SENATE TAXATION COMMITTEE
MEETING OF MAY 5, 1977

The meeting was called to order by Chairman Bryan. The following members were present:

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

The following items were considered and action taken:

AB 395 Changes income limitation and allowances of Senior Citizens' Property Tax Assistance Act.

SB 367 Revises Senior Citizens' Property Tax Assistance Act.

Mr. Jim Lien, Deputy Director of the Department of Taxation, stated that Assemblyman Mello is drawing two amendments to SB 367. One is the option shown on the handout as AB 395 c. The handout is attached. It would use the same categories which are now in AB 395 but would lower the income level from $12,000 to $11,000 and would still cost $2.9 million. The second amendment would be the same categories in SB 367 with the increase from $10,000 to $11,000 having a refund of 10 per cent. This would cost $2,610,000. The Senate Finance Committee had approved $2,757,000. That would mean a $35,000 increase under that amendment.

Senator Bryan stated that the Assembly has agreed to process SB 367.

Senator Dodge moved to adopt the schedule #2 for SB 367, which is contained in the handout. Senator Sheerin seconded the motion and it passed 5-1 with Senator Lamb dissenting.

AJR 9 Proposes constitutional amendment to permit property tax exemption for conservation of energy or production of energy from renewable natural resources.

Senator Bryan explained that in 1973, NRS 361 was adopted which authorized an exemption for purposes of taxation for pollution abatement. In 1975, it was further extended to irrigation. The Legislative Counsel has stated that the statute is unconstitutional because of the uniform taxation requirement. A proposed amendment to AJR 9 would conform with the constitutional requirement of uniformity by allowing the Legislature to provide by exemption for reduction of any form of pollution. Assemblyman Robert Robinson, author of the bill, consents to the amendment which would delete production of energy equipment from the exemption.

Senator Hilbrecht moved to Amend and Do Pass. Senator Sheerin seconded the motion and it passed unanimously.

AB 482 Permits taxation of certain interests in tax-exempt property.

Senator Bryan explained Mr. David Hagen, representing the City of Los Angeles Department of Water and Power and the Metropolitan Water District, had questions about some of the statements which were made on the floor concerning AB 482.

Mr. Hagen stated he wanted to clarify any uncertainty there might have been about what was going to happen with the Boulder County and Project Adjustment Act after 1987. It has been asked how much are the revenues from the dam and what would be the potential consequences of taxation of the dam. In 1924, Congress appropriated $165 million for the construction of the dam. Twenty-five dollars of that was charged against flood control. The balance was appropriated for construction. The exact figure of the cost to build the dam is unknown. It is estimated that it would cost $1 billion to $5 billion to build the dam today. If Clark County were to tax it with advalorem property taxation, the fair market value of the assets subject to taxation on a $1 billion dam would be $175 million.

Senator Hilbrecht asked what was the relevance of the price of the dam. He did not feel the dam was being taxed.

Senator Bryan stated it was his understanding that it was being attempted to tax the right to use.

Senator Hilbrecht stated that instrumentalities which generate electrical energy was all that was intended to be taxed.

Mr. Hagen said the amendment states that when any real estate, etc., is used for the generation of electric power. The real estate which generates electric power is the dam. The dam is the real estate. Everything in that dam is a fixture. Therefore, the assessed value of the dam, which is worth $1 billion, would be $175 million. This would produce about $8 million annually in taxes. Presently, the gross revenues of the generation of power from the dam in 1977 will be $8,428,000, less the value of water sold. That makes it about $8,100,000. On the hypothesis that it would cost $1 billion to replace the dam, a tax adding double the cost of the power sold is being talked about. The allocation of all of the power from the dam is 17.62 per cent to Nevada and Arizona, 35 per cent to the Metropolitan Water District of Southern California, with miniscule percentages to Burbank, Glendale and Pasadena, 17 per cent to the City of Los Angeles and seven per cent to Southern California Edison. The intent of this bill is to tax the power which goes outside the State of Nevada. But, under the bill, it can't. The bill will require the taxation of power which is consumed inside the State of Nevada as well.

