Avansino, Jr., concerning three of his clients. Because of the attorney-client relationship, their names are not mentioned. However, at least one of them is also a customer of our department and we can tell you that his estate is very substantial, approximating Major Fleischmann's.

If there is anything further you will require, please let me know.

Sincerely,


E. R. Vacchina

ERV:ml

Nevada's Constitution prohibits any estate,
inheritance, ^{gift} or individual income taxes except
to the extent the federal government permits
the state to pick up a portion which would
otherwise go to the federal government. The
taxpayer pays no more than the tax imposed
by federal law alone.. There is no state
audit or any interference by the state with
possession or disposal of property.

George K. Folsom

INHERITANCE, ESTATE AND GIFT TAXES

. . . all state inheritance, estate and gift taxes . . . rate charts . . . personal, charitable and other exemptions . . . and summary of current tax legislation.

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[Correlator begins on page 8911.]

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¶ 89-620

NEVADA

Inheritance Tax.—Nevada repealed its inheritance tax law in 1925 and since that time has not imposed an inheritance or estate tax. Furthermore, in 1942, the enactment of any law imposing inheritance or estate taxes was prohibited by an amendment to Section 1, Article X of Nevada Constitution.

¶ 89-635

NEW HAMPSHIRE

¶ 89-636

Inheritance Tax

Applicable to estates of decedents dying on and after August 1, 1975

Residents.—*Class 1.*—Spouses, lineal ascendants and lineal descendants, including adopted children in the decedent's line of succession and spouses of lineal ascendants and descendants. In estates of decedent's dying on or after 3:05 P. M. March 23, 1972, a person who was a member of the decedent's household for ten consecutive years prior to his fifteenth birthday.

Exemption: Entirely exempt.

Class 2.—All others.

Exemption: No exemption and taxable at a flat 15%.

Charitable Exemptions.—Transfers for the care of cemetery lots or to a city or town in New Hampshire for public municipal purposes, or to or for the use of educational, religious, etc., institutions of public charity in the state or in any other state, territory or country the laws of which either do not impose a death or transfer tax or

grant an exemption in favor of property passing to charities in this state are entirely exempt from inheritance tax.

Nonresidents.—Real property situated in New Hampshire is taxable at the same rates as apply to resident decedents. Personal property having a taxable situs in New Hampshire is taxed at a flat 2% rate with no deductions or exemptions allowed, without regard to individual beneficiaries or their relationship to the decedent.

Administration.—The inheritance tax is administered by the Inheritance Tax Division of the Commissioner of Revenue Administration, at Concord, 03301.

Source.—New Hampshire Statutes Annotated, 1955, Chapters 86, 89 and 90, as amended to date. Complete details are reported in CCH NEW HAMPSHIRE TAX REPORTER at ¶ 93-301 to 93-456, 94-001 to 94-047 and 94-201 to 94-217.

¶ 89-640

Estate Tax

An estate tax is provided to absorb the difference between the state inheritance tax and the credit allowable against the federal estate tax (¶ 89-002). This additional tax applies to estates of nonresident, as well as resident, decedents.

Administration.—The estate tax is administered by the Inheritance Tax Division of the Commissioner of Revenue Administration, at Concord 03301.

Source.—New Hampshire Statutes Annotated, 1955, Chapter 87, as amended to date. Complete details are reported in CCH NEW HAMPSHIRE TAX REPORTER at ¶ 93-601 to 93-613.

1976-77
EFFECTS OF AJR 10
CONSTITUTIONAL AMENDMENT TO
EXEMPT BUSINESS INVENTORIES AND LIVESTOCK

COUNTIES	TOTAL VALUATION	BUSINESS INVENTORY VALUATION	LIVESTOCK VALUATION	TOTAL EXEMPT VALUATION	PERCENT OF EXEMPT VALUATION	COMPOSITE TAX RATE	TAX LOSS IN DOLLARS
Arson City	\$ 103,081,217*	\$ 2,501,592	\$ 38,920	\$ 2,540,512	2.46%	4.1033%	\$ 104,244.83
Burchill	53,240,157	1,092,300	1,962,155	3,054,455	5.74	4.2036	128,397.07
Clark	1,981,955,411	44,064,300*	1,025,275	45,089,575*	2.28	4.2418	1,912,609.59
Douglas	158,000,000	1,774,620	1,307,669	3,082,289	1.95	3.1944	98,460.64
Franklin	150,733,580	2,426,571	13,147,553	15,574,124	10.33	3.3355	519,474.91
Harold	12,834,697	12,380	292,780	305,160	2.38	3.9951	12,191.45
Hecla	30,276,908	36,940	1,859,639	1,896,579	6.26	3.4377	65,198.70
Liberty	61,631,045	984,695	3,389,369	4,374,064	7.10	3.8179	166,997.39
Madison	30,300,000	114,351	1,976,072	2,090,423	6.90	4.0063	83,748.62
Montgomery	21,670,592	119,190	1,191,355	1,310,545	6.05	3.7268	48,841.39
North	69,118,261*	1,464,640*	1,859,532*	3,324,172*	4.81	4.1223	137,032.34
Perth	23,844,250	300,090*	211,676*	511,766*	2.15	5.0000	25,588.30
Richmond	62,413,581*	278,506*	1,835,859*	2,114,365*	3.39	3.7282	78,827.76
Shoshone	36,500,000	212,970*	1,104,221*	1,317,191	3.61	3.4796	45,832.98
Teton	9,843,711	79,870	11,048	90,918	.92	4.5331	4,121.40
Yellowstone	1,097,388,240	30,205,511	1,850,459	32,055,970	2.92	4.4282	1,419,502.46
White Pine	45,850,230*	900,070*	2,125,114*	3,025,184*	6.60	3.9320	118,950.23
TOTALS	\$3,948,681,880	\$86,568,596	\$35,188,696	\$121,757,292	3.08%		\$4,970,020.06

