

SENATE TAXATION COMMITTEE
MEETING OF APRIL 5, 1977

The meeting was called to order at 2:15 p.m. by Chairman Bryan. The following members were present:

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

Senator Floyd Lamb was absent.

The following items were considered and action taken:

AB 463 Modifies requirement to report value of transferred real property and increases penalty for false declarations.

Mr. Jim Jones, Washoe County Recorder, and Ms. Joan Swift, Clark County Recorder, testified their main objection to the bill was the additional paper work it would require. Mr. Jones said his concern with AB 463 involves the anticipated additional paper work and affidavit proposed to be attached to deeds for recording. The bill proposes that an affidavit be prepared for audit purposes to further generate revenues on real estate transfer tax. The additional piece of paper work bothers the recorders. Mr. Jones indicated the recorders could work with Mr. Lien's proposed amendments. (See Exhibit 1.) The proposed amendments would allow the county recorder to use a rubber stamp in place of the affidavit and states that the recorder would provide information to the Department of Taxation by microfilm or hard copy reproduced from microfilm.

Senator Hilbrecht asked Mr. Jim Lien, Deputy Director of the Department of Taxation, the bill's proposer, what directed this legislative effort.

Mr. Lien answered the proposal in AB 463 is to amend the real property transfer tax to provide information to county assessors and the Department of Taxation for the purpose of sales ratio work and assistance in establishing valuations. Passing the bill would furnish a current sales data bank used for establishing valuations. Passing the bill would furnish a current sales data bank used for establishing a file of values with both the county assessors and the Department of Taxation. The department uses the information several times a year in its reappraisal program with the county assessors and in its statutory ratio study period. County assessors use the data when involved in reappraisal cycles. The information provided would save the Department of Taxation approximately \$34,000 per year in man hours and travel which is now required to secure the information. It would provide information as to what the full consideration is, what is being assumed when there is a

transfer of property and the kinds of encumbrances against the property. This information would be used by the county assessor or the Department of Taxation when valuing property and establishing sales data for the valuation of property.

Senator Bryan asked Mr. Lien to explain the substantial change in sub-section two, lines 8-11, particularly with the use of affidavit.

Mr. Lien stated that line 10 as well should be amended to allow for the affidavit or the substituted rubber stamp.

Senator Bryan asked what is the thrust of 375.050 which is being deleted.

Senator Dodge stated it is a statement of value and signed under penalty of perjury.

Senator Bryan asked if there is any objection to that format. If a rubber stamp is going to be allowed by way of a compromise, should this section be deleted?

Mr. Lien answered that the material contained in 375.050 now in lines 1-11 is not the information being talked about. What is being required in the new language on lines 12-29 is information which would fill the void left in on line six. It would identify those liens and encumbrances.

Senator Sheerin stated that page one, line six says the tax is exclusive of any liens. Page two, lines 16-17, says the information being furnished is inclusive of lines. Consequently, will this require two statements on the deeds--a piece of information so that liens can be computed to base the tax on and another piece of information about the total value of the transfer?

Mr. Lien answered it is basically dealing with the total value of the transfer in determining what part of it is liens and what part of it is not.

Senator Sheerin asked what the transfer tax will be based on.

Mr. Lien said it would be based on what is listed on page one, exclusive of liens.

Senator Sheerin asked what is Mr. Lien's policy for wanting to know the value of each transfer.

Mr. Lien stated the information secured now requires traveling through 17 different counties and going through title companies. This is a device for getting information to the assessing agencies instead of their having to spend the time and money to secure it.

Senator Sheerin questioned the policy of placing the total purchase price in every deed.

Mr. Lien replied the information wouldn't be put into the deed, but would be put on the information which is attached or stamped on the deed.

Senator Hilbrecht said he recalled this bill was before the committee two years ago. There were some good policy reasons why this was killed then.

Mr. Lien said the bill, which is in substantially the same form prior to amendment, was opposed last session by the Douglas County Recorder's Office because of concern regarding paper work and by representatives of the real estate lobby and escrow holders who felt the information should not be divulged because it was an invasion of privacy. He said there presently was access to this information, but it is difficult and time-consuming to secure.

Senator Dodge stated he didn't see anything inconsistent about the first section of the bill, which is the present law. When the real estate transfer tax was enacted, it was deliberately made exclusive of a lien. It was assumed that the purchaser should pay only the tax on the amount of the actual consideration he paid at that point of time. It wasn't the intent to amke him pay taxes on the obligation he assumed. There isn't anything inconsistent with that as far as Mr. Lien's objective of trying to find out what the full value is in a transaction for purposes of his sales ratio study.

Mr. Lien stated this bill originally was a recommendation by the Tax Equity Committee which studied devices to assist the assessing agencies.

Senator Bryan asked if the thrust of the proposed amendments is to allow the stamp to contain the information being requested.

Mr. Lien stated that was correct, as well as to allow a microfilm record rather than an original document to be sent to the Department of Taxation.

Senator Dodge asked whether the committee should develop in the bill the form that will be used on the stamp.

Mr. Lien stated that the agency has regulatory authority within chapter .375 for that purpose. That format can be developed in conjunction with the county recorders.

Senator Hilbrecht asked if there is any way Mr. Lien's desires can be accomodated without publishing the material concerning the full value. He suggested that may be that's the reason for the separate document.

Mr. Lien replied it is still attached to the deed and becomes part of the deed.

Senator Hilbrecht asked why it must be that way?

Mr. Lien stated because the way they are normally recorded is by attaching it on the deed. He had no objection if the law was made to say it does not become part of the deed.

Senator Hilbrecht stated that the Department of Taxation's aim is to ascertain the full cash value. He thought there was some reasoning behind the feeling that it ought to be privileged information from the general public.

Mr. Lien stated he was not sure it remains as such. Even now when the assessor and the department develop it into part of the appraisal record, it become a public record.

Senator Hilbrecht said but it doesn't have the full cash value now.

Mr. Lien said his department develops that information. It's possible it could still come into it.

Senator Bryan stated that frequently the only document recorded is the trust deed itself, not the note. Many of those trust deeds do not contain the amount of indebtedness. So even though the department may independently attempt to verify or ascertain the encumbrances, under the present system, it isn't always possible to ascertain the information from just looking at the recorded instruments.

Mr. Lien stated that was recognized and sometimes requires a subpoena of the material for that purpose.

Senator Hilbrecht stated the department should have the objective of the bill but, over the last few years, he had hoped Mr. Lien could have come up with another device of getting it aside from making it a public record. He asked if that could be developed.

Mr. Lien stated it could.

Senator Dodge asked if there was any mechanical way the recorders can preserve the record for their own purposes in the court house and the Department of Taxation can have the information without stamping it on the deed.

Senator Bryan asked Mr. Lien to share his new proposal with Mr. Jones and Ms. Swift. He asked Ms. Swift if this bill would double the recorders' workload.

Ms. Swift answered in the affirmative, stating it would create a space problem as well as a manpower problem. She said she can see

why some people would object to having the information appear on the face of the deed. She has received phone calls from people who were upset because it is a public record. People get calls from insurance companies trying to sell them insurance for the amount of the whole mortgage because the insurance companies know all the information. The people don't like that. Ms. Swift asked if the recorders were required to make affidavits, would they be entitled to an additional fee for recording it in addition to the deed.

Senator Sheerin suggested to Mr. Lien the approach of trying to develop information through escrow and title companies as opposed through the county recorders office. A great percentage of all transactions go through escrow departments or title companies.

Senator Dodge asked by what means can the department determine the full value of an assignment of a deed of trust, which on its face does not indicate how much is being assumed.

Mr. Lien replied there is probably a subsequent document or a preceding document available that would be located. The department may have to go to more than one institution to find the information.

Senator Dodge stated if this bill were not enacted, the department's objective would not be defeated. It would cost more money and more time.

Mr. Lien replied it is costing more every year. He asked for a time to be set for re-hearing.

Senator Bryan said it would be re-scheduled for April 12, 1977.

AJR 21 of the 58th Session -- Proposes constitutional amendment for progressive exemption of business inventories from property taxation and legislative exemption of other personal property.

Speaking in support of the bill were:

Mr. Pete Kelly, representing the Nevada Retail Association, refuted facts presented by the Chairman of the State Board of Equalization in the hearing on AJR 10. He said the repeal of the tax would have the same effect on Nevada's business economy as has the Freeport law. Complete text of statement is attached (Exhibit 2).

Senator Hilbrecht stated he shared Mr. Kelly's feelings about the nature of the personal property tax. But he has difficulty with this measure because he believed the entire tax should be repealed,

not just the business inventory tax. He questioned whether there is any reason for discriminating in an area which is difficult and costly to administer and isn't done fairly or evenly. He said he'd like to see the entire tax repealed. Possibly the most sensible approach would be to phase it out as this bill proposes.

Mr. Kelly stated the Nevada Retail Association has a plan, which Mr. Ernest Newton will present. If the committee is agreeable to the proposal which calls for reshuffling the tax structure rather than imposing an additional tax, it would more than offset any loss in every county with the exception of one. In the county which would lose, the loss would be \$1,000 or less. The exemption written in this bill is fair. It would give the legislature the authority to exempt any other personal property in future years.

Assemblyman Paul May testified the members of the Assembly, almost without exception, support the repeal of the inventory tax. Senator Hilbrecht has stated he would like to propose legislation which would benefit all the people. That's one of the positive things about this bill. The inventory tax is simply another cost of doing business which the merchants pass on to the general public. Competition would force a reduction of prices close, if not equal, to the amount of the inventory tax. The intent of the legislation was to pass it in this form, hoping that the merchants would take the lead to gear the public up to react favorably to this proposition. It was felt strongly that somewhere along the line household furnitures and property should be exempted from the personal property roll. Another piece of legislation would have to be enacted, but the authority to do it would be there. In response to the earlier concern of the definition of livestock, Assemblyman May quoted Mr. Frank Daykin of the Legislative Counsel Bureau, who said the word livestock as used in this measure is two-fold. Livestock held in inventory as part of a rancher's business, or a livestock feeder's operation would be exempt. Miscellaneous livestock such as burros, chickens, etc., would be another definition of livestock and those matters may or may not be exempted depending on the feeling of the next legislature.

Mr. Ernest Newton, representing the Nevada Retail Association, stated two things need to be straightened out. There's the difference between business inventories and capital inventories. Capital inventory is lumped with business inventory for federal income tax purposes. Under capital inventory, inventory which is sold is valued at its cost or market value, whichever is less, and is subject to depreciation. Under Nevada's business inventory tax, business inventories have a specialized word-of-art definition. It means, in the viewpoint of the Department of Taxation, merchandise held for resale by a resale merchant. The meaning is very specialized.

Senator Sheerin asked if that was by regulation or by statute.

Mr. Newton replied it was by public acceptance. It has always been classified that way. When the Department of Taxation

presented its testimony in connection with AJR 7, it classified business inventory valuation as the valuation which the county assessors segregate out on the tax rolls as merchandise held by merchants for sale.

Senator Sheerin asked if this included wholesalers.

Mr. Newton said wholesalers are not included. Practically all wholesale merchandise is under the Freeport law. It becomes taxable only when it is shipped to a retail merchant. The present procedure is one-twelfth of its value presuming it has only been in the wholesalers stock as taxable merchandise for one month.

Senator Bryan asked if Mr. Newton was indicating that the tax presently wasn't levied on a wholesaler.

Mr. Newton replied he pays tax at a rate of one-twelfth of the assessed valuation presuming he has held it in his inventory for only one month. He disagreed with the Department of Taxation's lumping the valuation of livestock with the business inventory valuation. He disagreed with it in two stages. There is the obvious inclusion of capital livestock. That is the capital investment of a livestock operation of all kinds of livestock, including such things as burros, bees and poultry. They are all included in the category that would be directly exempt from assessment upon the passage of the bill because it has been included as a business inventory valuation and a totally exempt valuation. He felt all of it should be included in the direct exemption. There may be some livestock that would be considered a business inventory. It would be comparatively small. Some livestock owned by feeder operations in Nevada is bought from Nevada producers and fed. That is not eligible for Freeport treatment. However, any livestock bought from outside the state and put into the feed block for ultimate consignment out of the state is freeported.

