

SENATE TAXATION COMMITTEE
MEETING OF MARCH 15, 1977

The meeting was called to order at 1:30 p.m. by Chairman Bryan.
The following members were present.

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

Senator Norman Glaser was excused.

The following items were considered and action taken:

BDR 32-1077 Enables county assessors of Las Vegas to provide penalty for late filing of personal property tax statements.

The committee objected to introduction.

BDR 32-1078 Reduces tax exemptions for partially disabled veterans.

The committee objected to introduction.

SB 19 Amends provisions affecting certain property tax exemptions.

The latest amendment was discussed and clarified. A motion was introduced by Senator Dodge to recommend a 'do pass' as amended; seconded by Senator Lamb and carried unanimously.

The following bills were discussed:

SB 113 Extensively revises Senior Citizens' Property Tax Assistance Act.

Senator Bryan explained a companion bill has been introduced. The basic difference between the two bills is that the companion bill retains control by the counties while, under SB 113, control is by the state. He added that assessors are divided between the two bills.

Senator Dodge indicated he would never support a bill that rolls the money from the local level up to the state and then back again.

Senator Bryan indicated he would schedule a hearing to discuss the companion measure.

SB 16 Provides for submission at next general election of question proposing certain changes in Sales and Use Tax Law.

SB 243 Provides rebate of sales taxes on food to persons of limited income.

Senator Bryan stated that if either of these two bills have a chance of surviving, the committee would have to make some preliminary judgements.

Senator Dodge stated that because of the authorship of the two bills, we might have a situation where couldn't get a majority for either bill. He suggested that the bills be referred to the Finance Committee because the bills have substantial impact.

Senator Bryan asked if SB 16 went to the Finance Committee last time.

Senator Hilbrecht replied it did not because then it was showing profit.

It was decided to wait until next week when Senator Glaser has returned to make a decision on the bills.

SB 303 Prohibits cities from imposing liscense taxes on certain utilities.

Ken Ketterling, representing the City of Reno, urged a 'do not pass' vote on this bill. He said the City Attorney has advised that if SB 303 becomes law, the City of Reno could not impose taxes for distribution of water, electricity and gas and for telephone service. He said this would change drastically the City of Reno's revenue picture. (Complete presentation is attached.)

After asking Ketterling several questions on the calculation of the business tax, Senator Dodge stated that he presumed Senator Hernstadt's motive with the bill is to hold down the cost of utilities. Senator Dodge wondered whether this is the most significant aspect of how you hold down the cost in light of rising costs. If it were only two or three per cent of the total billings that would be passed on by virtue of that business, it wouldn't be major enough for us to take that kind of action and deprive you of that revenue.

Senator Hilbrecht stated if put a limit on the amount allowed to be collected on this tax, that would hold the existing revenues without escalating it as the cost of fuel rises. He asked Ketterling if he would object to something like that.

Mr. Ketterling replied he did not believe there would be an objection.

Senator Sheerin said that there was no competition among the

utility companies and questioned whether or not the cities ever should have had the ability to make revenues out of these items. It seems to me, the reason for this legislation is to regulate these franchisees which don't have competition to make sure the public isn't being ripped off. For some reason, this tax has been turned into a revenue tax.

Senator Lamb stated that the higher the gross, the more money the city is going to make from the license tax. The thrust of the bill is to stop that from occurring.

Senator Hilbrecht gave the historical background regarding the regulation of utilities. Originally, cities issued franchises to utilities. Since the Public Service Commission Act, Chapter 704, the state does the regulating.

Senator Hilbrecht said a middle ground may be established in which cities can be told they can charge a fee up to some amount.

Tom Kruse, representing the Department of Taxation, presented a memorandum which stated the financial impacts SB 303 would have on the City of Las Vegas and the City of North Las Vegas. The City of Las Vegas would lose \$2,650,000 for fiscal 1977-78 and the City of North Las Vegas would lose \$330,000 if the law was enacted. (The memorandum is attached.)