Figures from 1975-76 roll; 1976-77 figures not yet computed by counties.

Amount of Additional Sales needed to make up loss if AJR10 Passes

And the Number of Warehouses of 755,167 sq. ft. are needed to make up loss if AJR10 Passes (Assessed value of \$2,354,450)

COUNTIES	Dollar Tax Loss	Total Additional Retail Sales Needed	Number of 755,167 sq. ft. Warehouses needed
Carson City	\$ 104,244.83	\$ 2,978,423.71	1.1
Churchill	128,397.07	3,668,487.71	1.3
Clark	1,912,609.59	54,645,988.29	19.5
Douglas	98,460.64	2,813,161.14	1.3
Elko	519,474.91	14,842,140.29	6.6
Esmeralda	12,191.45	406,381.67	.1
Eureka	65,198.70	2,173,290.00	.8
Humboldt	166,997.39	4,771,354.00	1.9
Lander	83,748.62	2,791,620.67	.9
Lincoln	48,841.39	1,395,468.29	.6
Lyon	137,032.34	3,915,209.71	1.4
Mineral	25,588.30	731,094.29	.2
Nye	78,827.76	2,252,221.71	.9
Pershing	45,832.98	1,309,513.71	.6
Storey	4,121.40	117,754.29	.1
Washoe	1,419,502.46	40,557,213.14	13.6
White Pine	118,950.23	3,965,007.67	1.3
TOTALS	4,970,020.06	143,334,330.29	52.2

Douglas County 3.19

<u>DISTRICT</u>	<u>INVENTORY</u>	<u>RATE</u>	<u>AMOUNT</u>
Carson River Water	\$ 501,183	.03	\$ 150
East Fork Swimming Pool	398,773	.04	159
Carson Truckee	1,660,290	.003	49
Gardnerville	183,780	1.25	2,297
Genoa	1,220	.60	7
Minden	213,773	1.40	2,993
Douglas County Sewer	1,124,920	.46	5,174
M G S D	397,553	.40	1,590
Tahoe Douglas	13,480	.56	76
Kingsbury Fire	124,370	1.00	1,243
Lake Tahoe Fire	1,136,447	1.00	11,364
Gardnerville Ranchos	2,170	.90	19
Kingsbury G.I.D.	1,080	.66	7
Round Hill G.I.D.	121,337	1.367	1,658
Topaz Ranch G.I.D.	5,660	.8162	46
Zephyr Heights	8,870	.20	17
County	1,776,090	.20	3,552
Indigent	1,776,090	.71	1,954
School	1,776,090	2.07	36,765
			<hr/> 80,484

Office of COUNTY ASSESSOR

P.O. Box 8
ELKO, NEVADA 89801

February 23, 1977

In Re: A.J.R. 10
58th Session
Hearing on
March 1, 1977

Mr. Richard Bryan, Chairman
Senate Taxation Committee
Legislative Building
Carson City, Nv 89701

Dear Dick:

I am sorry that I will be unable to attend the hearing on the above bill on March 1st but wanted you to know that Elko County is opposed to this bill because of the large impact it will have on the valuation and tax base of our county.

During the past three years our inventory valuation has been increasing and the livestock valuation has been decreasing. In the future if livestock valuations are stabilized, it should show a steady increase.

The following gives you an idea of the percentage valuation loss to our county based on figures for the past three years:

<u>Year</u>	<u>Total Valuation</u>	<u>Merchandise</u>	<u>Livestock</u>	<u>Total</u>	<u>%</u>
1974-75	143,703,033	2,148,147	16,251,271	18,399,418	12.80%
1975-76	150,977,828	2,426,571	14,164,831	16,591,402	10.99%
1976-77	150,733,580	2,505,679	13,160,261	15,665,940	10.39%

I believe that this county would suffer the largest percentage of tax base under A.J.R. 10 as a loss for our current year shows negative growth in valuation.