Senator Dodge asked if the capital herd is taxable.

Mr. Newton said he thought it was.

Senator Dodge said the extent that is included in that category is correct.

Mr. Newton said but this is considered exempt by the Department of Taxation. All livestock is included in the exempt valuation.

Senator Dodge asked as of now?

Mr. Newton replied as of the passage or approval of AJR 10 or AJR 21.

Senator Dodge asked what distinction Mr. Newton was trying to make.

Mr. Newton stated it was an error to include capital livestock in the total valuation to be exempt.

Senator Dodge said he was confused because he thought the capital livestock is the base herd.

Mr. Newton said he agreed, but it was included in the total valuation that would be exempt.

Senator Dodge felt this was done properly. He said if he understood what was being talked about is that the Department of Taxation construed AJR 21 as permitting an immediate tax exemption on that base herd which is now taxable. It would be exempt under their construction of AJR 10 or AJR 21.

Senator Bryan clarified that the business inventory tax is only one form of personal property tax. Other personal property taxes are imposed. He asked Mr. Newton if he was making the distinction between the capital herd, saying it is subject at the present time to a personal property tax but would not be exempted if AJR 10 or AJR 21 were passed because that applies only to business inventory.

Mr. Newton said that was correct. But it could be exempt by action of the legislature.

Senator Dodge said it was stated in previous testimony that language was being construed to have the automatic effect of exempting cattle.

Senator Hilbrecht stated that it would not be the brood cattle but heifers would potentially come under this exemption.

Mr. Newton stated brood cattle is included in all the automatically exempt livestock. If it is the point of view that livestock should be exempt, he disagreed with it. He felt both acts specifically exclude livestock from the automatic exemption because they are included under the permissive exemption.

Senator Bryan stated Mr. Daykin's comments were not addressed to the capital herd. His comments were that livestock are personal property to the extent that livestock would be considered inventory. Livestock, therefore, would have an automatic effect on the passage or ratification of AJR 10 or AJR 21. It would not address the capital herd. The capital herd is still subject to other personal property taxes. The legislature would have in its discretion by subsequent legislative enactment, the power to exempt livestock as well as all other kinds of personal property.

Mr. Newton stated he agreed with it if that's Mr. Daykin's position. He said his quarrel then is only with the figures which the committee was presented. Those figures included all livestock of every kind and character as automatically exempt valuation. That's wrong. He submitted a document which segregated all kinds of livestock to give the committee an idea of what the valuations will be. (See Exhibit 3). Most of Mr. Newton's comments were directed to the last page. On the second column, comparing the business inventory valuation in the counties, he noted the inequitable assessment of those figures. He pointed out the assessment of business inventory is almost as difficult as the assessment of household goods. It is accomplished purely on a self-assessment basis without audit. It results in an unfair levy against those business operations which maintain a perpetual inventory, which consistently report to their own stockholders and management of their inventory and turn those figures over to the county assessor. The comparison of figures county by county is shocking. For instance, the comparison of Carson City and Douglas counties. Douglas County has an assessed valuation substantially higher than Carson City and yet a business inventory valuation that is substantially lower.

Senator Dodge stated that isn't a conclusive comparison. It may be that they are not addressing the assessments in the same way, but if Mr. Newton is trying to relate total tax valuations to a population criteria, that doesn't necessarily follow. For example in Reno, while the community population-wise is not as large as Las Vegas, it serves a very large trade area. He said he was not surprised at the figures between Carson City and Douglas counties. It is a reflection that Carson City is the main shopping area for Gardnerville and Minden. It doesn't have any relation to the rest of the assessed valuation.

Mr. Newton said he was comparing primarily sales tax revenues and population.

Senator Dodge said the same exists for sales tax revenues in comparison with population.

Mr. Newton stated he felt it was evident from every piece of evidence that the tax on business inventory is not and cannot be fairly administered. He suggested, to squelch the concern of revenue loss if business inventories are exempt from taxation, that the revenue could be recovered for the cities, counties and school districts if the state in 1979 withdrew 10 cents from its current 25-cent tax rate levied on real and personal property. The only counties that would lose would be Clark County, which would lose \$5,000, and Washoe County, which would lose \$300,000.

Senator Dodge asked if this was based on one-shot impact and not a transitional reduction.

Mr. Newton said it was based on one-shot impact. If the transitional method was adopted, that withdrawal of a portion of the 25-cent state levy could also be tailored to fit the withdrawal.

Senator Dodge asked if the impact would be \$700,000 rather than \$3.7 million if it was based on the transitional method.

Mr. Newton replied in the affirmative. It would be a decision that would not have to be made until the 1979 session of the legislature.

Senator Hilbrecht asked where Mr. Newton proposed to make up the 10-cent loss in the general fund.

Mr. Newton proposed it be made up through the efforts of some members of the Senate Finance Committee which has tailored some of the expenditures.

Senator Hilbrecht stated the problem is that the expenditures are getting out of whack. He said he was not sure it could be spared at the state level.

Senator Bryan asked Mr. Newton if he was suggesting the fiscal impact on the general fund would be \$3.8 million if it was taken entirely off in 1979.

Mr. Newton replied in the affirmative.

Mr. Bob Warren, representing the Nevada League of Cities, spoke in support of AJR 21 and offered a suggestion which paralleled Mr. Newton's. In 1970, when Mr. Warren was Director of Industrial Development for the State of California, the business community asked the Governor to reduce the business inventory tax. Mr. Warren was assigned to research and prepare the preliminary draft of legislation to reduce the business inventory tax. It was accepted and the tax was dropped in increments. The first year it would have dropped by 15 per cent. That's \$285 million. Each year it became more difficult to reduce the tax. However, the state made up the difference so there was no net loss to the local entities. If this bill is under serious consideration by this committee, he said he hoped the committee would look at the possibility of finding replacement revenues. He said he would oppose this bill if there is no rider that would soften the economic impact.

Senator Bryan asked Mr. Warren for a clarification of the Nevada League of Cities' stand on AJR 21.

Mr. Warren said the organization would have to oppose AJR 21 if there is no provision for reimbursement because of its track record in opposing anything that tends to lessen the tax base for local governments.

Carol Vallardo, member of the Retail Merchants Division of the Greater Las Vegas Chamber of Commerce, read excerpts from an editorial which appeared in the Valley Times on February 18, 1977. The article used retail sales statistics and figures received from the office of Larry Brown, of the Tax Commission. In effect, the

statistics showed that, from January 1976 to December 1976, the retail sales in Clark County increased by 18.7 per cent. The dollar value of that increase was \$300 million. The projected increases in 1978-79 have been projected at 12 per cent. With the \$5.2 million loss being talked about with a one-shot phase out, all it would take to make up that loss would be a four per cent increase in the sales tax collected. Clark County last year was 6.7 per cent over. The county received a higher total valuation than the budget was projected. With the increase in business being generated and by nature of the increases in assessed valuation, it will help, if not eliminate, the total loss in some of the counties. She felt it would be more than negated. There are a predominance of larger retailers in the northern end of the state. Clark County is made up of approximately 3,000 small retailers and has less than 20 major chains. Unfortunately, many of the retailers are under capitalized. The money they have to pay for business inventory tax hurts because it is not based on the ability to pay. It is a concern because the small business administration stated a year ago that Clark County experiences an 85 per cent failure rate in retail business the first three years of operation.

Mr. Gary Johnson, Executive Director of the Henderson Chamber of Commerce, stated Henderson had just recently completed its five-year reassessment. The average was 35 per cent, of which the plant complex was 77 per cent. The reason he was talking to the plant complex issue is because the second-fold interest the city has is the business inventory tax's awkward relation to the Freeport law. He told about State Industries and Artex, located in Henderson, which have been burdened by the business inventory tax in having to ship their products out of state in order to avoid the controversy of taxing products being sold in Nevada. It is difficult to juggle the two different concerns of retailing and manufacturing.

Mr. Lien stated the Department of Taxation is not before the committee to oppose the appeal but merely to provide information to the committee. He said the department recognizes the inequity of the taxation of personal property and that it is difficult to administer. He clarified some questions asked the committee. Regarding the question about whether AJR 22 exempts livestock of individuals who have a pet horse, for example. On the question of a capital herd versus a non-capital herd, he stated if anyone on the committee could define a capital herd, the department would be happy to implement the definition. It is difficult to define. California, which is now down to 50 per cent of its inventory tax, excludes all livestock with the exception of bulls. He said the department's figures include livestock in its entirety. The figures are projected at a six per cent increase. The department recognizes it is presenting maximum loss figures. Regarding the comment that, at the end of the year, the assessed valuations

of counties are always higher than had been certified as far as budgets are concerned, that is generally true in growing areas because of the unsecured personal property roll. It is impossible to exactly estimate the unsecured personal property roll. As more personal property moves into the county, the unsecured roll increases. The 1979 legislature is going to have a major concern before it in having to decide how to reallocate revenues, not only if this particular bill passes but also because the census comes in 1980 and, as of January 1, 1981, the Department of Taxation will be reallocating the population base taxes on that census. There will be severe shifts. There has been talk of increased valuations off setting the loss. Increased valuations help off set increased costs which local government incur. What the department is talking about when it gives projections of losses, is that this valuation base would no longer exist for an entity to tax. Those losses were calculated based on existing tax rates because the majority of them are probably maximum at this point. There will be severe revenue shifts with the repeal of the business inventory tax and someone is going to have to reallocate revenues within the state to assist entities which are going to lose. He presented a chart which projected the tax losses which would be incurred if AJR 21 were passed. (See Exhibit 4). The legislators will have to be concerned with in the next session, if AJR 21 passes, how to handle the entities which are affected more than other entities. Clark County perhaps will be able to off set the loss because of increased sales and rapid growth. What does Lander or Eureka counties do? They basically have a stabilized economy. Ed Greer, of the Clark County School District, requested Mr. Lien to mention that the Clark County School District would be losing by the fifth year approximately \$1.4 million per year in property tax revenue. This will be off set by the State Distributive School Fund, but not all of it will be.

Senator Bryan asked Mr. Lien to explain the school district loss.

Mr. Lien explained the valuation, which is the base for the tax dollar it proposes, would be reduced in the amount of \$1.4 million per year to the district. This encompasses the full \$1.50 operating plus the approximately 40 cents for bond service. Approximately one-third of that would be recovered through the State Distributive School Fund because the 70 cents which is calculated and the off set is brought back from the State Distributive School Fund. The actual loss to Clark County would be two-thirds of \$1.4 million.

Senator Dodge pointed out the loss would be smaller than Mr. Lien's figure because school districts are guaranteed debt service.

Mr. Lien said, in general, what he was pointing out is the impact and the legislature is going to have to decide how to off set that impact. It will have to act upon that in the 1979 session if AJR 21 is passed and approved by the people.

Senator Sheerin asked Mr. Lien if he knew how much the loss would be off set by inflation or real growth.

Mr. Lien said there are two problems with that assumption. While inflation and real growth increases valuation, the sales tax revenues and other revenues, at the same time, the cost of the local entities are increasing. At the present time, AB 547 asks for a study of local government revenues. Property valuations and even people-oriented taxes are growing at a lesser rate than are local government expenditures. One of the things AB 547 addressing is that there be an analysis not only of revenue losses and allocation but of fiscal management. It is possible that part of the loss is due to mismanagement. Basically, the statistics show that expenditures are rising more rapidly than revenue sources.

Senator Sheerin asked Mr. Lien if he was saying that the money won't be recovered.

Mr. Lien said it won't be recovered at the local level. There is going to have to be additional authorization for other types of local fees or else an increase of some of the existing fees if they are not at maximum now. The same is true at the state level. The state may have to impose another source of revenue.

Senator Dodge asked Mr. Lien if he was saying that the counties generally are using the figure of loss, even on the transitional basis, of \$2 million.