In the case of the City of Las Vegas, its fee is considered a franchise fee rather than a license fee. It is questionable whether or not SB 303 would delete that source of revenue.

Senator Bryan asked Kruse to research how many municipalities in the state impose a license fee and the rate of collection.

Stephen Stucker, representing the City of North Las Vegas, questioned whether a hearing should be held because a fiscal note has not been prepared by the analyst as stipulated by NRS 281.2723.

He said the city opposes the bill because it will deprive it of \$410,000 annually.

Senator Hilbrecht asked if Stucker would be receptive to placing a ceiling on the fee imposed. Stucker indicated that would not be opposed as the fee is 5.3 per cent of the city's budget and is not a main stay of the budget.

Ben Bartlett, a city engineer for the City of Fallon, said the concern with SB 303 is that it removes revenue from the city. This amounts to 1 to 2 per cent of the city's general fund revenue. He wondered if the wording doesn't affect other businesses, such as cable television. The wording says, "the supplying of electric current," not electric power. Cable television supplies electric current to its customers.

The City of Fallon collects a franchise fee on South West Gas and cable television. The county operates the telephone system and the city operates the water and electric systems.

He stated the City of Fallon collects two per cent of gross revenues for gas and cable television.

Bartlett said ~~that~~ this does not represent a significant part of the city's budget, however. But under the present situation which requires the city to scratch up any every penny of revenue it can to meet its budget, the loss of even two per cent would be significant.

He questioned whether SB 303, applied as an amendment to Chapter 364 of NRS which regulates county business licenses, prevents the counties from reimposing the tax once the city loses it.

He stated this amendment appears to conflict with 266.355 which allows cities to regulate and collect license taxes from all businesses, trades and professions.

Bartlett said one concern is that SB 303 is vague in terms of application. It refers in general to the suppliers of water. He wondered if this would not also affect the business license fees currently collected from grocery stores which sell bottled water or to the various companies that sell bottled water and are paying business licenses. It would also appear to affect propane businesses because they are supplying heating and illuminating gas, sometimes on a metered basis.

He stated the City of Fallon would lose \$653 from the fee imposed on South West Gas.

Leroy A. Gitchell, from the City of Fallon, stated the effect on the consumer will not be dollar-for-dollar reduced even if the tax could not be imposed. Assuming that we charge a \$1 million tax, when come to the net income line before taxes of a corporation and then apply those taxes. If you take a dollar off for our fee, you are not going to save a dollar.

Senator Hilbrecht pointed out that the tax is not part of a company's operating expense.

Gitchell responded if you are talking franchise tax, that is true. If you are talking a business license, it is a cost of doing business to that individual business and it would fall under operating expense.

Senator Bryan stated both Senator Hilbrecht and Gitchell were correct in their assumptions. He asked what the difference is between the franchise tax and the business tax.

Bartlett replied there is a distinction between the two. Some business licenses in the City of Fallon are based on a gross receipt basis. Some of our other taxes are based strictly on a quarterly fee. Therefore, it is hard to separate business licenses from franchise fees unless you look at each individual case.

Senator Dodge stated the formula for arriving at the amount of tax is the same whether call it a business license or a franchise tax.

Bartlett added that the Attorney General has ruled, and there are some bills to verify that before this session, that business licenses as imposed by a city are in actuality a revenue-producing tax and should be considered as that only. We believe this particular bill with its wording would remove business license fees from any of these particular operations as well as a franchise tax in case there was both.

Senator Dodge asked if Bartlett would be opposed to a ceiling being placed on the amount of fee the city could charge.

Bartlett indicated the city could live with that. It is more concerned about the loss of present revenue.

Mayor Jim Lillard, of Sparks, stated this bill would cost the City of Sparks \$452,479 in revenue. Out of \$6 million to \$7 million, that is a substantial amount of money. We have depended on the franchise fee for many years and we feel that we are entitled to it.