Yours very truly,


JOHN W. MOSCHETTI
Elko County Assessor

JWM/lr

cc-Homer Rodriguez, Chairman
Assessors Legislative Committee
-Senator Norman Glaser, Elko Co

HOMER RODRIGUEZ, C.A.E.
 CARSON CITY ASSESSOR
 198 NORTH CARSON STREET
 CARSON CITY, NEVADA 89701

March 1, 1977

Mr. Richard Bryan, Chairman
 Senate Taxation Committee
 Legislative Building
 Carson City, Nevada 89701

In Re - A.J.R. 10
 58th Session

Dear Mr. Bryan:

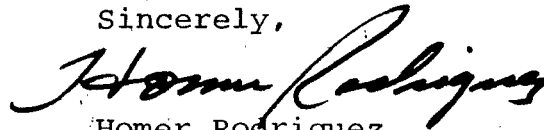
Our inventory valuation has been increasing every year, the figures shown are for the Fiscal Year 1976/77, below you can see the impact that this bill will have in Carson City.

Business Inventories - Valuation 1976/77

Urban District	1,765,669	
Ormsby District	<u>578,722</u>	
	2,344,391	Assessed Valuation
Urban District		Ormsby District
1,765,669		578,722
<u>x .05 Tax Rate</u>		<u>x .04 Tax Rate</u>
\$88,283.45		\$23,148.88
	88,283.45	
	<u>23,148.88</u>	
<u>Total Dollars</u>	\$111,432.33	

This figure will increase by the time the people vote and approve the bill, as you can see Carson City is opposed to it.

Sincerely,



Homer Rodriguez
 Carson City Assessor

LAW OFFICES

RAYMOND G. AVANSINO, JR.

A PROFESSIONAL CORPORATION
FIRST NATIONAL BANK BUILDING
ONE EAST FIRST STREET
RENO, NEVADA 89501

TELEPHONE 329-3414
AREA CODE 702

RAYMOND C. AVANSINO, JR.
MICHAEL J. MELARKEY

February 28, 1977

Mr. E. R. Vacchina
Senior Vice President and
Executive Officer Trust Activities
First National Bank of Nevada
One East First Street
Reno, Nevada

Dear Elmer:

As you know, the favorable tax climate existing in the State of Nevada has enticed many individuals and corporations to relocate primarily in Reno and Las Vegas. The bill presently before the Legislature enabling the State of Nevada to "pick up" a certain amount of the federal estate tax upon the death of an individual is contrary to this long standing policy.

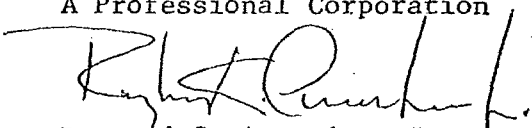
We are hopeful that you shall convey to your committee our general dissatisfaction with this proposed bill. We consider that the enactment of such bill would deprive the State of Nevada from the ability to state that the State of Nevada derives no benefit from the death of an individual. Although the proposed bill does not increase the total tax payable on the death of an individual, we consider that this bill would be generally misunderstood by the public of other states.

In particular, we have three estate planning clients who have moved to the State of Nevada primarily due to the favorable tax climate. These individuals are wealthy. Out of necessity, business interests have followed them to the State of Nevada thereby assisting the general economic condition of our state. We have been advised by these clients, whose names we are unable to disclose at this time, that they would strongly consider relocating out of the State of Nevada if this bill is enacted as law. They concur with our opinion that the enactment of such a bill would act as a precedent for the presentation of similar bills enabling the state to tax individuals on death or at other occasions.

With best personal regards, I am

Sincerely yours,

Raymond C. Avansino, Jr.
A Professional Corporation


Raymond C. Avansino, Jr.

RCA:clm

HAND DELIVERED

141

1 such exemption because while in the warehouse the property is assem-
 2 bled, bound, joined, processed, disassembled, divided, cut, broken in bulk,
 3 relabeled or repackaged. The legislature may exempt motor vehicles from
 4 the provisions of the tax required by this section, and in lieu thereof, if
 5 such exemption is granted, shall provide for a uniform and equal rate of
 6 assessment and taxation of motor vehicles, which rate shall not exceed
 7 five cents on one dollar of assessed valuation. No inheritance [or estate]
 8 tax shall ever be levied, and there shall also be excepted such property as
 9 may be exempted by law for municipal, educational, literary, scientific or
 10 other charitable purposes. *The legislature may provide by law for the*
 11 *taxation of estates taxed by the United States, but only to the extent of*
 12 *any credit allowed by federal law for the payment of such a state tax. The*
 13 *combined amount of such federal and state taxes shall not exceed the*
 14 *estate tax which would be imposed by federal law alone. If another state*
 15 *of the United States imposes and collects death taxes against an estate*
 16 *which is taxable by the State of Nevada under this section, the amount*
 17 *of estate tax to be collected by the State of Nevada shall be reduced by*
 18 *the amount of death taxes collected by such other state.*