Mr. Lien said he was citing one year. The loss by the fifth year would equal for the counties approximately \$2 million per year. The first year, the 17 counties lose about \$340,000 under the graduated procedure. By the fifth year they lose \$2 million when there is 100 per cent exemption.

Senator Dodge asked Mr. Lien what he meant when he said there might have to be a judgement made on the inclusion of livestock as an exemption.

Mr. Lien explained that Mr. Newton questioned the inclusion of livestock as exemption by the Department of Taxation. What is a capital herd? Bulls probably are, but what is the capital herd limit as far as cows are concerned?

Senator Dodge stated it has generally been construed to be the base production herds with which the farmer or rancher goes into the winter. It may vary from year to year. Under that general concept, most of the cattle in Nevada are presently taxes because they are base herd cattle.

Mr. Lien said he was not sure that would be the case once the exemption goes into effect. There will have to be a definition

drawn either by the legislators or the department as to what constitutes a base herd.

Senator Glaser asked if, when considering inflation and real growth, did Mr. Lien include a factor for increased business activity and increased sales revenue in the winter months if the merchants didn't draw down their inventories? There was some evidence that in states which remove merchants inventory tax, they experience a high rate of business activity continually through those months.

Mr. Lien said the department did not necessarily agree with the concept that because inventory is drawn down, sales automatically decline. From sales tax information, it has been found there is a decline at a particular time of year. There's usually a decline during January and February following a very heavy retail season during December. Also, it's true there is a heavy holiday tourist trade and there's a lesser tourist trade during January and February. The department doesn't necessarily agree the draw down of inventory reduces the number of sales. The fact that the business carries more inventory doesn't necessarily mean it is going to increase sales.

Senator Dodge requested a table showing the impact if all personal property were exempt.

Mr. Lien said he agreed that the personal property tax is the most inequitable for administration. The department does not have accurate or true assessment of all personal property in this state. Most states are moving the direction to remove it from direct taxation and, at the same time, those legislatures are having to look at how to replace the revenue.

Senator Sheerin asked Mr. Lien to comment on the proposal of the state keeping 15 cents rather than 25 cents.

Mr. Lien said the 25 cents is the general fund revenue. There's an additional 11 cents which is Title 19. So the state really takes 36 cents out of the local tax rate. It's a question of whether it is desired to erode the general fund. Nearly \$8 million a year is being derived from that particular source.

Senator Sheerin stated that the general fund directly has disbursements to the cities and counties other than the State Distributive School Fund. That area could be cut down. But the end result is still money lost to the cities and counties.

Mr. Lien stated, unless another source of revenue is found, someone has to absorb the loss. The question probably will be how will the state share that loss so the two entities are hurt the least.

Senator Bryan stated that is a strong argument for SJR 5.

Senator Dodge said the bill would reduce potential revenue in the future. Because of the growth patterns in Clark County and some other counties, the tax base is going to continue to grow.

Mr. Lien said the state needs to determine how to even out the potential loss because some entities will lose more than others.

Senator Bryan asked Mr. Lien if he agreed with the projected \$3.8 million figure in the last column. Mr. Lien said that was probably close.

Senator Bryan asked if it was fair statistically to add \$3.8 million to the \$1.1 million loss projected through 1983-84 when the tax is completely phased out. Mr. Lien said the impact would be at least that.

SB 414 Places real property in categories and requires reappraisal of selected category within 1 year.

Speaking in favor of the bill were:

Mr. Bob Thomas, a small property owner in Carson City, testified he is involved in three classiviations of income-producing properties--an apartment house, two industrial buildings and aircraft hangers. SB 414 would substanitally reduce one of the biggest problems Mr. Thomas has in trying to maintain tenants and property equity. The biggest problem now with assessments is that they come every five years in a certain district of a community. It must be remembered that all the properties are competitive. When Mr. Thomas gets a tax increase every five years, he passes it on to the tenants. As a result, some tenants move. They go to another apartment in a different part of town which hasn't been assessed for two or three years. It is a hinderance because these competitive properties are not assessed during the same period of time. Worst of all, if an owner feels he has been improperly assessed, there is no way to use another property to compare the two tax assessments. The tax assessors say it can't be compared because it hasn't been assessed in the same period.

Senator Dodge stated the problem with a five-year rotation on property assessment is that it has an enourmous impact when it hits. Assessors don't have the staff to assess all the property every year.

Mr. James Viana, a local property owner, stated he agreed with the previous speaker's remarks. He said he's interested in equal competition between like businesses. Taxing these properties at one time would make them equal.

Mr. Newton testified this bill presents an opportunity for assessors to counter a great deal of criticism. The bill will result in level work load because only the items in categories 1-4 are specifically designated for specific assessment periods. Category five would be based on a geographical basis. This bill won't cause a substantial change in the work load.

Those speaking against the bill were:

Mr. John W. Moschetti, Elko County Assessor, stated the situation in Elko County is considerably different than it is in Carson City where there is only one town involved. In Elko County, six separate entities are involved. The assessment procedure must be understood. A comprehensive plan must be developed, primarily based on a sales data approach, to assess the property. The sales information must be derived for the particular area. In deriving this information, it is done for all types of property. To impose this type of a bill on the assessors is a step towards what would be idea--annual assessment. Their personnel isn't there to have annual assessments. This bill would not work unless it is the intent to hire additional personnel and begin an annual assessing procedure.

Senator Dodge asked if assessment work is computerized.

Mr. Moschetti stated legislation was passed last session directing the assessors to become partially computerized by 1979.

Senator Dodge asked what potential will a computer give assessors.

Mr. Moschetti said there are two problems with computers. The first problem is to get the entire tax roll on the computer. The second problem is to start to appraise property by the computer. Only one or two counties are working on this presently.

Senator Sheerin asked Mr. Moschetti if it is possible to assess all the apartments in Elko County in one year without having to hire extra personnel.

Mr. Moschetti said it is possible in that one category.

Senator Sheerin asked if it is possible to assess all hotels and motels within one year and still have time to do something else.

Mr. Moschetti said extra help would be needed in that category and that there would be extra expense because of the large size of Elko County.

Senator Sheerin asked why it would require more staff.

Mr. Moschetti said it would require more staff because complete sales work must be done in each area, which isn't ordinarily done.

Senator Sheerin asked if the idea of this bill would be more feasible once assessment is computerized.

Mr. Moschetti said it would be.

Senator Dodge asked if there are other states which use this approach.

Mr. Lien said he did not know. Most states would probably have the same problems with the legislation that Mr. Lien has. That's the checkerboarding aspect as far as equalization is concerned. In other states there are various ratios of assessment, but when it comes to valuations, there are a system of patterns which do not allow checkerboarding. The Department of Taxation's greatest problem is with equalization. He related a problem in Washoe County where properties were appraised before other properties in the same neighborhood were appraised, creating a checkerboard situation. The State Board of Equalization required a roll back, based on the Deputy Attorney General indicating it violated the Constitution on uniform assessment practices. He said the Churchill County law suit, which was heard in the U.S. Supreme Court, indicated that the pattern of assessment used is an equitable and appropriate manner to appraise property in the State of Nevada. Computerization will allow more equitable assessments and, perhaps, annual assessments in the future. Washoe County is presently the only county which truly appraises by the computer. At the moment, the department is looking at only residential properties being appraised by computer. Carson City and the Department of Taxation are working with the Marshall Swift Corporation to develop computerization factors for commercial property. It will be a long time before assessment can be completed entirely by computer.

SB 399 Makes various changes in law relating to taxes
on agricultural and open-space real property.

Senator Glaser explained he introduced SB 399 because Mr. Moschetti had related many problems with the dual assessment. SB 399 treats the dual assessments and also hits several other areas, including defining an agricultural business as one from \$2500 to \$7500. It also clarifies what is meant by agricultural property and the geographical area discerning it in the Constitutional amendment.

Mr. Moschetti stated the Green Belt law is the most difficult law to administer that he has ever encountered. It also involves considerable administrative impact without a tax revenue being derived from it. In a study made by Mr. Moschetti in Elko County over a 10-year period, six-tenths of one per cent of agricultural land was converted to a higher use. The present law inflicts all the administrative work on the assessor's office and

the treasurer's office for not only the six-tenths of one per cent of land converted, but also for the other 99 per cent. Therefore, the bill has been developed to involve only the high use areas and the areas that are converted to another use. There has been no attempt to circumvent the deferred taxation due on property that is converted.

Senator Bryan asked Mr. Moschetti to relate to the committee his problems with the Green Belt Law.

Mr. Moschetti said agricultural land for assessment purposes is presently based on its productivity. Some people felt this was not equal taxation. Consequently, under the Green Belt law, two values must be set up for all agricultural properties. The agricultural value and a market value have to be established, put on the roll and a six per cent interest must be added year by year over an 84-month period. This is the administrative problem. It is the intent to protect the agricultural industry, but it is presenting an administrative burden in assessing the little bit of land being converted. It is realized that there should be this penalty and deferred tax, but the assessors want to do the work for the properties involved or at the time of the conversion.

Senator Bryan stated that, under SB 399, it would not have to be done every year.

Mr. Moschetti said that was correct and it would not have to be done on an area that is strictly agricultural.

Senator Glaser gave an example. The Spring Creek addition in Memorial Valley, under this bill, would be designated as a higher use area and two sets of values would be carried on some of those properties surrounding it.

Senator Bryan explained the difficulty he is having with conceptualizing this bill is there is no difference between higher use value and agricultural value. Isn't this an academic thing?

Mr. Moschetti said a ranch sells and, undoubtedly it sells for a higher figure than it is assessed. There are many intangibles involved. There are income tax advantages, BLM and Forest rights. In order to arrive at this market value, a tremendous amount of work and study has to be done.

Senator Dodge stated it was his understanding of the law that dual assessment was not required as long as the land was going to continue in agricultural use. That's on page two, line eight of the bill. One of the problems which arises is with the productivity assessment. The original concern was a constitutional one about whether the state would be in a better position to withstand a constitutional challenge if the assessors made dual assessments.

Mr. Lien said that was basically correct. The Attorney General interpreted the constitutional amendment to mean that if there was to be agricultural treatment applied to a property, it had to have a higher value than it would receive under agricultural use assessment. The determination was made that in order to make sure all agricultural properties, bonafide ranchers and farmers came under preferential treatment, there had to be two values. Field staff was able to determine that there are two values. There's a productivity value and there's a market value. Since there are two values, it was determined that every agricultural property in the state had to apply in order to receive the lower of the two values--the productivity value--to be consistent with the constitutional amendment. Immediately, there was an administrative problem. The majority of the states which utilize the dual assessment have done the same thing.

Senator Bryan asked Mr. Lien to go through the bill. Mr. Lien presented a mock-up of the bill with amendments. The mock-up is attached.

Mr. Lien stated section one identifies higher use and higher use areas. It gives a definition which the assessor can use to determine whether he will establish two values.

Senator Sheerin asked if there was double valuation under open space.

Mr. Lien said there was and it is treated in the bill. Open space would be treated the same way as agricultural land. Amendments on section four clarifies what is meant by full cash value and conforms to other definitions used in the bill. Line 14 is clarification that the county assessor makes the determination as to whether or not it is going to be a dual-valued property or a single-valued property. Section four also explains when higher value is established.

Senator Bryan asked, with respect to the determination to be located in a higher-use area, if the assessor would have to establish those dual values only with respect to those persons who sought the higher value.

Mr. Lien said that was correct.

Senator Sheerin asked if there was going to be a problem with the assessor having a lot of power to get into a potential larger increment with this kind of legislation.

Mr. Lien said the assessor would have to apply appropriate appraisal principles when establishing the full cash value and in discounting it back to whatever number of years is necessary. Being arbitrary isn't a large part of it. Judgement is. If the property owner disagrees with the assessment, he has appeal rights.

Senator Dodge asked if appeal rights are tied in with this bill.

Mr. Lien said that section of the bill was not affected. So it is still there.

Senator Dodge asked if there should be some reference to that section made in order to safeguard the property owner's protest rights.