Senator Lamb asked Mayor Willard if there is a tendency to increase the cost of utilities because the city derives money from the tax.

Mayor Lillard responded that would have to have a bearing on the increase in the utility rates.

Mayor Willard indicated he would supply the committee with the city's rate figures on the franchise tax.

Richard Bunker, lobbyist for the City of Las Vegas, related the history of the franchise tax in Las Vegas. It was instituted after a referendum vote to give the city fireman a raise. There was not money available from the existing city funds for those raises and, consequently, the franchise fee grew out of it.

He stated the utility franchise tax has become a key area to the City of Las Vegas to the point of \$2.4 million. It will be very difficult for us to carry on the responsibilities given to the municipality with the absence of this revenue.

Senator Dodge asked what percentage that \$2.4 million is of the city's total budget.

Bunker responded it is about 7½ per cent.

Senator Lamb asked if the city had increased the franchise ~~tax on utilities since it was instituted.~~

Bunker answered it was raised once from three per cent to five per cent, although he was not positive. He indicated he would find out for sure.

Senator Dodge asked if the City of Las Vegas would accept a ceiling on the tax.

Bunker replied that the city could live with it.

Senator Hilbrecht indicated that the concern of the committee was of rumors it hears about the cost of utilities going up many fold. Those increases do not necessarily relate to the needs of cities. The thinking was to put a ceiling on the tax so as not to deprive cities of existing revenues but to stop increases that might track wildly increasing utility rates.

Senator Bryan asked Bunker if several city commissioners had proposed abolishing the utility franchise fee.

Bunker replied that that was on the minds of the commissioners. It became plausible that annexation might take place by this group that was advocating it. Then it was seriously discussed. However, in the face of the demands on our dollars, we didn't see that it could happen. The mayor and the commissioners by resolution have indicated that in the event that legislation is passed where annexation does take place, that the utility franchise tax would be repealed.

Senator Bryan questioned whether counties could charge a utility franchise fee. All the testimony today has been with respect to the city but I don't know if any counties receive any revenue.

Bunker submitted for the record a statement by Bob Warren, lobbyist for the Nevada League of Cities, which states his reasons for opposing SB 303. (Statement is attached.)

Tom Kruse, from the Department of Taxation, indicated he would find out what counties collect a franchise fee on utilities.

SB 297 Exempts from assessment improvements to property of handicapped persons which remove architectural barriers.

George Mosey stated that housing today is not accessible to physically handicapped individuals--those primarily confined to wheelchairs. Thus, the need for the bill.

Senator Lamb asked if there would be much fiscal impact.

Mosey responded he didn't think so because the bill asks for a waiver from assessment only that portion of the structure remodeled for the handicapped.

Senator Dodge asked how many people would be involved.

Using Department of Rehabilitation figures, Mosey estimated 34,000 would be eligible.

Senator Sheerin indicated there would probably be no effect on new houses. But if it applies to existing houses and the assessor goes out next year to re-appraise the house, is he going to have to lower the assessment?

Senator Bryan asked Homer Rodriguez, Carson City Assessor, if the assessor's developed a position with respect to the bill.

Rodriguez stated the assessors would have no objection to it.

Carol Alldredge, from the Developmental Disabilities Council, questioned the word "improvement" used in the bill. She suggested modification might be a better word.

She also asked if it could be expanded to a landlord who makes modifications for a tenant. Landlords are now asking \$400 to \$500 per doorway to make a structure accessible to a handicapped person. She added that she would not suggest enabling the landlord to pass the cost of a new doorway onto the handicapped person as well as getting a tax break.

Senator Hilbrecht asked Homer Rodriguez what a tax assessor would do in terms of increasing the assessment on a house which was altered for a handicapped person.

Rodriguez answered that the changes are taken into the classification of the home. The homes are classified depending on construction. A lot of those things, such as steps, plumbing fixtures, electrical outlets, etc., are included in the classification.