Ⓢ

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 15 *of the United States imposes and collects death taxes against an estate*
 16 *which is taxable by the State of Nevada under this section, the amount*
 17 *of estate tax to be collected by the State of Nevada shall be reduced by*
 18 *the amount of death taxes collected by such other state* [Any lien for such
 19 *estate tax shall attach no sooner than the time when the tax is due and*
 20 *payable, and no restriction on possession or use of a decedent's property*
 21 *shall be imposed by law prior to the time when the tax is due and pay-*
 22 *able. The State of Nevada shall accept the determination by the United*
 23 *States of the taxable estate without further audit.*

Ⓢ

Added language in brackets -
 Proposed by bankers

SELECTED TAXES IMPOSED BY WESTERN STATES

State	Franchise	Corporate Income (Percent)	Personal Income (Percent)	Sales and Use (Percent)	Inheritance Estate Gift	Property
NEVADA.....	NO	NO	NO	3	NO	YES
ARIZONA.....	NO	2-8	2-8	3	E	YES
CALIFORNIA.....	YES*	7	1-10	5	I-E-G	YES
OREGON.....	YES	6-8	3-9.5	NO	I-G	YES
UTAH.....	YES*	6	2-6.5	3	E	YES
COLORADO.....	YES	5	3-8	3	I-E-G	YES
IDAHO.....	YES	6	2.5-9	3	I-E	YES
MONTANA.....	YES*	5.5	2-10	NO	I-E	YES
WYOMING.....	YES	NO	NO	3	I-E	YES
WASHINGTON.....	YES	NO	NO	4.5	I-E-G	YES
NEW MEXICO.....	YES	3	1.5-6	3	I-E	YES

*Corporate income tax

Very inviting

Nevada affords citizens lowest tax rate in U.S.

By BRUCE ROWLAND

Nevada's tax structure, dependent on gaming and tourism for more than half its revenue, affords its citizen the lowest overall tax rates in the nation, and could provide a bonanza for the warehousing and distribution business.

The state's tax climate is "very inviting" to businesses and to people, says Bob Alessandrelli of the Greater Reno Chamber of Commerce.

Especially pleased are those used to higher sales and property taxes, he says, and those who had to pay corporate and personal income tax in other states.

Nevada has no corporate or personal income tax. Nor do Nevadans pay franchise, stock transfer, document recording, inheritance, estate, gift or admissions taxes, all of which are found in a majority of other states.

Nevada's retail sales tax, which was put into effect in July, 1955 at 2 per cent and raised to 3 per cent in 1967, remains at a low 3½ per cent. The extra one-half per cent is not assessed in Esmeralda, Lander, Eureka and White Pine counties. The 1967 raise represents Nevada's local school support tax and goes to the school district. The one-half per cent is returned to the county.

The State Constitution limits the cumulative property tax rate to a total of \$5 per each \$100 of assessed valuation for the state and all local governments. The statewide average

ratio of assessed value to full cash value of taxable property is 35 per cent.

From a business standpoint, the tax incentive with perhaps the greatest potential in Nevada is the warehouse-inventory tax. None exists. Nevada's Freeport Law, enacted by the legislature in 1949, exempts from taxation goods, including livestock, which are in transit to other states, whether being stored, processed or assembled.

About 250 major companies are currently using the Reno area as a storage distribution center, the newest being the J.C. Penney Co. Western Regional Distribution Center currently being constructed at Stead.

Ralph Henderson, director of catalog operations for the J.C. Penney Co., said:

"We considered different sites, including Sacramento, which would have been the most appropriate place to locate in a strictly geographical sense. Then we looked at the total environment, labor force, construction and transportation costs, and, of course, taxes. I would say that Nevada's tax structure played a fairly substantial part in our decision to locate there. Also, Reno is well located for distribution to stores in our western region."

If Nevada tax laws are so well disposed to industrial development, why isn't there more of it in the state?

Spokesmen for the Greater Reno Chamber of Commerce say they no longer actively promote business to come into the Reno area, but act only

in an informational capacity for those expressing interest in the area.

Fred Hanners of the State Department of Economic Development says the main limit on the inflow of industry into Nevada is the scarcity of such industrial necessities as cheap utilities and electricity, coal, iron and water reserves.

"Our resources don't support a lot of manufacturing," he says, "and a lot of manufacturing would make the environment less pleasant for tourists."

And it's the tourists who foot the tax bills.

The most recent figures for fiscal 1975-76 show Nevada's total state-wide earnings from gaming taxes to be \$91,177,974. These proceeds are raised through the state's gross revenue tax of 3 to 5½ per cent assessed quarterly on casinos' total winnings, and license fees based on the number of slot machines and table games in operation. Other casino-related sources of income include investigative fees, race wire fees, penalties and interest, and casino entertainment taxes.