Mr. Lien said his council thought it was not necessary. It was automatic.

Mr. Homer Rodriguez, Carson City Assessor, said the law mentions that the property owner must be notified of any change in valuation and, if he was not satisfied with that valuation, he can take it to the Board of Equalization.

Senator Bryan asked if the assessor must go back for a period of seven years upon the occurrence of events stated in section four.

Mr. Lien replied it may not necessarily happen that way. The assessor may prospectively determine this area is likely to become a high use area. He prospectively can establish that value.

Senator Bryan asked what would happen with an isolated sale in which in 1980 the rancher sells the piece of property and the convergence factor is brought into play. Are two separate values established for 1977, 1978, and 1979?

Mr. Lien said that was correct. It would go back to the inception.

Senator Bryan said the full cash value on that property would differ from 1977 and 1978. The ordinary progression would be that it would get higher as it comes closer to the day of sale. He said the appeal would have to be applicable to each one of those prior years.

Mr. Lien stated the assessor would have to be concerned with what the reappraisal cycle was in the area, also. It is correct that if valuations were different in those two years, both valuations would be subject to review. He could appeal to the State Board of Equalization. In Section 361.A160, concerning the determination of use, agricultural use assessment and potential use, potential use is stricken from the statute. Chapter 361 provides for the normal appeal procedure to the County and State Boards of Equalization. The department's attorney indicates that since the assessor is establishing it in this particular year, even though he is trending back to another assessment period, it is still an appealable assessment because it was established during the current appeal year. Section five is conforming language. Section six, line eight indicates that agricultural real property means having

a greater value for another use than for agricultural use. There is a clarification on lines 9-13 that if it is wished to receive agricultural use assessment, there has to be a value higher than the productivity value. "Full cash" is delted because it is confusing. What is really being talked about is full cash value, as any property would be valued under 361.227 versus the agricultural use which would be determined under 361.325.

Senator Dodge stated that this, in effect, says is that even if it stays in agricultural use and it has a higher cash value than the productivity assessment, the owner must protect himself by applying.

Mr. Lien said that was correct. Unless it does have a full cash value higher than the agricultural one, agricultural use assessment cannot be received. That has been determined by the Attorney General's Office.

Senator Dodge stated conversely, in order to be protected, even though the land is continuing in agricultural use, application must be made under the act.

Mr. Lien said that is correct and is what basically has occurred throughout the state.

Senator Bryan asked if an additional period of time should be added to this bill for which people can elect to participate in this option.

Mr. Lien said that has already been done. There was a long period of time allowed to file under the legislation. The State Board of Equalization stated the first application was to be filed by October 1975. The State Board of Equalization continued to accept those applications into March 1976 with numerous contacts to make sure everyone who should apply did apply. Even this last year, individuals have come forward the the state board has put them into the agricultural use assessment with the understanding that the bill was not understood. It is on-going. Anytime an owner is not under the bill, he can option to go under it. He also can come out from under the bill at any time he wishes. The next major change in which there is disagreement is that the \$7500 figure (page two, line 30) is too high, even though it might be supported under Internal Revenue Service definitions. The biggest proplem is that there are small bonafide agricultural properties which do not gross \$7500. The reason for the increase from \$2500, however, is because it is the desire to exclude the hobby farmer who has his basic income from other sources. With talking to all of the assessors, the \$5000 is a compromise.

Mr. Rodriquez said all the assessors agreed on the \$5000 figure. There's one problem in several counties in which there are smaller parcels and their percentage is quite a bit. Lincoln County and Clark County and some of the other counties would like to have those parcels that are already on the records to remain

and use the \$5000 figure for the new ones coming up.

Mr. Lien said the department agrees with that. Most assessors agreed that the department should grandfather those who are now sitting between \$2500 and \$5000 because they were legitimately accepted at that level. Those would be phased out and prospectively apply the \$5000, rather than trying to do it retroactively.

Senator Dodge asked if the original definition had been upgraded with regard to the Tax Commission.

Mr. Lien said it's no longer a valid regulation. It was felt that it needed upgrading. That's why the \$7500 figure was suggested.

Senator Dodge asked if there was any thought to go back to a more flexible definition or one that included a minimum acreage or minimum income.

Mr. Lien said both are involved at the moment. There is an acreage requirement. There must be five acres or more and have a minimum gross income of \$2500 under the present statute. If the owner feels he truly has an agricultural property which is less than five acres, he can apply to the Department of Taxation and that determination will be made. It can be less than five acres.

Senator Dodge asked if the five-acre requirement is separate from the \$2500 requirement.

Mr. Lien said the five-acre requirement is in 361.110 which shows the application. It says if it contains more than five acres, the county assessor works it. If it is less than five acres, the department assesses it.

Senator Dodge asked why the definition of five acres is in a different place.

Mr. Moschetti said it is merely where the applications are submitted. It was felt that the department had a little more expertise in specialized properties than the assessor.

Mr. Lien stated that is why it was used in the application statute as a cut-off to whom the application was filed.

Senator Sheerin said one of the reasons this law was developed was to induce people to leave their land in agriculture. Why is the hobby farmer not given that same inducement?

Mr. Lien said what would end up happening is series of people in the encroachment areas of the city who basically are not bonafide farmers or ranchers would be eligible. As an interest they want to raise a couple of cows. They are not in the business of pursuing agriculture. When the original bill was drafted, the

concept used by the Senate Committee at that point in time was that what the constitutional amendment and the legislature was concerned with was protection for the bonafide farmer-rancher who derives his income from agricultural pursuit and not for an individual who purchases five acres and basically works elsewhere.

Senator Dodge said it wasn't planned to use this as land-use planning. Somewhere down the line, this might be done. It was hoped that, as a result of this, there might be inducements to people particularly if they are sitting on land that has potentially a very high value. Maybe without this law their property would have been assessed at a real high level, which might have been burdensome to pay the taxes if the owner is trying to make a living off the land. This would at least permit deliberate decisions on the part of people under these situations as to whether they wanted to continue in agriculture.

Senator Sheerin said there are two policies then. The reason for this bill is to get away from administrative headaches of double valuations. This part of the legislation doesn't have anything to do with that double valuation. This is getting back to the land-use question and there is a policy question as to whether or not this committee would want to include the hobby farmer or not.

Mr. Moschetti gave an example. In Elko County there was a large ranch, the Gamble Ranch. It was broken into 10, 20 and 40 acre parcels. The only thing these parcels are good for is grazing. However, at the present time, 3200 of these parcels have been deeded. Another 3200 are under contract. These are all assessed as special lands primarily because they can't meet the \$2500 limitation. There are very few people living there. They bought the land speculatively. But the only actual good use of that land is grazing. If the door was opened and this type of thing was eliminated, anyone of these people could lease their land for \$1 to the local rancher and qualify for a grazing assessment of about \$2 an acre.

Senator Sheerin asked Mr. Lou Bergeman, a rancher, if his people were happy with the \$5000 limitation.

Mr. Berguron said that was questionable. A lot of study went into the \$2500 figure two years ago. The Farm Bureau recommended the \$2500 figure based upon the incomes of their members. He said he was in favor of the bill generally, but before changing a major portion of the bill, remember the assessments of the Green Belt law put into effect two years ago are just now going onto the tax rolls. This bill hasn't had an opportunity to work. It ought to be given a chance to work before a major qualification or criteria is changed.

Senator Dodge asked what Mr. Bergeman's opinion was regarding the suggestion for the grandfather period.

Mr. Berguron said he thought that would work. He didn't feel there were really problems with the \$2500 figure. Some legitimate

agricultural people, who might not be making their total living off their land but are trying to maintain an agricultural stance with their property, will be hurt. This might force them to sell their land.

Senator Bryan asked Mr. Bergeman if he would feel more comfortable if the \$2500 figure was retained until it was given time to work.

Mr. Berguron said that was correct. The assessors and the Department of Taxation indicated they would not oppose it.

Mr. Rodriguez stated that the assessor from Churchill County has a different problem than any of the other counties with regard to water rights.

Mr. Paul Schulz, Churchill County Assessor, said his only objection was the \$7500. He related a conflict with the Indians with regard to water rights. There are certain gentlemen farmers who own small parcels of less than 20 acres who the Indians do not consider legitimate farmers. Therefore, if a higher restriction was placed in this bill, it might give more impetus to their claim.

Mr. Lien explained the crux of the amendment in section eight was on page three. This indicates if the assessor determines property is located in a higher use area, he must make two determinations of value but only the agricultural use value is placed on the assessment roll. The other determination will remain as a record. There are 41 states which allow preferential treatment for agricultural lands. Twenty states require two values to be determined at the time of application. Only seven states carry both values on the roll.

Senator Bryan stated he assumed that section four on page six makes reference to the other triggering mechanisms.

Mr. Lien said this is correct. Section nine specifies also that both values need not be on the roll. Section 10 gets rid of potential use and gets it back to full cash.

Senator Bryan asked if the values being talked about are agricultural and full cash value.

Mr. Lien stated that was correct. The bill has been conformed so that those are the only two things being talked about. Those are common terminologies used. Section 11, on page four, is the open-space language. It indicates again that there is an open-space use assessment and there is a full cash value assessment. The amendment on line nine conformed that language with the language on page three, dealing with agricultural values.

Senator Bryan asked Mr. Lien to explain the valuation based on potential use in section 12.

Mr. Lien said section 12 indicates to the assessor that he only has to place the one valuation on the roll unless he has determined it is in the higher use area. This is for open space. Section 13 deletes potential use and talks about full cash value.

Senator Bryan asked if full cash value supercedes potential use.

Mr. Lien answered that the Attorney General has interpreted potential use to be full cash value. Since it is a foreign term, it has been conformed to be full cash value. Section 13 does the same thing as section 12. Section 14 determines what occurs with converted property. Previously, the deferred tax had to be added to the tax roll. What it says now is the next property tax statement will include the deferred taxes.

Senator Sheerin asked what were the two repealers.

Mr. Lien answered the definition of potential use for both agricultural and open space.

Senator Dodge asked Mr. Lien if the Attorney General feels he won't be exposed to constitutional challenges with this bill.

Mr. Lien said the Attorney General is very pleased with the new language. He feels it is in conformance with the constitutional amendment and has clarified what he felt would have been potential problems for him.

Senator Glaser moved to Do Pass as amended, reducing the figure of \$7500 to \$2500. Senator Dodge seconded the motion and it passed unanimously with Senators Lamb and Hilbrecht absent.

AJR 12 Proposes to amend Nevada Constitution by authorizing Legislature to impose tax upon motorboats in lieu of property tax.

Testifying in support of the bill were:

Assemblyman Paul May stated this resolution would simply provide watercraft may be subject to taxation in the same general manner as motor vehicles. Of all the personal property in the State of Nevada, watercraft are the hardest to tax. They are extremely mobile. Two years ago the Taxation Committees in each house provided that through cooperation with Fish and Game anyone wishing to license a motorboat or watercraft must first show proof of having paid those property taxes to the Fish and Game Department. That brought a great deal of new revenue into the various counties because Fish and Game refused to license those craft until proof was shown that property taxes had been paid. However, it also caused confusion on the general public level because most of the public was unaware of the procedure. There was no opposition to the bill

at all.

Senator Sheerin asked if this measure was intended to become a revenue generating measure.

Assemblyman May said it was not. Its intent was for the convenience of the general public.

Senator Sheerin stated that the language of the bill indicates a formula. If the formula is used, will the same amount of tax dollars be produced.

Assemblyman May said he did not recall that any thought was given to it. It was simply general in nature saying that the legislature may tax. It would not be Assemblyman May's intent to try to make money off it.

Senator Bryan asked if the legislature would formulate the assessment next year if this was passed.

Assemblyman May said that was correct. He reiterated that it was not the intent to make it a revenue producer, but simply for convenience.