Senator Hilbrecht asked if a 30 door would be classified differently from a 40 door. Rodriguez said it would not.

SB 288 Proposes to amend Sales and Use Tax Act of 1955 to provide credit for exchanges on certain products.

Tom Kruse submitted a memorandum from the Department of Taxation which analyzed the fiscal impact of SB 288 as being a loss of \$6.4 million for fiscal 1979-80. (Memorandum is attached.)

Senator Hilbrecht asked why this is any different from toasters or furniture or anything else. This theory shows there is no reason to limit it just to cars.

Senator Dodge replied it is a larger commodity and has a bigger income.

Senator Bryan stated the impact is enormous.

Senator Dodge stated that, in fairness to Senator Glaser,

Senate Taxation Committee
March 15, 1977
Page Eight

the bill ought to be held until he has a chance to comment on it.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Colleen Crum
Colleen Crum, Secretary

APPROVED:

Richard H. Bryan

Senator Richard Bryan
Chairman

Department of Taxation

CARSON CITY, NEVADA 89710

In-State Toll Free 800-992-0900



MIKE O'CALLAGHAN, Governor

JOHN J. SHEEHAN, Executive Director

March 15, 1977

MEMORANDUM

To: Senator Richard Bryan
Chairman, and Members of
Senate Taxation Committee

Fr: James C. Lien
Deputy Executive Director

Subject: SB 288

SB 288 is a proposed referendum measure to amend the sales and use tax act to provide trade-in credit on certain classes of purchases.

There are two (2) major problems with the Bill; (1) its fiscal impact and (2) its discriminatory character.

The Department found it relatively easy to determine the tax loss on automobile trade-ins. Our estimate is based on actual sales of new and used car dealers for fiscal 1975-76 and is inflated by 12% per year to obtain total sales. Upon polling representative car dealers, it has been estimated that trade-ins are equated to 43% of gross sales. By applying a 3.5% tax rate, we would estimate a lost of \$6.4 million (\$6,397,652) for fiscal 1979-80, the first full year that the exemption would be in effect. We are unable to determine the percentage of gross applicable to the trade-ins for major household appliances, farm tractors and farm equipment. Therefore, we have made an estimate that we consider to be low in \$1.6 million (\$1,599,413) for fiscal year 1979-80.

Accordingly, the total fiscal impact is approximately \$8 million when spread across three (3) taxes. This is an approximate loss of \$2.25 million for local school districts, \$4.5 million to the State's general fund and \$1.2 million to counties/cities. The impact of farm implements would be heaviest for certain rural counties such as Churchill, Humboldt and Elko.

My comment regarding discrimination is in reference to the fact that the list of products exempt is extremely restricted. There are several other high priced products against which trade-ins are applied such as airplanes, mobile homes, boats, motor homes, campers, etc.

Page 2
March 15, 1977
Senator Richard Bryan

In regard to the listed items to be exempted, there would be difficulty in determining what is farm equipment: For example, a DC9 "CAT" could be a farm item and therefore trade-in would be exempt but the same item purchased by a contractor would not have the trade-in exempted. Also, is a deep well irrigation pump farm equipment or are we only talking about mobile items?

Again, we are not taking a stand as to the merits of the legislation, but merely attempting to point out to the Committee problems we see with the proposed legislation.

Should there be further questions, the Department will see that the research is completed.

cc: Tom Kruse
Marilyn Paoli

Nevada League of Cities

Notes of Testimony - SB 303
March 15 - 1977

- ① Bill is discriminatory - Counties also levy license tax on utilities
- ② Bill may injure consumers, unless amended to guarantee that utilities will reduce bills by amount of tax reduction
- ③ Fiscal note has not been completed by fiscal analyst. Committee may wish to hold until this info available
- ④ Total fiscal impact - from partial information provided by cities - will be in excess of \$ 3,883,000.
- ⑤ Fiscal impact ranges from \$120⁰⁰ in Caliente to \$2,650,000 in Las Vegas.