Senator Hilbrecht stated that the Nevada Power has advised him that virtually none of that power is being used by the State of Nevada through Nevada Power.

Senator Bryan explained that Mr. Hagen's point was the 17 per cent allocated to the State of Nevada would be subject to taxation whether Nevada Power is using it or some other entity within the State of Nevada is using it.

Mr. Hagen said he felt this legislation would require that all of the power generated would be taxable by Clark County. It may be a miniscule percentage now, only 17 per cent, but he questioned what will happen in 1987 when the contracts are renegotiated.

Senator Hilbrecht asked what would the taxes be if only the water intake towers, penstocks, and generating equipment, which was the primary interest in the previous hearings, were subject to taxation.

Mr. Hagen stated the assessed valuation for that purpose by Clark County in 1970 was approximately $2.2 million, resulting in $22,050 per year in taxation for that particular property.

Senator Hilbrecht stated that 17 per cent of that figure would be the rate paid by Nevada. That would not be a substantial amount.

Mr. Hagen questioned whether Clark County can legally limit itself to that.

Mr. Lien stated the Department of Taxation has a question on the amendment, also. In the process of amending, part of the original language was reinstated. That creates a problem because it states "conducted for profit" and then suddenly in another section it says how there is one segment of the non-profit making group that is being taxed. That is the out-of-state power people. This may be discrimination against one particular type of power company.

Senator Dodge cautioned that the committee must be sure it is on consistent and defensible grounds with what is being done with this bill.

Senator Bryan stated that's one reason he suggested that the committee wait to take a look at the reprint. The final judgement can be made at that time.

Senator Sheerin stated this is so technical that if it is in the courts right now, he did not feel the legislature should alter it. Let the courts decide it when it has all the facts and legal arguments presented.

Senator Dodge moved to withdraw the committee action on the bill. Senator Sheerin seconded the motion.

Senator Bryan stated he wanted to say before a vote was taken that it was not fair to say this issue is in court now. That law suit was lost by Clark County. This is an attempt to correct the situation.

Mr. Jim Salo, Deputy District Attorney, said there is litigation pending which does not involve Hoover Dam. It's a law suit by Standard Oil Company challenging whether or not the statute applies to oil and gas leases on federal land.

It was decided to hold off on a vote until the reprint is studied by the committee.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Colleen Crum, Secretary

APPROVED:

Richard H Bryan

Senator Richard Bryan
Chairman

submitted by Gary Ghelleken

Categories

AB 395

a)

0 - 2999	90%
3 - 5999	75%
6 - 8999	50%
9 - 12,000	25%

b)

0-1999	90%
2-3999	75%
4-6999	50%
7-9999	25%
10-12,000	10%

c)

0 - 2999 -	90%
3 - 5999	75%
6 - 8999	50%
9 - 11,000	25%

$2,935,000

SB 367

1)

0-1999 -	90%
2- 3999	75%
4- 6,999	50%
7-10,000	25%

2)

0-1999 -	90%
2-3999	75%
4-6999	50%
7-~~10,000~~ 9,999	25%
10-11,000	10%

$2,610,000

3)

0-1999	90%
2-3999	75%
4-6999	50%
7-11,000	25%

(poor)

Most help needed $7,000 and below

Jim Lien
Dept. of Taxation

AB 395	as written	\$3,014,500	(a)
AB 395	chged to use SB 367 categories to \$12,000	\$2,645,000	(b)
AB 395	using same categories but lowering income to \$11,000	\$2,935,000	(c)
SB 367	as written	\$2,575,000	(1)
SB 367	chged income to \$11,000 - last category 10%	\$2,610,000	(2)
SB 367	same categories w/ income to \$11,000	\$2,685,000	(3)

Possible third alternative to Categories w/ \$11,000 income

0 - 2999	90%
3 - 4999	75%
5 - 6999	50%
7 - 8999	25%
9 - 11,000	10%

Cost \$2,750,000