The 6 per cent room tax netted Washoe County \$2,587,215 for fiscal 1975-76.

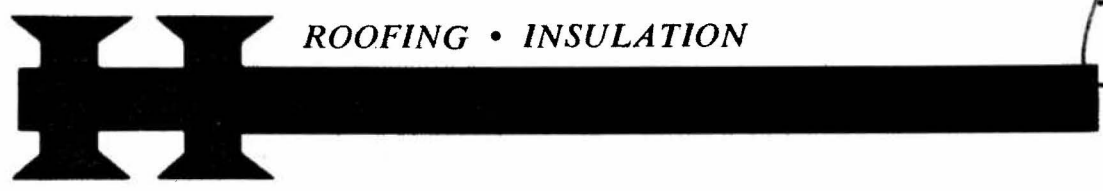
All considered, tourism and gaming provide Nevada with over 50 per cent of the revenue needed for state and local government, taking the load off the shoulders of the local taxpayers.

And on top of that, the state alcoholic beverage taxes are the lowest in the nation.

Dear
Bill
From letter

3/1/77

Donna
Blosser



ROOFING • INSULATION

3430 VALLEY VIEW BLVD. • P. O. BOX 14727 • LAS VEGAS, NEVADA 89102
TELEPHONE 876-1777

Summary
4/4 -
ASR-10

March 21, 1977

The Honorable Richard Bryan
Nevada State Senate
Carson City, Nevada

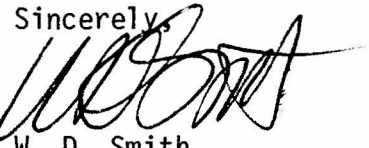
Re: AJR 10
Business Inventory Tax Exemption

Dear Senator Bryan:

I would like to urge you to vote for AJR 10. Any regulation that can help the business community at this time is sorely needed. The elimination of the Inventory Tax is certainly a step in the right direction.

While I have your attention I wish to bring up another problem faced by the Small Businessman; that of product liability as interpreted by the insurance companies. The recent liberal court decisions on virtually any product holding anyone touching the material liable for damages is causing great hardship on the Small Businessman trying to obtain insurance. The premiums are becoming almost as excessive as those for Doctors Malpractice Insurance.

I should like to talk with you further on this at your convenience. I do feel some action is warranted before the situation is completely out of hand.

Sincerely,

W. D. Smith
President

WDS:plp

cc: NFIB



NEVADA RETAIL ASSOCIATION

POST OFFICE BOX 722, CARSON CITY, NEVADA 89701 • 882-1943

FOR SEVERAL YEARS THE NEVADA RETAIL ASSOCIATION AND OTHERS HAVE BEEN INVOLVED IN A LEGISLATIVE EFFORT TO ELIMINATE THE TAX ON BUSINESS INVENTORIES. IN THIS CONNECTION, TWO AJRs, 10 and 21, WERE PASSED BY THE 1975 SESSION. AJR 10 REPEALS THIS TAX OUTRIGHT WHILE AJR 21 CALLED FOR A FIVE-YEAR PHASEOUT.

IN OUR APPEARANCES THIS YEAR BEFORE THE ASSEMBLY COMMITTEE ON TAXATION, WE AGREED TO ABANDON AJR 21 AND GO WITH AJR 10. THE ASSEMBLY TAXATION COMMITTEE VOTED UNANIMOUSLY IN FAVOR OF AJR 10 AND THE ASSEMBLY LATER GAVE ITS ENDORSEMENT BY A 37-1 VOTE.

THAT BRINGS US TO TODAY AND YOUR COMMITTEE. HOPEFULLY, YOU'LL SEE THINGS OUR WAY WITH A ^(FAVORABLE) ~~RECOMMENDATION~~ RECOMMENDATION TO THE FULL SENATE. SHOULD THE SENATE THEN CONCUR, WE'LL HAVE OUR NEXT JOB CUT OUT FOR US AT THE 1978 GENERAL ELECTION WHEN WE GO BEFORE THE ELECTORATE. WE HOPE YOU WILL GIVE US THAT OPPORTUNITY.

THE BEST INFORMATION WE ARE ABLE TO COMPILE INDICATES THAT 34 STATES, INCLUDING THE DISTRICT OF COLUMBIA, EITHER NEVER IMPOSED A PERSONAL PROPERTY TAX, HAVE PHASED IT OUT, REPEALED OR REDUCED THE TAX ON MERCHANTS BUSINESS INVENTORIES OR WILL VOTE A CONSTITUTIONAL AMENDMENT TO ELIMINATE THE TAX.