Vegas already suffering from a deteriorating fiscal base - as are most local govt. in Nev. ~~W/~~ ^{W/} ~~regarding~~ ^{regarding} a six months study conducted by the Nevada League of Cities and the Nevada Association of County Commissioners shows a drop of 71% in ending fund balances for ~~most~~ ^{most} of Nevada's cities and counties during the period (over)

from fiscal 1973-74 through this current budget.

For example: Las Vegas anticipates a fund balance of merely \$199,984 at the end of June - enough to run the ~~same~~ city for but two months.

Cutting out the franchise tax income for Las Vegas will result in an estimated fund deficit of \$2,480,000 at the end of this fiscal year.

(6) Other Nevada cities, too, will suffer ~~an~~ ~~extensive~~ ~~loss~~

Following is a partial list of fiscal impacts which could result from this legislation:

| | | |
|-----------------|--------------------|--|
| Yerington - | 14,000 | |
| Boulder City - | 4,700 | (city owns water & elect.) |
| Henderson - | 200,000 | (= 5.3% of Gen. Fund) |
| No. Las Vegas - | 410,000 | |
| Carlin - | 150 | |
| Colonte - | 120 | |
| Las Vegas - | 2,650,000 | |
| Wells - | 320 | |
| Winn - | 31,936 | (Greater future loss from proposed Volney plant for Humboldt County) |
| Elko - | 20,000 | |
| Sparks - | 452,500 | |
| Reno - | 100,000 | |
| Ely | 1,250 | |
| | <u>\$3,883,976</u> | |

13
out of
17
reporting

3883 976

Reno ①

City of Reno

303

March 15, 1977

Mr. Chairman and Members of the Senate Committee on Taxation:

I appear before your Committee this afternoon on behalf of the City of Reno to argue against passage of Senate Bill No. 303. This bill proposes to amend Chapter 364 of NRS by adding the following new section: "A city shall not fix, impose or collect a license tax on the telephone business, or the businesses of furnishing or supplying heating or illuminating gas, water or electric current."

Our City Attorney advises us that if Senate Bill No. 303 were enacted into law, it would render inoperable four sections of our Municipal Code which allows the City of Reno to impose taxes of water distribution, electricity distribution, gas distribution and telephone service. This is very serious to the City because it drastically changes our revenue picture and, with that, our ability to continue to provide needed municipal services to our citizens.

Section 4.28.070 of the Reno Municipal Code states that the franchisee shall pay a franchise fee to the City of Reno equal to two percent of the gross revenue derived by the franchisee from the sale of water to its Reno customers. The same tax is collected for electricity and gas distribution in Sections 4.30.070 and 4.32.060, respectively. Section 4.01.680 provides that the telephone company must pay for and obtain a quarterly license to carry on its business at the rate of two percent of the total gross receipts.

If the City of Reno were prohibited from collecting the above taxes, as we believe this bill would provide, then a considerable amount of revenues would be lost to the City. Total revenues accrued to the City in Fiscal Year 1974-75 from the afore-mentioned taxes amounted to \$730,549.65. In Fiscal Year 1975-76, that amount jumped to \$940,224.49. The City will stand to lose over a million dollars, next year, if this bill is passed. That's tantamount to wiping out our entire Streets Division budget. I'm sure you can understand our concern.

We see Senate Bill No. 303 as an outright disaster to cities. At a time when cities are looking for new sources of revenue to meet the increasing costs of providing essential services to their citizens, Senate Bill No. 303 will take away an important and established source of revenue.

We, therefore, urge a "DO NOT PASS" vote from your Committee.

March 15, 1977

Ed Gieratz - Construction
1950 Hillsboro, Blvd.
Fallon, Nevada 89406

RE: A J R --10

Dear Mr. Sheerin:

Being a small business man that would like to expand in the future,
I believe A J R - 10 should pass the Senate Committee on Taxation
immediately.