Mr. Fred Wright, of the Department of Fish and Game, stated that Assemblyman May covered the bill well. He wanted to re-emphasize that this is a proposal for a constitutional amendment of section one, article 10. It would provide permissive legislative exemption of watercraft in addition to motor vehicles in the property tax provisions of section one and also provides for a uniform and equal rate of assessment and taxation of watercraft not to exceed the constitutional limit of five cents on the dollar. It would simplify the public's processes in titling and registering boats. It would assist the Department of Fish and Game because, in the 1975 session, the imposition of insuring that the boats were not delinquent in taxes was imposed upon the department and the boat owner.

Senator Bryan asked what is the procedure now.

Mr. Wright said the procedure now is that with any boat in for titling or re-titling, there must be proof that the property tax has been paid.

Senator Bryan asked what the boat owner has to do.

Mr. Wright said the boat owner, if he buys the boat from a dealer, pays the sales tax at that time. The dealer will instruct him to go to the assessor and pay his taxes, come back with the proof, then the dealer completes the transaction and submits the information to Fish and Game.

Senator Bryan asked what is done at that point.

Mr. Wright said he is issued a title by the Fish and Game and an annual certificate of number.

Senator Bryan asked what happens when this owner sells the boat to a private party.

Mr. Wright explained, if it is a casual sale and it comes to the Department of Fish and Game in the mail, the department has to intercede on behalf of the county if the boat was delinquent in taxes and direct the people to the county assessor to pay the taxes. The department would not proceed with the issuance of the title until the taxes were paid.

Senator Bryan asked what if there was no notice that the taxes were not paid. Does the department make an affirmative inquiry to the counties.

Mr. Wright said that the department can make an inquiry by phone call or would direct the boat owner to the county.

Senator Bryan asked what occurs if there was a tax lien attached to the boat.

Mr. Wright stated it was his department's interpretation from the statute that the lien follows with a new owner.

Senator Dodge asked what reforms and improvements would come about with this amendment.

Mr. Wright stated that the system would be put on the same methods that motor vehicles are now taxed in that the department would send out an annual renewal, which would include the property tax and the registration fee.

Senator Bryan asked if this would by-pass the assessor's office.

Mr. Wright answered in the affirmative. The privilege tax statutes would then cause compensation back to the appropriate counties.

Senator Dodge asked if the big problem was the uniformity of the rates.

Mr. Wright stated this was problem first for the boat owner and second for the department to intercede on behalf of the counties. It makes a two or three-leg operation for the boat owner.

Senator Dodge asked if a computerized system is used.

Mr. Wright said all titles and registrations are listed by computers.

Senator Dodge asked how many boats are licensed yearly in Nevada.

Mr. Wright said last calendar year there was 23,500. There has been a 112 per cent growth rate in the last 10 years.

Senator Sheerin explained the big problem is a physical one in which the boat owner has to go to the Department of Fish and Game for registration and has to go to the assessor's office to pay the taxes.

Mr. Rodriguez said this bill will simplify the process.

Senator Sheerin stated he was in favor of trying to ease this procedure. He asked if the intent of this legislation is to create added revenues for the Fish and Game.

Mr. Wright stated that was not the intent.

Senator Sheerin asked why there was a measurement problem. If a dealer says a boat is 14 feet, why does the boat owner have to haul his boat somewhere to have someone measure it to see that it is actually 14 feet.

Mr. Wright said the manufacturers don't always state the measurements or the model numbers may be incorrect. Another problem is with hull numbers. Only recently have manufacturers standardized hull numbers through the uniform motorboat codes. When there is a re-sale on a boat that has never been titled, the department doesn't feel it can accept the record. The boat has to be measured and inspected, and the hull number must be located. If it has no hull number, which many boats don't have, a number must be assigned. So many boats were manufactured prior to the uniform code, that they must be inspected.

Senator Sheerin said he'd like to aim for boats being registered exactly like cars.

Senator Dodge said the key to that was the blue book. It is available in the case of automobiles. The blue book gives all the specifications, including a suggested retail price. If this type of information is ever developed, there wouldn't have to be inspections.

Mr. Wright said there are blue books on boats.

Mr. Bill Parsons, of the Department of Fish and Game, said one of the keys to the inspections is the serial number and hull identification number used to identify a particular boat. These books are available.

Senator Dodge asked if that problem will be alleviated with uniform hull numbers.

Mr. Parsons said not totally. There has to be a way to get that back on the title or the certificate of ownership so that

there is a clean certificate of ownership for that individual.

Senator Bryan stated the first time a car is registered, it is inspected for serial number. After that the registration is paid through the mail.

Mr. Wright said one of his problems under the current statute is that there are people selling boats who are not, under the Department of Fish and Game's regulations, certified boat dealers. They don't even handle the forms. Consequently, a local agent must assist in boat titling and registering.

Senator Sheerin said if Mr. Wright could think of anything that would make it easier for the owners and the department, to let the committee know so it could be processed this session.

Mr. Wright said the department feels there are some general changes in that area in the boat act that would come with the privilege tax, if it was passed by the legislature. Now there are some conditions, such as a boat doesn't have to be titled in the State of Nevada if the ownership was prior to 1972.

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

Senator Glaser moved to indefinitely postpone the bill because it was merged with SB 367. Senator Dodge seconded the motion and it passed unanimously. Senators Lamb and Hilbrecht were absent.

Senator Bryan stated that Senator William Hernstadt had requested a committee introduction for a bill which taxes aviation jet fuel. The committee was opposed to introducing the bill because of the lateness of the session.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Colleen Crum

Colleen Crum, Secretary

APPROVED:

Richard H. Bryan cc
Senator Richard Bryan, Chairman.

SENATE TAXATION

DATE APRIL 5, 1977

PLEASE PRINT PLEASE PRINT PLEASE PRINT PLEASE PRINT PLEASE PRINT PLEASE PRINT

TESTIFYING?	NAME	ORGANIZATION	ADDRESS	PHONE
	JIM JONES	WASHOE COUNTY RECORDER	P.O. BOX 1791 RENO 89505	785-92
	Jean Swift	Clark County Recorder	Las Vegas	
	Patricia J. Williams	Nevada County Recorder	Minden NV 89423	
	Beatrice De Haven	Lyon County Recorder	PO BOX 937 Yerington, Nev 89447	
	GARY L. BORTON	MINEERAL COUNTY RECORDER	HOATHORNE	
	William J. Gorman	Douglas County Chamber of Commerce	gardnerville	
	Bernie Merlino	NYE Co. Assessor	Tonopah, Nev.	
	Arthur B. Nelson	NYE Co. Assessor	LL 4	
	Leroy L. Ward	NYONG Assessor	YERINGTON, NEV 89447	
	Dennis Compton	Lyon Co. Assessor	Yerington, Nev.	
	Charles J. Sheeran	PERKINS Co. Assessor	PERKINS	
	Stan Hunt	SANTA MONICA CHAMBER OF COMMERCE	SANTA MONICA, CA	
JR21	Pete Kelley	Nev. Retail Assn.	Carson City	
	John W. Marchetta	ELKO Co. Assessor	ELKO NV	

Department of Taxation

CARSON CITY, NEVADA 89710

In-State Toll Free 800-992-0900



MIKE O'CALLAGHAN, Governor

JOHN J. SHEEHAN, Executive Director

AB 463

Proposed Amendments

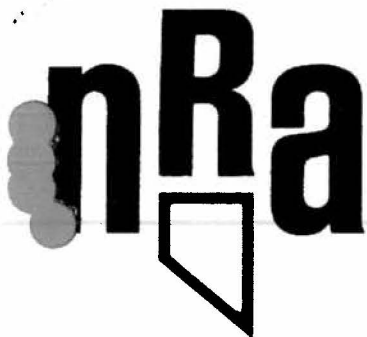
Page 1, line 21 - Delete lines 21 and 22 and insert:

ing the tax at that time but [must] shall provide the information required in NRS 375.050 and pay the tax due [thereon] within 3 months after [such]

Page 2, line 28 - Delete lines 28 and 29 and insert:

4. A county recorder may use a rubber stamp in place of the affidavit providing the above information appears on the face of the deed.

5. The county recorder shall forward one copy of the affidavit or one copy of the first page of deed showing that information to the county assessor and one copy to the department. Microfilmed records may be substituted for the actual affidavit or deed.



NEVADA RETAIL ASSOCIATION

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

4-5-77

I'M PETE KELLEY, REPRESENTING THE NEVADA RETAIL ASSOCIATION, APPEARING
IN SUPPORT OF AJR 21, JUST AS I EARLIER SUPPORTED AJR 10.

AT THE SENATE HEARING ON AJR 10, OPPOSITION TO THE MEASURE PRESENTED
ALARMING, DIRE STATISTICS, WHICH AT FIRST GLANCE WOULD INDICATE THAT NEVADA'S
TAX STRUCTURE WOULD VIRTUALLY COLLAPSE IF THE INVENTORY TAX WAS REPEALED.

THOSE STATISTICS, COMPILED BY THE NEVADA TAX COMMISSION AND ELABORATED
ON AT CONSIDERABLE LENGTH BY CHAIRMAN OF THE STATE BOARD OF EQUALIZATION,
REFLECTED NOTHING BUT IDOM. THERE WASN'T AN IOTA OF OPTIMISM...NOTHING
WHICH WOULD HELP CREATE AN ATMOSPHERE IN NEVADA WHICH WOULD FOSTER BUSINESS
CONFIDENCE...WHICH WOULD ENCOURAGE BUSINESS OR ECONOMIC EXPANSION...OR WHICH
WOULD CREATE MORE JOBS FOR RESIDENTS OF THIS STATE.

IF THE CHAIRMAN OF THE STATE BOARD OF EQUALIZATION WAS SPEAKING FOR THE
ENTIRE BOARD, I FEEL HE WAS DOING IT A DISSERVICE. THE VERY NAME OF THE BOARD DENOTES
EQUALITY AND THERE CERTAINLY IS NO EQUALITY IN KEEPING IN NEVADA'S CONSTITUTION
A TAX WHICH EVERYONE--EVEN THOSE OPPOSED TO THESE PROPOSED AMENDMENTS -- WILL AGREE
IS UNFAIR AND IMPOSSIBLE TO ADMINISTER.

2



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UNTIL NOW, WE HAVE NOT HAD A CHANCE TO ADEQUATELY RESPOND TO THE FIGURES WHICH CLAIM NEVADA WOULD LOSE NEARLY \$5 MILLION IN REVENUE IF THE INVENTORY TAX IS REPEALED. AND IN THIS DAY OF NEVADA'S BILLION DOLLAR BUDGET, \$5 MILLION IS ~~A SIGNIFICANT~~ ^{NOT AN EXHORBITANT} SUM.

WE DO NOT BELIEVE THAT NEVADA WILL LOSE ANYWHERE NEAR \$5 MILLION NOR THAT ONCE THIS TAX IS REPEALED THAT NEVADA'S ECONOMIC WORLD WILL COME TO AN END. CONVERSELY, WE FEEL THAT REPEAL OF THE INVENTORY TAX WILL HAVE THE SAME EFFECT ON NEVADA'S BUSINESS ECONOMY AS HAS THE FREEPORT LAW.

OUR COMPARISON OF THE FREEPORT LAW ON ONE HAND, AND ITS 180-DEGREE OPPOSITE ON THE OTHER SIDE--THE INVENTORY TAX--ALSO HAS BROUGHT FORTH FIGURES FROM THE NEVADA TAX COMMISSION WHICH AGAIN REFLECTS PESSIMISM.

IT WOULD TAKE, THE TAX COMMISSION SAYS, 52.2 WAREHOUSES IN NEVADA TO MAKE UP ASSESSED VALUATION OF INVENTORY REVENUE LOSS. YET NOWHERE DID THIS TAX COMMISSION REPORT POINT OUT THAT ONE WAREHOUSE OPERATION NOW BUILDING IN NEVADA WILL PROVIDE 1600 FULL TIME JOBS AND AN ADDITIONAL 800 SEASONAL JOBS WHEN IT OPENS IN EARLY 1979. THIS DISTRIBUTION CENTER, FORMER LEGISLATIVE TESTIMONY ASSERTS, WILL ALSO HAVE A MULTIPLIER AFFECT ON THE ECONOMY BY STIMULATING TRANSPORTATION, CONSTRUCTION



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AND ITS SUPPORT BUSINESSES PLUS THE CREATION OF ADDITIONAL JOBS.