2



NEVADA RETAIL ASSOCIATION

POST OFFICE BOX 722, CARSON CITY, NEVADA 89701 • 882-1943

OF THESE 34 STATES:

- TWO HAVE NEVER LEVIED A PERSONAL PROPERTY TAX (DELAWARE AND NEW YORK).
- FIVE HAVE OR WILL REPEAL THE PERSONAL PROPERTY TAX IN ITS ENTIRETY (HAWAII, ILLINOIS, NEW HAMPSHIRE, NORTH DAKOTA AND PENNSYLVANIA).
- NINE STATES AND THE DISTRICT OF COLUMBIA HAVE ELIMINATED OR PHASED OUT THE TAX (ARIZONA, DISTRICT OF COLUMBIA, IDAHO, MINNESOTA, NEW JERSEY, UTAH, MASSACHUSETTS, MICHIGAN, TENNESSEE AND WYOMING).
- SEVEN ARE IN THE PROCESS OF PHASING OUT THE TAX (CONNECTICUT, IOWA, MAINE, NEBRASKA, WASHINGTON AND OREGON. IN MARYLAND, THE LAW AUTHORIZES A PHASE-OUT AND THE TAX HAS BEEN PHASED OUT IN SOME COUNTIES).
- EIGHT LEVY THE TAX AT A REDUCED RATE (CALIFORNIA, COLORADO, FLORIDA, MONTANA, SOUTH CAROLINA, INDIANA, NEW MEXICO. AND IN OHIO, PERCENTAGE WAS REDUCED BETWEEN 1974 and 1976.
- IN ANOTHER STATE, VERMONT, A CONSTITUTIONAL AMENDMENT IS TO BE VOTED UPON FOR REPEAL OR PHASE-OUT. AND FINALLY, NEVADA. WE'RE HOPEFUL WE WILL BE ABLE TO PLACE THIS ISSUE BEFORE THE PEOPLE IN NOVEMBER OF 1978.

③ nRa

NEVADA RETAIL ASSOCIATION

POST OFFICE BOX 722, CARSON CITY, NEVADA 89701 • 882-1943

IF I MAY, I WOULD LIKE TO LEAVE WITH YOU A REPORT PREPARED BY THE ASSOCIATION OF GENERAL MERCHANTISE CHAINS, HEADQUARTERED IN WASHINGTON, D.C. WHICH GOES INTO CONSIDERABLE DETAIL HOW ALL STATES ARE HANDLING THIS PROBLEM. THE MATERIAL WAS PREPARED BY AGMC IN RESPONSE TO REQUESTS FROM STATE RETAIL ASSOCIATIONS FOR MATERIAL WHICH DOCUMENT THE TREND TOWARD RELIEF TO MERCHANTS FROM BURDENSOME AND INEQUITABLE INVENTORY TAXES.

ABOUT A DECADE AGO, ~~AND~~ APPROXIMATELY 12 STATES HAD EITHER TOTALLY ELIMINATED OR REDUCED THE TAX ON BUSINESS. TODAY, HOWEVER, OVER TWO-THIRDS OF THE STATES HAVE ADOPTED SOME VERSION OF THIS REFORM.

I CALL TO YOUR ATTENTION THE MAJOR THE MATERIAL I AM GIVING YOU. MOST OF NEVADA'S NEIGHBORS HAVE BEEN IN STEP WITH THIS NATIONAL TREND. UTAH HAS NO SUCH TAX; NEITHER DOES ARIZONA, IDAHO OR WYOMING. OREGON WILL PHASE OUT THE TAX BY 1980 AND WASHINGTON BY 1985.

TWO YEARS AGO WHEN WE APPEARED BEFORE LEGISLATIVE COMMITTEES, TESTIMONY WAS HEARD FROM THE ASSISTANT COUNTY ASSESSOR OF CLARK COUNTY WHO TOLD YOU THAT THE INVENTORY TAX HAS ALWAYS BEEN A "POLICY OF INEQUITY LACKING UNIFORMITY".

AND AT THE SAME TIME, COUNTY ASSESSOR FROM WASHOE COUNTY SAID IT WAS ~~THE~~ FOR



NEVADA RETAIL ASSOCIATION

POST OFFICE BOX 722, CARSON CITY, NEVADA 89701 • 882-1943

HIM TO ADVOCATE THE ELIMINATION OF A TAX. BUT THIS PARTICULAR TAX, HE SAID, HAS NO EQUITY. HE SAID HE WOULD LIKE TO INCLUDE HOUSEHOLD PERSONAL PROPERTY AND EFFECTS IN THE ELIMINATION OF THE TAX.

NEITHER ASSESSOR OF THE STATE'S TWO MOST POPULOUS COUNTIES OPPOSED AJR 10 DURING ASSEMBLY COMMITTEE HEARINGS THIS SESSION.

THE TAX ON BUSINESS INVENTORIES DIRECTLY CONTRASTS WITH NEVADA'S HIGHLY SUCCESSFUL FREEPORT LAW. ALL OF YOU ARE FAMILIAR WITH THIS LAW AND HOW IT HAS CONTRIBUTED TO NEVADA'S ECONOMY.