I don't know if you realize what it's like being a small business
man, but this bill would really help us out.

It is rough just trying to stay in business, let alone get bigger,
as everyone has an obstacle to put in your way. The A J R --10
bill would alleviate at least one of these obstacles.

Please vote YES on the A J R - 10 bill.

Thank You

Ed Gieratz - Construction


Owner

② Tom Kruse

747-1100 303, 297

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

March 15, 1977

MEMORANDUM

To: Senator Richard Bryan, Chairman
and Members of Senate Taxation Committee

Fr: James C. Lien
Deputy Executive Director

Subject: SB 297 and SB 303

SB 297

The Department of Taxation has been unable to determine the fiscal impact for this Bill. Staff's conversations with the several County Assessors would indicate that the impact would be negligible. The removal of architectural barriers can have either a positive or negative affect on a building's value. Placement of a ramp, enlarged restroom stalls, etc. are often installed at a cost equal to conventional facilities. The addition of an elevator to a stair well or building would increase the cost of that building, but if it were a private residence, could have a detrimental impact on that residence's value.

SB 303

This bill would eliminate a license tax levied by Las Vegas and North Las Vegas against the gross billings of utility commodities within the city limits of each. That rate is 5% of those gross billings.

In the City of Las Vegas, this is considered a franchise fee in lieu of a license fee and it might be questionable whether or not SB 303 would actually delete that source of revenue to the City. In fiscal 1976-77 the City of Las Vegas anticipates receiving:

| | |
|-------------|-------------|
| Telephone - | \$509,250 |
| Electric - | \$1,624,750 |
| Gas | \$291,000 |
| Total of | \$2,425,000 |

AN EQUAL OPPORTUNITY EMPLOYER

Page 2
Senator Richard Bryan
March 15, 1977

For fiscal 1977-78 that total is estimated to be \$2,650,000.

The City of North Las Vegas specifically levies the 5% license fee on telephone, electric, gas and garbage plus a 1% franchise tax on telephone and electric gross billings. The 5% license fee is estimated to be \$300,000 for 1976-77 and probably \$330,000 for fiscal 1977-78.

The enactment of SB 303 would impact the budgets of both North Las Vegas and Las Vegas by reducing their revenues as estimated above.

cc: Tom Kruse
Marilyn Paoli

SB 19 is hereby amended to read as follows:

Delete lines 20 through 29, inclusive, on page 5 and add thereto the following sections to read as follows:

SECTION 9. Chapter 371 of NRS is hereby amended by adding thereto the provisions set forth as sections 10, 11, 12, 13, 14, 15 and 16 of this act.

SEC. 10. Vehicles registered by widows and orphan children, not to exceed the amount of \$1,000 assessed valuation, are exempt from taxation, but the exemption shall not be allowed to anyone but actual bona fide residents of this state, and shall be filed in but one county in this state to the same family. For the purpose of this section, property in which such person has any interest shall be deemed the property of that person. The person claiming the exemption for the first time in the county shall file with the department in the county where the exemption is claimed an affidavit declaring such residence and that the exemption has been claimed in no other county in this state for that year.

SEC. 11. 1. Vehicles registered by a totally blind person, not to exceed the amount of \$3,000 assessed valuation, are exempt from taxation, but the exemption shall not be allowed to anyone but actual bona fide residents of this state, and shall be filed in but one county in this state to the same family. The person claiming the exemption for the first time in the county shall file with the department in the county where the exemption is claimed an affidavit declaring such residence and that the exemption has been claimed in no other county in this state for that year. Upon first claiming such exemption in a county the claimant shall shall furnish to the department a certificate of a physician licensed under the laws of this state setting forth that he has examined the claimant and has found him to be a totally blind person.

2. As used in subsection 1, "totally blind person" includes any person whose visual acuity with correcting lenses does not exceed 20/200 in the better eye, or whose vision in the better

eye is restricted to a field which subtends an angle of not greater than 20°.