THESE FACTS, HOWEVER, WERE NOT MENTIONED IN THAT ONE-SIDED REPORT PREPARED BY THE TAX COMMISSION. IT WOULD BE ENLIGHTENING IF THIS AGENCY APPLIED THE SAME AMOUNT OF TIME AND EFFORT IN EMPHASIZING THE POSITIVE ASPECTS OF REPEAL AS IT HAS IN POINTING UP THE NEGATIVE.

WE HAVE, AS AN ALTERNATIVE, COME UP WITH A PLAN TO SHOW YOU HOW THIS REVENUE, SHOULD IT BE LOST, CAN BE RETRIEVED--AND WITH NO ADDITIONAL TAX ASSESSMENT OF ANY KIND OR AT ANY LEVEL. A SPEAKER TO FOLLOW ME WILL PRESENT TO YOU THIS PROPOSAL.

IN SUMMARY, I AGAIN CALL THESE FACTS TO YOUR ATTENTION:

--- ALL STATES SURROUNDING NEVADA AND 34 NATIONWIDE HAVE EITHER REPEALED OR PHASED OUT THIS TAX. NEVADA MUST BE COMPETITIVE.

--- PASSAGE OF EITHER OF THESE TWO AMENDMENTS BEFORE THIS COMMITTEE WILL NOT BE THE FINAL ANSWER. SHOULD WE BE SUCCESSFUL IN PASSING THIS LEGISLATION WE STILL HAVE TO CONVINCETHE ELECTORATE IN NOVEMBER OF 1978. AND THE LEGISLATURE WILLBE IN SESSION TWO MONTHS THEREAFTER TO HELP SOLVE ANY FINANCIAL PROBLEM SHOULD ONE ARISE.

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I RECENTLY HAD OCCASION TO MEET WITH DIRECTOR OF THE CALIFORNIA RETAIL ASSOCIATION. CALIFORNIA PRESENTLY HAS FOUR BILLS ON EITHER COMPLETE REPEAL OR PHASE-OUT. THE MOST POPULAR IS SB 443 WHICH WOULD PHASE OUT REMAINING 50% TAX ON BUSINESS INVENTORIES. THIS IS TO BE ACCOMPLISHED BY INCREASING THE EXEMPTION 10% EVERY YEAR OVER THE NEXT FIVE YEARS BEGINNING IN 1978.

CALIFORNIA IS ENVIOUS OF NEVADA'S FREEPORT LAW AND IS CIRCULATING WIDELY A FORBES MAGAZINE ARTICLE ENTITLED "CALIFORNIA'S PARADISE LOST" WHICH POINTS ~~OUT~~ ^{out} IN PART THAT ^(California's) TAX STRUCTURE IS A PRESSING IRRITANT, ADDING: "CALIFORNIA ISN'T THE ONLY WESTERN STATE THAT LEVIES A TAX ON INVENTORIES, BUT IT IS ONE OF THE VERY FEW THAT HASN'T SCHEDULED IT FOR EXTINCTION. THAT TAX ALONE, MORE THAN ANY OTHER FACTOR, ACCOUNTS FOR A VIRTUAL RING OF DISTRIBUTION WAREHOUSES SURROUNDING THE STATE--IN ARIZONA, UTAH, OREGON, NEVADA."

AND THE ARTICLE ~~POINTS~~ ^{ADDS} THAT THE J.C. PENNEY WAREHOUSE OPERATION NOW BUILDING NORTH OF RENO COULD HAVE BEEN IN CALIFORNIA INSTEAD OF NEVADA AND PROVIDED ABOUT 2,000 NEW JOBS, FOR CALIFORNIANS, NOT NEVADANS.

IT WOULD SEEM THAT THE LEGISLATURE, THIS SESSION, HAS TWO BASIC QUESTIONS TO ~~BE~~ ANSWER CONCERNING THE INVENTORY TAX:

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(1) IS THIS TAX A FAIR AND EQUITABLE ONE?

(2) CAN OR CANNOT IT BE PROPERLY ADMINISTERED?

IF BOTH QUESTIONS ARE ANSWERED IN THE NEGATIVE...AND SURELY THEY MUST BE...IT WOULD APPEAR THAT LEGISLATIVE ACTION IS MANDATORY TO BRING ABOUT NEEDED CORRECTION. IT SEEMS INCONCEIVABLE THAT TAXING AUTHORITIES AT ANY LEVEL OF GOVERNMENT WOULD LEND CONTINUED SUPPORT...AND LOBBY FOR...A TAX THAT ADMITTEDLY IS UNJUST, UNFAIR AND IMPOSSIBLE TO ADMINISTER.

~~REDACTED~~
~~REDACTED~~
~~REDACTED~~
~~REDACTED~~

MUST THE BUSINESS COMMUNITY WAIT A MINIMUM OF FOUR TO FIVE MORE YEARS BEFORE ACTION IS TAKEN ON THIS UNFAIR TAX? THAT'S WHAT IT TAKES TO AMEND OUR CONSTITUTION.

~~REDACTED~~

I THINK ASSEMBLYMAN CRADDOCK OF CLARK COUNTY EXPRESSED IT PRETTY WELL WHEN HE TESTIFIED BEFORE THE ASSEMBLY TAXATION COMMITTEE, OF WHICH HE IS A MEMBER, ON FEBRUARY 8 ON AJR 10. IN PART HE SAID:

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"SINCE BUSINESS TAXES ARE, WITHOUT EXCEPTION, PASSED ON TO THE CONSUMER, THE GENERAL PUBLIC PAYS THE TAX AS WELL AS THE ADMINISTRATIVE COSTS. AT MOST, THE INVENTORY TAX AMOUNTS TO 1.76 PER CENT OF THE WHOLESALE VALUE OF AN ITEM. WHILE ITS REPEAL MAY NOT RESULT IN A NOTICEABLE REDUCTION IN THE COST TO THE CONSUMER, ONE WOULD BE DISAPPOINTED IF IT DID NOT SHOW THE INFLATION RATE SLIGHTLY.

"AS SURELY, AND, TO THE EXTENT THAT THE FREE ENTERPRISE SYSTEM WORKS, THE CONSUMING PUBLIC WILL REALIZE A REDUCTION. SINCE THAT SAME CONSUMING PUBLIC MUST PAY THE ADMINISTRATIVE COSTS OF ALL TAXES, THE REDUCTION SHOULD REFLECT THAT COST AS WELL."

IN SUMMARY I POINT OUT THESE FACTORS:

ELIMINATION OF THIS TAX, WE FEEL CONFIDENT WILL DO THIS:

- (1) PROMOTE INCREASED BUSINESS ACTIVITY...AND MORE JOBS.
- (2) ADD FAVORABLY TO NEVADA'S BUSINESS CLIMATE IMAGE.
- (3) REMOVE A HIGHLY INEQUITABLE TAX FROM NEVADA'S CONSTITUTION.
- (4) PROVIDE INCREASED STATE AND LOCAL SALES TAX REVENUE THROUGH
 - (a) IMPROVED SALES TAX COLLECTIONS
 - (b) IMPROVED PROPERTY TAX COLLECTIONS

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(c) GREATER INCREASES IN ASSESSED VALUATION.

(5) INCREASED JOBS WILL LOWER WELFARE AND UNEMPLOYMENT INSURANCE COSTS.

(6) HOPEFULLY, LOWER COSTS TO CONSUMERS.

I WOULD LIKE AT THIS TIME TO CALL ON ERNEST NEWTON OF THE NEVADA TAXPAYERS ASSOCIATION FOR ELABORATION ON A PLAN WHICH COULD MAKE UP LOSS OF REVENUE.

THANK YOU AGAIN FOR YOUR TIME AND CONSIDERATION.

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Cattle

COUNTIES	ASSESSED VALUE BULLS	ASSESSED VALUE COWS	ASSESSED VALUE HEIFERS (1-2 yrs)	ASSESSED VALUE STEERS (1 yr & Older)	ASSESSED VALUE WEANED CALVES	ASSESSED VALUE PUREBREED COWS	COMPOSITE AVERAGE TAX	APPROXIMATE TAXES PAID
CARSON CITY *	2,028	21,170	4,032	660	280	5,476	4.1033%	83
CHURCHILL *	82,472	713,581	127,456	78,936	76,240	9,916	4.2036	
CLARK **	29,014	100,532	34,343	18,559	23,628	5,580	4.2418	
DOUGLAS **	83,782	628,694	132,675	42,478	111,496	109,895	3.1944	
ELKO *	985,608	7,267,004	1,210,552	1,598,124	1,148,840	229,104	3.3355	
ESMERALDA *	41,090	212,630	17,920	2,900	13,640		3.9951	
EUREKA **	129,585	1,267,638	175,802	82,276	140,228		3.4377	
HUMBOLDT *	300,651	2,466,597	200,368	165,198	110,480	9,620	3.8179	
LANDER *	190,744	1,246,433	153,264	136,590	156,832		4.0063	
LINCOLN **	90,465	907,822	87,840	24,321	51,392	15,810	3.7268	
LYON *	88,387	862,130	136,304	106,590	95,560	12,728	4.1223	
MINERAL **	17,930	154,980	4,392	1,474	5,148		5.0000	
NYE *	144,326	1,098,869	80,024	49,764	90,880	3,700	3.7282	
PERSHING **	65,200	788,238	79,910	21,708	71,696		3.4796	
STOREY *	676	3,504	112	198	1,040		4.5331	
WASHOE **	156,721	1,335,460	189,952	66,655	260,045	55,265	4.4282	
WHITE PINE **	106,602	1,225,162	280,539	71,958	120,956		3.9320	
TOTALS	2,515,281	20,300,444	2,915,485	2,468,389	2,478,381	457,094	4.1682	

* Values as shown on 1976-77 tax rolls

** Values as shown on 1975-76 tax rolls

Dairy Cattle

COUNTIES	ASSESSED VALUE BULLS	ASSESSED VALUE COWS	ASSESSED VALUE HEIFERS (1-2 yrs)	ASSESSED VALUE STEERS (1 yr & older)	ASSESSED VALUE WEANED CALVES	ASSESSED VALUE DRY COWS	COMPOSITE AVERAGE TAX
CARSON CITY *							
CHURCHILL *	10,956	550,464	130,410	7,956	29,698		4.2036
CLARK **	5,511	701,841	101,304	3,363	29,637		4.2418
DOUGLAS **	2,171	131,005	44,172	2,237	10,878	37,310	3.1944
ELKO *	166	26,790	630	51	310		3.3355
ESMERALDA *		140					
EUREKA **		3,857	108				
HUMBOLDT *		2,115					
LANDER *		1,833					
LINCOLN **		78,071	15,768	4,902	2,146		
LYON *	1,494	81,216	30,744	4,947	12,121		4.1223
MINERAL **		133			37		5.0000
NYE *		6,627	126		31		
PERSHING **		3,070	216		222		
STOREY *							
WASHOE **	2,830	56,262	16,853	1,705	3,803		4.4282
WHITE PINE **	501	33,383	7,020		2,368		3.9320
TOTALS	23,629	1,676,807	347,351	25,161	91,251	37,310	3.9320