LACK OF AN INVENTORY TAX IN NEVADA WILL BE A PLUS FOR FURTHER EXPLOITATION OF THE FREEPORT LAW TO THE END THAT BOTH WILL LEAD TOWARD THE ACCELERATION OF BUSINESS ACTIVITY THROUGHOUT THE STATE.

I GUESS WE'VE ALL HEARD ~~THE~~ THE SAYING THAT "THE BEST TAX IS THE ONE THE OTHER GUY PAYS". HOWEVER, NO RESPONSIBLE CITIZEN REALLY WANTS TO WAIVE HIS RESPONSIBILITIES IN SUPPORTING HIS FAIR SHARE OF TAXES. BUT BY THE SAME TOKEN, IT MUST BE RECOGNIZED THAT AN EQUITABLE TAX MUST MEET CERTAIN CRITERIA:

(1) MANAGEABILITY -- EQUALLY ENFORCED SO THAT ALL PAY WHAT THEY LEGITIMATELY ~~SHOULD~~



NEVADA RETAIL ASSOCIATION

POST OFFICE BOX 722, CARSON CITY, NEVADA 89701 • 882-1943

(2) CONFISCATORY. IT SHOULD NEVER BE SO HIGH AS TO KILL THE GOOSE THAT IS

SUPPOSED TO LAY THE ~~6~~ EGG;

(3) SOUNDNESS. IT SHOULD BE AN ECONOMICALLY SOUND TAX.

NEVADA'S INVENTORY TAX DOES NOT MEASURE UP VERY WELL TO ANY OF THESE STANDARDS.

IT IS NOT ENFORCED, NOR CAN IT BE UNDER PRESENT CONDITIONS; ALTHOUGH IT MAY NOT BE

TOTALLY CONFISCATORY, IT STILL IS REPRESSIVE. IT STILL PLAYS ITS PART IN WHAT HAS

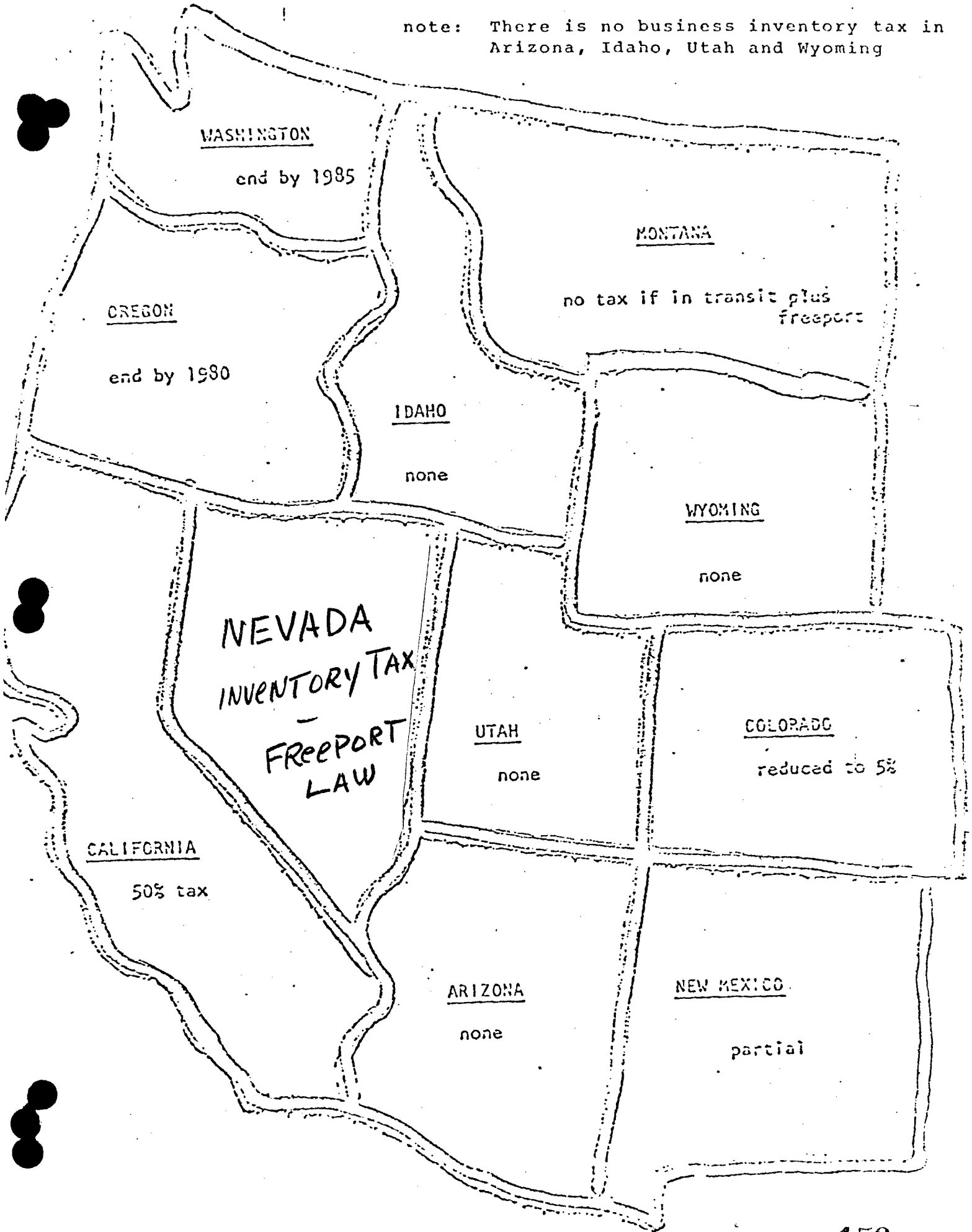
BECOME AN ALARMING RATE OF ~~FE~~ BUSINESS FAILURES IN NEVADA.