SEC. 12. 1. Vehicles, to the extent of \$1,000 assessed valuation, registered by any actual bona fide resident of the State of Nevada who:

(a) Was such a resident for a period of more than 3 years before December 31, 1963, or who was such a resident at the time of his or her entry into the Armed Forces of the United States, who has served a minimum of 90 days on active duty, who was assigned to active duty at some time between April 21, 1898, and June 15, 1903, or between April 6, 1917, and November 11, 1918, or between December 7, 1941, and December 31, 1946, or between June 25, 1950, and January 31, 1955; or

(b) Was such a resident at the time of his or her entry into the Armed Forces of the United States, who has served a minimum of 90 continuous days on active duty none of which was for training purposes, who was assigned to active duty at some time between January 1, 1961, and whatever date may be proclaimed by the President of the United States as the termination of hostilities in Viet Nam, and who received, upon severance from service, an honorable discharge or certificate of satisfactory service from the Armed Forces of the United States, or who, having so served, is still serving in the Armed Forces of the United States, is exempt from taxation.

2. For the purpose of this section the first \$1,000 assessed valuation of property in which such person has any interest shall be deemed the property of that person.

3. A person claiming the exemption for the first time in the county shall file with the department in the county where the exemption is claimed an affidavit declaring that he or she is an actual bona fide resident of the State of Nevada who meets all the other requirements of subsection 1, and that the exemption is claimed in no other county within this state.

4. Persons in actual military service shall be exempt during the period of such service from filing annual affidavits of exemption and the department is directed to continue to grant exemption to

such persons on the basis of the original affidavits filed. In the case of any person who has entered the military service without having previously made and filed an affidavit of exemption, such affidavit may be filed in his or her behalf during the period of such service by any person having knowledge of the facts.

5. Before allowing any veteran's exemption pursuant to the provisions of this chapter, the department shall require proof of status of the veteran, and for that purpose shall require production of an honorable discharge or certificate of satisfactory service or a certified copy thereof, or such other proof of status as may be necessary.

6. If any person files a false affidavit or produces false proof to the department, and as a result of such false affidavit or false proof a tax exemption is allowed to a person not entitled to such exemption, he or she is guilty of a gross misdemeanor.

SEC. 13. 1. Vehicles to the extent of \$10,000 assessed valuation registered to any actual bona fide resident of the State of Nevada who has incurred a service-connected disability of the kind described in 38 U.S.C. § 801 as effective on the date when the exemption is claimed, and has received upon severance from service an honorable discharge or certificate of satisfactory service from the Armed Forces of the United States is exempt from taxation.

2. For the purpose of this section in the first \$10,000 assessed valuation of property in which such person has any interest shall be deemed the property of that person.

3. A person claiming the exemption for the first time in the county shall file with the department in the county where the exemption is claimed an affidavit declaring that he or she is an actual bona fide resident of the State of Nevada who meets all the other requirements of subsection 1, and that the exemption is claimed in no other county within this state.

4. Before allowing any exemption pursuant to the provisions of this section, the department shall require proof of status of the applicant, and for that purpose shall require production of:

(a) A certificate from the Veterans' Administration that the applicant has received or is eligible to receive a grant pursuant to 38 U.S.C. ch. 21; and

(b) Any one of the following:

- (1) An honorable discharge;
- (2) A certificate of satisfactory service; or
- (3) A certified copy of either of the above.

5. If a tax exemption is allowed under this section, the claimant is not entitled to an exemption under section 12 of this act.

6. If any person makes a false affidavit or produces false proof to the department, and as a result of such false affidavit or false proof, a tax exemption is allowed to a person not entitled to such exemption, such person is guilty of a gross misdemeanor.

SEC. 14. Claims under either section 10, 11 or 12 of this act, for tax exemption on the vehicle privilege tax shall be filed annually at any time on or before the date when payment of such tax is due. All exemptions provided for in this section shall not be in an amount which gives the taxpayer a total exemption greater than that to which he is entitled during any fiscal year.