* Values as shown on 1976-77 tax rolls

** Values as shown on 1975-76 tax rolls

APPROXIMATE
TAXES PAID

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Sheep

COUNTIES	ASSESSED VALUE RAMS	ASSESSED VALUE EWES	ASSESSED VALUE WEANED LAMBS	ASSESSED VALUE PUREBRED EWES	COMPOSITE AVERAGE TAX RATE	APPROXIMATE TAKES PAID
CARSON CITY *	23	3,663	27		4.1033%	
CHURCHILL *	1,679	25,124	1,044	851	4.2036	
CLARK **	95	477	96		4.2418	
DOUGLAS **	2,375	41,967	752	2,831	3.1944	
ELKO *	15,157	378,400	27,711	1,242	3.3355	
ESMERALDA *						
EUREKA **	532	27,504	320		3.4377	
HUMBOLDT *	1,771	44,671	45		3.8179	
LANDER *	2,601	49,610	6,966		4.0063	
LINCOLN **	418	33,426	96		3.7268	
LYON *	2,507	88,165	4,149		4.1223	
MINERAL **	114	16,254	264		5.0000	
NYE *	3,174	49,247	2,079	23	3.7282	
PERSHING **	912	43,998	384		3.4796	
STOREY *		4,521			4.5331	
WASHOE **	252	18,285	126		4.4282	
WHITE PINE **	5,738	227,367	9,496		3.9320	
TOTALS	37,348	1,052,679	53,555	4,947		

* Values as shown on 1976-77 tax rolls

** Values as shown on 1975-76 tax rolls

APPROXIMATE
TAKES PAID
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Horses

COUNTIES	ASSESSED VALUE MARES	ASSESSED VALUE FANCY PLEASURE HORSES	ASSESSED VALUE SADDLE HORSES	ASSESSED VALUE STALLIONS	ASSESSED VALUE STOCK & WORK HORSES	ASSESSED VALUE YOUNG STOCK (1 yr to 3 yrs)	COMPOSITE AVERAGE TAX RATE	APPROXIMATE TAXES PAID 360
CARSON CITY *			240		880	90	4.1033%	
CHURCHILL *	10,620	4,375	64,080	6,550		10,650	4.2036	
CLARK **	28,380	13,150		56,657	31,760	47,940	4.2418	
DOUGLAS **	2,700	525	14,320	744		1,440	3.1944	
ELKO *	18,405	3,675	220,640	7,205		16,320	3.3355	
ESMERALDA *		170		130	3,840	120	3.9951	
EUREKA **	6,390	1,400	30,960	1,116	3,600	4,350	3.4377	
HUMBOLDT *	8,145		56,000	4,485		2,190	3.8179	
LANDER *	3,150		23,760	1,048		3,030	4.0063	
LINCOLN **	4,995	1,750	23,360	3,670		1,230	3.7268	
LYON *	2,385	1,050	29,440	2,489		2,130	4.1223	
MINERAL **	450		9,440	496		210	5.0000	
NYE *	3,465	350	42,000	2,096		3,480	3.7282	
PERSHING **	270		20,400	1,194		720	3.4796	
STOREY *	45		800			30	4.5331	
WASHOE **	5,085	4,200	22,880	3,536	35,160	3,060	4.4282	
WHITE PINE **			24,240	372	7,380		3.9320	
TOTALS	94,485	30,645	582,560	91,788	82,620	96,990		

* Values as shown on 1976-77 tax rolls

** Values as shown on 1975-76 tax rolls

Swine

COUNTIES	ASSESSED VALUE HOGS (200 lbs & over)	ASSESSED VALUE FEEDER PIGS (21 lbs to 199 lbs)	ASSESSED VALUE WEANER PIGS (up to 20 lbs)	ASSESSED VALUE BOARS	ASSESSED VALUE SOWS	COMPOSITE AVERAGE TAX RATE	APPROXIMATE TAXES PAID
CARSON CITY *	50	36	40			4.1033%	
CHURCHILL *	375	2,580	1,688	425	2,375	4.2036	
CLARK **	1,978	930	448			4.2418	
DOUGLAS **	253	1,840	77			3.1944	
ELKO *	650	456	128			3.3355	
ESMERALDA *			70			3.9951	
EUREKA **		300	140			3.4377	
HUMBOLDT *	1,500		1,200			3.8179	
LANDER **							
LINCOLN **	207	170	133			3.7268	
LYON *	1,525	1,008	24			4.1223	
MINERAL **	46	90				5.0000	
NYE **	825	252	368			3.7282	
PERSHING **	460	579	129			3.4796	
STOREY *	100					4.5331	
WASHOE **	1,565	4,470	1,440			4.4282	
WHITE PINE **	920	400				3.9320	
TOTALS	10,454	13,111	5,885	425	2,375		

* Values as shown on 1976-77 tax rolls
 ** Values as shown on 1975-76 tax rolls

APPROXIMATE TAXES PAID
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Poultry

COUNTIES	ASSESSED VALUE CHICKENS	ASSESSED VALUE DUCKS	ASSESSED VALUE GEESE	ASSESSED VALUE TURKEYS	COMPOSITE AVERAGE TAX RATE	APPROXIMATE TAXES PAID
CARSON CITY *	15				4.1033%	
CHURCHILL *	16	67	17	97	4.2036	
CLARK **	41	44	72	6	4.2418	
DOUGLAS **						
ELKO *	1,136	49	67	57	3.3355	
ESMERALDA *						
EUREKA **						
HUMBOLDT *						
LANDER *						
LINCOLN **	295	8	3	6	3.7268	
LYON *(6-14 mo's) (over 600)	1,830 2,430				4.1223	
MINERAL **	19	7	12		5.0000	
NYE *	427	16	21	32	3.7282	
PERSHING **						
STOREY *	2	8			4.5331	
WASHOE **		24			4.4282	
WHITE PINE **						
TOTALS	4,381	223	192	198		

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* Values as shown on 1976-77 tax rolls
 ** Values as shown on 1975-76 tax rolls

Misc. Livestock

COUNTIES	ASSESSED VALUE BURROS	ASSESSED VALUE JACKS	ASSESSED VALUE GOATS	ASSESSED VALUE MULES	ASSESSED VALUE OTHER	ASSESSED VALUE STANDS OF BEES	COMPOSITE AVERAGE TAX RATE	APPROXIMATE TAXES PAID
CARSON CITY *			210				4.1033%	369
CHURCHILL *	264	225	912	720		9,336	4.2036	
CLARK **	144		924		1,250	1,008	4.2418	
DOUGLAS **	162	225	42			2,085	3.1944	
ELKO *	408		108	560	(Llamas-400) (Chinchillas) 465 65)	243	3.3355	
ESMERALDA *	50		80				3.9951	
EUREKA **			24	80			3.4377	
HUMBOLDT *	18	75	120			14,120	3.8179	
LANDER *	72		120			19	4.0063	
LINCOLN **	36	75	132		(Rabbits-13) (Bison-175) 188	33	3.7268	
LYON *	216					11,001	4.1223	
MINERAL **	90				(Ponies) 90		5.0000	
NYE *	132	150	132			603	3.7282	
PERSHING **	90	75				4,750	3.4796	
STOREY *	12						4.5331	
WASHOE **	166	150	54			1,014	4.4282	
WHITE PINE **						712	3.9320	
TOTALS	1,860	975	2,858	1,360	1,993	44,924		

* Values as shown on 1976-77 tax rolls

** Values as shown on 1975-76 tax rolls

Totals

COUNTIES	TOTAL ASSESSED VALUE LIVESTOCK & BEES	COMPOSITE AVERAGE TAX RATE	APPROXIMATE TAXES PAID
CARSON CITY *	38,920	4.1033%	\$ 1,597.00
CHURCHILL *	1,962,155	4.2036	82,481.15
CLARK **	1,238,712	4.2418	52,543.69
DOUGLAS **	1,409,131	3.1944	45,013.28
ELKO *	13,160,261	3.3355	438,960.51
ESMERALDA *	292,780	3.9951	11,696.85
EUREKA **	1,876,210	3.4377	64,498.47
HUMBOLDT *	3,389,369	3.8179	129,402.72
LANDER *	1,976,072	4.0063	79,167.37
LINCOLN **	1,348,768	3.7268	50,265.89
LYON *	1,580,740	4.1223	65,162.85
MINWEAL **	211,676	5.0000	10,583.80
NYE *	1,583,219	3.7282	59,025.57
PERSHING **	1,104,221	3.4796	38,422.47
STOREY *	11,048	4.5331	500.82
WASHOE **	2,247,018	4.4282	99,502.45
WHITE PINE **	2,125,115	3.9320	83,559.52
TOTALS	35,555,415	4.1682	\$1,482,020.81

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* Values as shown on 1976-77 tax rolls

** Values as shown on 1975-76 tax rolls

COUNTIES	TOTAL VALUATION	BUSINESS INVENTORY VALUATION	PERCENT EXEMPT VALUATION	COMPOSITE TAX RATE	TAX LOSS IN \$ and ¢	TEN CENTS ON TAX RATE IN \$ and ¢
CARSON CITY	\$ 103,081,217	\$ 2,501,592	2.42	4.1033	\$ 102,244.82	\$ 100,579.63
CHURCHILL	53,240,157	1,092,300	2.05	4.2036	45,915.92	52,147.86
CLARK	1,981,955,411	44,064,300	2.22	4.2418	1,869,119.47	1,874,891.11
DOUGLAS	158,000,000	1,774,620	1.12	3.1944	56,688.46	156,225.38
ELKO	150,733,580	2,426,571	1.60	3.3355	80,938.27	148,307.01
ESMERALDA	12,834,697	12,380	.10	3.9951	494.59	12,822.32
EUREKA	30,276,908	36,940	.12	3.4377	1,269.89	30,239.97
HUMBOLDT	61,631,045	984,695	.16	3.8179	37,594.67	60,646.35
LANDER	30,300,000	114,351	.38	4.0063	4,581.24	30,185.65
LINCOLN	21,670,592	119,190	.55	3.7268	4,441.97	21,551.40
LYON	69,118,261	1,464,640	2.11	4.1223	60,376.85	67,653.62
MINERAL	23,844,250	300,090	1.26	5.0000	15,004.50	23,544.15
NYE	62,413,581	278,506	.48	3.7282	10,383.26	62,135.08
PERSHING	36,500,000	212,970	.58	3.4796	7,410.50	36,287.03
STOREY	9,843,711	79,870	.08	4.5331	3,536.80	9,763.84
WASHOE	1,097,388,240	30,205,511	2.75	4.4282	1,337,560.43	1,067,182.73
WHITE PINE	45,850,230	900,070	.20	3.9320	35,390.75	44,950.16
TOTALS	3,948,681,880	86,568,596	2.1923		3,672,952.39	3,799,113.29

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from Jim Lien
Loss under AJR 21

EXHIBIT 4

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AJR 21

TAX LOSSES PROJECTED

<u>YEAR</u>	<u>LOSS INCREMENT</u>	<u>COUNTIES</u>	<u>SCHOOLS</u>	<u>CITIES</u>	<u>STATE</u>
1979-80	20%	\$ 340,598	\$ 507,423	\$ 199,685	\$ 64,501
1980-81	40%	\$ 722,487	\$1,090,847	\$ 421,491	\$ 133,618
1981-82	60%	\$1,148,755	\$1,734,447	\$ 670,171	\$ 217,249
1982-83	80%	\$1,623,574	\$2,452,055	\$ 947,174	\$ 307,039
1983-84	100%	\$2,151,234	\$3,247,910	\$ 755,007	\$ 406,834
TOTALS		<u>\$5,986,648</u>	<u>\$9,032,682</u>	<u>\$2,993,528</u>	<u>\$1,129,231</u>

Statistics are available by entity should any of the Committee Members wish that information.

Livestock valuations are included as business inventory. The valuation projections were increased at an average of 6% per year

① inflation & real growth increases will be offset by increased expenses & ∴ inflation & real growth will not help make up this loss.

SENATE BILL NO. 399—SENATOR GLASER

MARCH 25, 1977

Referred to Committee on Taxation

SUMMARY—Makes various changes in law relating to taxes on agricultural and open-space real property. (BDR 32-1030)

FISCAL NOTE: Local Government Impact: Yes. State or Industrial Insurance Impact: Yes.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to taxes on agricultural and open-space real property; clarifying the type of land eligible for agricultural use assessment and the basis for that assessment; making various changes in the procedure for determining and recording full cash value; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

1 SECTION 1. Chapter 361A of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 4, inclusive, of this act.

3 SEC. 2. "Higher use" means any use other than agricultural use or
4 open-space use.

5 SEC. 3. "Higher use area" means any appropriate geographical area
6 of a county composed predominantly of property which is put to a higher
7 use.