AND, AS FOR SOUNDNESS, IT CANNOT MEASURE UP AT ALL ~~BECAUSE~~ IT IS CONTRARY
TO BOTH INVESTMENT AND EXPANSION.

WE ARE ASKING THE LEGISLATURE THIS YEAR TO PASS THIS PROPOSED CONSTITUTIONAL
AMENDMENT. SHOULD THAT HAPPEN, WE WILL MAKE EVERY EFFORT TO THEN PERSUADE THE ELEC-
TORATE TO DO LIKEWISE.

WE HOPE YOU WILL GIVE US THIS CHANCE.

note: There is no business inventory tax in Arizona, Idaho, Utah and Wyoming



Agmc

THE DECLINE OF THE INVENTORY TAX

The enclosed has been prepared in response to state association requests for material which will document the trend toward relief to merchants and others from burdensome and inequitable inventory taxes.

Hopefully it will help spur the decline.

SENATE

AGENDA FOR COMMITTEE ON.....TAXATION.....

Date MARCH 1, 1977 Time 1:30 p.m. Room 231

Bills or Resolutions to be considered	Subject	Counsel requested*
S.J.R. 5 of the 58th Session	Proposes to amend Nevada Constitution to allow imposition of estate tax not to exceed credit allowable under federal law.	
A.J.R. 10 of the 58th Session	Proposes constitutional amendment to exempt business inventories from property taxation and allows Legislature to exempt any other personal property from such taxation.	

*Please do not ask for counsel unless necessary.

March 1, 1977

Taxation Study

Names	Organizations	Address	Phone
Ranelle Theobald	Inventory Tax Small Business Association	P.O. Box 8802 Stockton Ca	209 478-6424
✓ Don W. Ashworth	Self.	228 So. 4th #300	384-540
✓ Dean Dren	Nevada Bankers	252 Court St. Reno	786-760
✓ Ted Wingo	Security National Bk of Nev.	300 So. Virginia Reno	329-970
✓ Dave Haft	Valley Bank of Nev.	201 So. Virginia-Reno	358-4838
✓ L. J. McKe	Premier Citizens Bank	10 State St. Reno	786-3443
✓ J. R. DeLong	Merrill Lynch	300 S. 4th St. LV	384-633
✓ John R. Lockell	Nevada Natl. Bank	1st & Liberty Reno	786-2424
NAME NOT FORBET	NAME NOT FORBET'S	2555 Washington Blvd LV	734-841
William Shocu	DOUGLAS COUNTY	Box 1199 Gardnerville	752-4772
Ellen Whittemore	Legislative Intern	3035 Sprout Way	359-3171
Tom Moore	Clark County	Clark Co Courthouse	386-4011 x

Taxation Committee
March 1, 1977

- ✓ Ted Wigo Security National Bank of New
- ✓ Dave Haft & Don Brown - Valley Bank of New
- Jordan J. Crockett N B A
- ✓ John R. Cocksh New Math Bk
- ✓ L. J. Mc Gee Pioneer Citizens Bank
- ~~La Bergstrom~~ ~~Hopewell Construction Firm & Co~~
- ✓ YERN WILLIS - BLYTH EASTMAN DILLON & Co
- ✓ George K. Tolson Woodburn law firm
- ✓ JOHN De LONG Merrick Lynch ETC
- W.W. Pine Down & Smith
- C.D.
- J.R. Brown -
- Gen. Vargas -
- Wm. S. Ford Sr -

Hearing -

- by 400 John Wilkes - CC - Fed. Comm. 40% fine
- about John De Long M. W. W. Bracket Fed 12200
- 4000 - Pen Brown 100 MM.
- John Cocksh - wise, - adm. problems.

- by 400 J. Brown ✓
- C.P.F. Wigo ✓
- Vargas ✓
- Mc Gee ✓
- Roy ✓
- Crockett - N. C. P. F. Cord
- J.R.B.

New a copy important of D.T.
hit. g & delay in closing F.S.D.