SEC. 15. 1. Whenever any property ceases to be exempt from taxation under section 10, 11, 12 or 13 of this act because the owner no longer meets the requirements for the exemption provided in those sections, its owner shall immediately notify the department of the fact.

2. If a person fails to notify the department as required by subsection 1 and as a result of such failure is allowed a tax exemption to which he is not entitled, there shall be added to and collected with the tax otherwise due a penalty equal to double the amount of the tax. If the person's failure is fraudulent and results in his receiving a tax exemption to which he is not entitled, the person is also guilty of a gross misdemeanor.

SEC. 16. The county assessor of each county with a population of less than 100,000, as determined by the last preceding national census compiled by the Bureau of the Census of the Department of Commerce of the United States, is designated as agent to assist

in the collection of the tax required to be assessed under this
chapter.

SEC. 17. Repeal NRS 361.156.

TO: SENATE COMMITTEE ON TAXATION

FROM: STEVEN F. STUCKER, FOR THE CITY OF NORTH LAS VEGAS

RE: SENATE JOINT RESOLUTION 13

The City of North Las Vegas is opposed to SJR 13 as it is presently worded. The effect of this resolution would be to allow the legislature to exempt from property taxes the property of companies such as Southwest Gas Corporation and Nevada Power Company, as well as other such utilities. Ostensibly such exemptions would lead to lower costs to the consumers of the output of these utilities. It is doubtful that the taxes paid by these companies, when spread over the users, would have any significant effect on the bills of these customers. Currently we have seen no figures as to the potential tax revenue loss due to such tax exemptions.

Certainly the City of North Las Vegas has no opposition to the conservation of natural resources nor to the lowering of utility charges. However, it is doubtful that legislation of this nature will go very far towards accomplishing either. It is feared, however, that such exemptions will lower the revenues distributed to cities and thereby detrimentally affect the already deteriorating financial position of Nevada's cities.

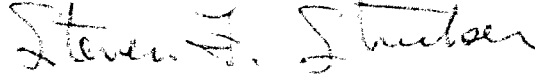
The Winter 1976-'77 issue of Nevada Government Today contains the results of a six-month study conducted by a group of city and county finance officers and managers. These results indicated that the ending fund balances of the cities and seven counties will decline 71% between 1973 and 1977. The article points out that the ending fund balance "is the single most revealing measure of an entity's financial condition." Further findings of the study indicate that while revenues over the four-year period increased 41%, expenses increased 54%. Clearly what is needed is a method of increasing revenues of the cities, not an erosion of their revenue structure.

Senator Hernstadt suggested that what the cities need to do is tighten their belts. It is submitted that North Las Vegas has done just that. This "belt-tightening" has resulted in two substantial personnel cuts and a successful recall election. Furthermore, cities must continue to provide services demanded by their residents, services which involve personnel and therefore increasing wage demands. Merely because the revenues decrease, the population and the demand for services do not decrease. An interesting point here is that the utilities that may be exempted from taxation would still require services such as fire and police protection. Yet they would not be contributing towards the payment for these services.

It must be remembered that utilities such as those mentioned previously are corporations, operated for one purpose: PROFIT. If the shareholders could get little or no return for their investment, they would be very reluctant to purchase the stock of a utility. The management of a corporation has a duty to the shareholders to conduct the business in such a manner to maximize profits. To do otherwise would be a breach of a fiduciary duty. Contrary to rhetoric often offered by utilities declaring their goals to be conservation of natural resources, their ultimate goal remains a profit, a reasonable rate of return, the same as any other business enterprise.

In conclusion, the benefits suggested to be derived from this legislation would be minimal, whereas the detriment to the financial status of cities could be substantial. It is respectfully urged that SJR 13 would not achieve its intended results. For the above reasons, it is opposed by the City of North Las Vegas.

Respectfully submitted,



Steven F. Stucker
City of North Las Vegas