8 SEC. 4. 1. When any agricultural real property whose full cash value
9 has not been separately determined for each year in which agricultural use
10 assessment was in effect for the property is:

11 (a) Determined by the county assessor to be located in a higher use
12 area or

13 (b) Converted in whole or in part to a higher use,

the county assessor

14 shall determine its full cash value at the time location in a higher use
15 area is determined or at the time of conversion, respectively, and discount
16 that valuation as appropriate to determine the valuation against which to
17 compute the deferred tax.

18 2. The department shall prescribe by regulation an appropriate pro-
19 cedure for determining full cash value assessment under this section.

20 SEC. 5. NRS 361A.010 is hereby amended to read as follows:

21 361A.010 As used in this chapter, the terms defined in NRS 361A.-
22 020 to [361A.080,] NRS 361A.070, inclusive, and sections 2 and 3 of
23 this act, have the meanings ascribed to them in [such] those sections.
24 except where the context otherwise requires.

as determined pursuant to
NRS 361.227 and 361.260

the

1 SEC. 6. NRS 361A.020 is hereby amended to read as follows:

2 361A.020 1. "Agricultural real property" means:

3 (a) Land:

4 (1) Devoted exclusively for at least 3 consecutive years immediately
5 preceding the assessment date to:

6 (I) Agricultural use; or

7 (II) Activities which prepare the land for agricultural use; and

8 (2) Having a greater value for another use than for agricultural use.

9 For the purposes of this subparagraph, agricultural land devoted to agri-
10 cultural use has a greater value for another use if its full cash value
11 determined pursuant to NRS 361.227 and 361.260 exceeds its full cash
12 value for agricultural use determined on the basis provided in NRS
13 361.325.

14 (b) The improvements on such land which support accepted agricul-
15 tural practices except any structures or any portion of a structure used
16 primarily as a human dwelling.

17 The term does not apply to any land with respect to which the owner has
18 granted and has outstanding any lease or option to buy the surface rights
19 for other than agricultural use, except leases for the exploration of geo-
20 thermal resources as defined in NRS 361.027, mineral resources or other
21 subsurface resources, or options to purchase such resources, if such
22 exploration does not interfere with the agricultural use of the land.

23 2. As used in this section, "accepted agricultural practices" means a
24 mode of operation that is common to farms or ranches of a similar nature,
25 necessary for the operation of such farms or ranches to obtain a profit in
26 money and customarily utilized in conjunction with agricultural use.

27 SEC. 7. NRS 361A.030 is hereby amended to read as follows:

28 361A.030 1. "Agricultural use" means the current employment of
29 real property as a business venture for profit, which business produced a
30 minimum gross income of ~~\$2,500~~ ~~\$7,500~~ from agricultural pursuits
31 during the immediately preceding calendar year by:

32 (a) Raising, harvesting and selling crops, fruit, flowers, timber and
33 other products of the soil;

34 (b) Feeding, breeding, management and sale of livestock, poultry, fur-
35 bearing animals or honeybees, or the produce thereof; or

36 (c) Dairying and the sale of dairy products.

37 The term includes every process and step necessary and incident to the
38 preparation and storage of the products raised on such property for
39 human or animal consumption or for marketing except actual market
40 locations.

41 2. As used in this section, "current employment" of real property in
42 agricultural use includes:

43 (a) Land lying fallow for 1 year as a normal and regular requirement
44 of good agricultural husbandry; and

45 (b) Land planted in orchards or other perennials prior to maturity.

46 SEC. 8. NRS 361A.130 is hereby amended to read as follows:

47 361A.130 1. If the property is found to be agricultural real prop-
48 erty, the county assessor shall determine its [full cash] value for agri-
49 cultural use and assess it at 35 percent of that value. At the same time
50 the assessor shall make a separate determination of [the] its full cash

#5000
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610
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1 value [of the property's potential use] pursuant to NRS 361.227 and
2 361.260 [.] if he determines that the property is located in a higher use
3 area. If the assessor determines that the property is not located in a
4 higher use area, he shall make the agricultural use assessment only, and
5 shall not make the full cash value assessment, except as provided in sec-
6 tion 4 of this act.

7 2. The full cash value assessment shall be maintained in the assessor's
8 records, and ~~may~~ be made available to interested persons upon request.

shall *any*

9 The property owner shall be notified of the full cash value assessment
10 each year it is determined, together with the agricultural use assessment,

the property is reappraised

11 in the manner prescribed by the department.

12 [2.] 3. The entitlement of agricultural real property to agricultural
13 use assessment shall be determined as of the first Monday in September
14 in each year. If the property becomes disqualified for such assessment
15 prior to the first Monday in September in the same year, it shall be
16 assessed as all other real property is assessed.

17 SEC. 9. NRS 361A.150 is hereby amended to read as follows:

18 361A.150 1. The county assessor shall enter on the assessment roll
19 [both] the valuation based on agricultural use [and the valuation based
20 on potential use] until the property becomes disqualified for agricultural
21 use assessment by:

22 (a) Notification by the applicant to the assessor to remove agricultural
23 use assessment;

24 (b) Sale or transfer to an ownership making it exempt from ad valorem
25 property taxation;

26 (c) Removal of the agricultural use assessment by the assessor upon
27 discovery that the property is no longer in agricultural use; or

28 (d) Failure to file an application as provided in NRS 361A.110.

29 2. Except as provided in paragraph (b) of subsection 1, the sale or
30 transfer to a new owner or transfer by reason of death of a former owner
31 does not operate to disqualify agricultural real property from agricul-
32 tural use assessment so long as the property continues to be used
33 exclusively for agricultural use, if the new owner applies for agricultural
34 use assessment in the manner provided in NRS 361A.110.

35 3. Whenever agricultural real property becomes disqualified under
36 subsection 1, the county assessor shall send a written notice of [such]
37 disqualification by certified mail with return receipt requested to each
38 owner of record.

39 SEC. 10. NRS 361A.160 is hereby amended to read as follows:

40 361A.160 1. The determination of use, the agricultural use assess-
41 ment and the [potential use] full cash value assessment in each year are
42 final unless appealed in the manner provided in chapter 361 of NRS for
43 complaints of overvaluation, excessive valuation or undervaluation.

44 2. Any person desiring to have his property assessed for agricultural
45 use who fails to file a timely application may petition the county board
46 of equalization which, upon good cause shown, may accept an applica-
47 tion, and, if appropriate, allow that application. The assessor shall then
48 assess the property consistently with the decision of the county board of
49 equalization on the next assessment roll.

50 SEC. 11. NRS 361A.220 is hereby amended to read as follows:

1 361A.220 1. If the property is found by the board of county com-
 2 missioners to be open-space real property, the county assessor shall deter-
 3 mine its [full cash] value for open-space use and assess it at 35 percent of
 4 that value. At the same time, the assessor shall make a separate determi-
 5 nation of [the] its full cash value [of the property's potential use] pur-
 6 suant to NRS 361.227 and 361.260.
 7 2. The full cash value assessment shall be maintained in the assessor's
 8 records and be made available to interested persons upon request. The
 9 property owner shall be notified each year of both valuations in the man-

*of the full cash value assessment
 each year the property is
 reappraised, together with the
 open space use assessment*

10 ner prescribed by the department.
 11 3. The entitlement of open-space real property to open-space use
 12 assessment shall be determined as of the first Monday in September in
 13 each year. If the property becomes disqualified for [such] open-space
 14 assessment prior to the first Monday in September in the same year, it
 15 shall be assessed as all other real property is assessed.

16 SEC. 12. NRS 361A.230 is hereby amended to read as follows:

17 361A.230 1. The county assessor shall enter on the assessment roll
 18 [both] the valuation based on open-space use [and the valuation based
 19 on potential use] until the property becomes disqualified for open-space
 20 use assessment by:

- 21 (a) Notification by the applicant to the assessor to remove open-space
- 22 use assessment;
- 23 (b) Sale or transfer to an ownership making it exempt from al valorem
- 24 property taxation;
- 25 (c) Removal of the open-space use assessment by the assessor, with the
- 26 concurrence of the board, upon discovery that the property is no longer
- 27 in the approved open-space use; or
- 28 (d) Failure to file a new application as provided in NRS 361A.190.

29 2. Except as provided in paragraph (b) of subsection 1, the sale or
 30 transfer to a new owner or transfer by reason of death of a former owner
 31 does not operate to disqualify open-space real property from open-space
 32 use assessment so long as the property continues to be used exclusively
 33 for an approved open-space use, if the new owner applies for open-space
 34 use assessment in the manner provided in NRS 361A.190.

35 3. Whenever open-space real property becomes disqualified under
 36 subsection 1, the county assessor shall send a written notice of [such]
 37 disqualification by certified mail with return receipt requested to each
 38 owner of record.

39 SEC. 13. NRS 361A.240 is hereby amended to read as follows:

40 361A.240 1. The determination of use, the open-space use assess-
 41 ment and the [potential use] full cash value assessment in each year are
 42 final unless appealed.

- 43 2. The applicant for open-space assessment is entitled to:
- 44 (a) Appeal the determination made by the board of county commis-
- 45 sioners to the district court in the county where the property is located,
- 46 or if located in more than one county, in the county in which the major
- 47 portion of the property is located, as provided in NRS 278.027.

48 (b) Equalization of both the open-space use assessment and the
 49 [potential use] full cash value assessment in the manner provided in

1 chapter 361 of NRS for complaints of overvaluation, excessive valuation
2 or undervaluation.

3 SEC. 14. NRS 361A.280 is hereby amended to read as follows:

4 361A.280 1. [Whenever] *When* agricultural or open-space real
5 property which [has received] *is receiving* agricultural or open-space use
6 assessment is converted [thereafter to a potential] *to a higher* use, there
7 shall be added to the tax extended against the property on the next prop-
8 erty tax [roll,] *statement*, an amount equal to the sum of the following:

9 (a) The deferred tax, which [shall be] *is* the difference between the
10 taxes paid or payable on the basis of the agricultural or open-space use
11 assessment and the taxes which would have been paid or payable on the
12 basis of the [potential use] *full cash value* determination for each year in
13 which agricultural or open-space use assessment was in effect for the prop-
14 erty, up to 84 months immediately preceding the date of conversion from
15 agricultural or open-space use. The 84-month period includes the most
16 recent year of agricultural or open-space use assessment but does not
17 include any period prior to July 1, 1976.

18 (b) Interest upon the amounts of deferred tax from each year included
19 in subsection 1 at the rate of 6 percent per annum.

20 (c) A penalty equal to 20 percent of the accumulated deferred tax for
21 each year in which the owner failed to give the notice required by NRS
22 361A.270.

23 2. The deferred tax and interest [added to the assessment roll each
24 year] *is* a perpetual lien until paid as provided in NRS 361.450; but if
25 the property is not converted to a [potential] *higher* use within 84
26 months after the date of attachment, the lien for that earliest year then
27 expires.

28 3. Any penalty added [to the tax roll] pursuant to subsection 1 is a
29 perpetual lien until paid as provided in NRS 361.450.

30 4. Each year a statement of liens attached pursuant to subsections 2
31 and 3 shall be recorded with the county recorder by the tax receiver in a
32 form prescribed by the department upon completion of the tax statement.
33 [in the manner provided in NRS 361A.260.]

34 5. If agricultural or open-space real property receiving agricultural
35 or open-space use assessment is sold or transferred to an ownership
36 making it exempt from ad valorem property taxation between July 1 and
37 the first Monday in September, inclusive, in any year, a lien for a pro-
38 portional share of the deferred taxes or interest that would otherwise have
39 been [placed on the tax roll prepared] *due* in the following year, attaches
40 on the day preceding [such] *the* sale or transfer. The lien shall be
41 enforced against the property when it is converted to a [potential] *higher*
42 use, even though the owner at the time of conversion enjoys an exemp-
43 tion from taxation.

44 SEC. 15. NRS 361A.080 and 361A.260 are hereby repealed.

potential use defined