

MEMBERS PRESENT:

SENATOR GLASER  
SENATOR DON ASHWORTH  
SENATOR KOSINSKI  
SENATOR SLOAN  
SENATOR DODGE  
SENATOR RAGGIO

ASSEMBLYMAN PRICE  
ASSEMBLYMAN CRADDOCK  
ASSEMBLYMAN CHANEY  
ASSEMBLYMAN MANN  
ASSEMBLYMAN BERGEVIN  
ASSEMBLYMAN MARVEL  
ASSEMBLYMAN TANNER

MEMBERS ABSENT:

SENATOR LAMB (excused)

ASSEMBLYMAN DINI (excused)  
ASSEMBLYMAN COULTER (excused)  
ASSEMBLYMAN RUSK (excused)  
ASSEMBLYMAN WEISE (excused)

GUESTS:

Assemblyman Tom Hickey  
Frank Johnson, Vice President, Hilton Corp.  
Ron Amos, Director Promotions & Special Events, Hilton Corp.  
Stephen F. Hyde, Vice Present, Ceasars  
Dan Miles, Deputy Fiscal Analyst  
E. A. Schorr, Deputy Fiscal Analyst  
Robert Dimmick, Deputy Legislative Auditor  
Roy Tennison, Nevada Athletic Commission

A quorum of both committees being present, Chairman Price called the meeting to order for the purpose of hearing testimony on AB 439. Mr. Price pointed out to the committees that they had both heard initial testimony on the bill during the afternoon meetings held by the individual committees.

Assemblyman Hickey, sponsor of the bill, stated that both Roy Tennison and he had attended the hearings with regard to this matter. He stated that several questions had been raised and that he would like to answer them. It was agreed that on page one of the bill subsection 3 and 4 of Section 1 would be deleted. A copy of this bill in its original form is attached to these minutes as Exhibit A. This would also apply to page three subsection 3 of Section 3. This two sections would be placed into another bill and introduced at another time.

Subsection 2 of Section 2 should be left as it was with the \$100 fee and \$25 fee stated Mr. Hickey. Also the \$10,000 found in subsection 1 of Section 3 is a typographical error and should be changed to \$1,000,000.

Mr. Mann inquired whether these fees referred to in the bill had been charged all along. Mr. Hickey explained that a ruling came from the Attorney General's February 6 which stated that fees that had not generally been collected would now be required to be collected.

Mr. Hickey went on to state that this bill would correct this situation and allow them to continue collecting taxes much in the manner they have been. Mr. Tennison stated that in some instances the fees have not been collected due to past interpretation of the law. They would like to clarify the law so that everyone would know exactly what taxes they would be paying.

Mr. Mann went on to say that under the present law that showed 4% would be collected, they in fact in some promotions were collecting no fees. He wondered if the legislature were to change this to 2%, what assurance would they have that it would now be collected. Mr. Tennison stated that live gate has always been taxed.

Senator Sloan inquired whether what they were proposing was based on revenue needs. Mr. Tennison stated that the percentage as proposed actually reduces the income of the Commission approximately 13-19% or about \$25,000 per year. They do not need this additional revenue and do not want to build up their revenues. Mr. Mann added that they presently sit with approximately a \$136,000 surplus.

Senator Raggio stated that he did not really go along with the idea of reducing this because of the surplus. He added that this would be a possible source of revenue to the state and that the committees are presently struggling to cut taxes. He added that this would make Nevada an inviting place to hold events while at the same time be a possible source of revenue and that he felt it should not have limitations.

Raggio went on to state that he felt that the problem was the interpretation of gross receipts and that they should address themselves to that and make it clear. He inquired why the lid had been included. Mr. Tennison stated that the Commission had requested this lid of the tax on TV.

Frank Johnson, Vice President of the Hilton Corp., then introduced Ron Amos, Director Promotions & Special Events, Hilton Corp. He stated that in the case of major boxing events in the past the format used by the Commission has been fair and equitable to everyone concerned. If, however, they begin enforcing the law to the letter it will create a situation of taxes of 4% on the site fee, live gate, fighters purse, and tv revenue and this would be untenable.

Mr. Amos went on to cite the situation of the heavyweight championship of the world to be held at the Hilton March 23 and to be shown on ABC during prime time. If current law is enforced to the letter they will have to pay \$272,000 in state taxes and there wouldn't be any boxing match. If it were broken not to the current state law as has been enforced in the past through the Commission state taxes would be \$48,000. If this bill as introduced would be passed, it would be \$49,000. He added that when they put on a fight with an outside promoter there has never been any profit to the hotel-casino. He cited the situation of the Muhammad Ali-Spinks #1 fight, it is a matter of record that they lost \$350,000 gate.

Mr. Amos stated that they go along with this because it is a way to reach a billion people through TV and an opportunity to bring a lot of people into Las Vegas and the hotel. It is a good avenue to reach a lot of people .

Mr. Amos stated that the March 23 fight is contingent upon either an equitable settlement of the current law or a new law being enacted. To Senator Dodge's questions regarding the agreement on the March 23 fight, Mr. Amos stated that there was a written agreement between Don King Productions and the Hilton but with those conditions. Senator Dodge then questioned whether the agreement specifically states what has to be paid to the state in the form of taxes and who has to pay them. Mr. Amos replied that as a licensed promoter, Don King Productions and Hilton will put the event under State law, whatever is enforced but that the conditions are pending interpretation of an equitable law. There is a clause in the contract which states who pays what taxes.

Senator Dodge went on to ask if a particular rate of tax is specified and whether other fight card agreements had included specifically the taxes collected and who pays. Mr. Amos stated that it has been the general format that whoever gets the money pays the taxes. In the Ali-Spinks fight the Hilton paid taxes of the live gate revenue at 4%. The other taxes to the state were paid by Top Rank because they received the money.

Senator Kosinski inquired whether the committee would be receiving copies of these agreements regarding the Saturday and March 23 fight. Mr. Hickey stated that they were working on this. Mr. Tennison stated that they did have copies of the fight put on by Ceasar's Palace and Top Rank but not the Hilton-Don Rink agreement.

Mr. Tanner inquired whether in the past they have negotiated with the Athletic Commission the rate that would be paid. Mr. Tennison pointed out that 4% on the gate has always been paid and that it has only been with the addition of major TV that the difficulty has occurred.

Mr. Mann inquired why they were proposing to lower the gate tax to 2%. Mr. Tennison stated that it was to reduce the income of the Commission to help the small promoter as well as the large ones. Mr. Mann questioned whether there was any justification to lowering something like this that has always been paid and calling this part an emergency.

Senator Dodged stated that most of them would like to see this kind of boxing attracted to the state and questioned Mr. Amos as to where the competition was - other states or other countries. Mr. Amos replied that it was basically other countries. He stated that the reason Nevada has gotten so many major fights since 1960 is our tax structure and its interpretation. He stated that New York used to be the boxing capital but that their state laws had become prohibitive. New York is presently attempting to change this to make it more attractive. Mr. Amos also stated that the TV blackout situation also make Nevada more attractive. However, a majority

of fights held outside the United States are held in countries that have tax agreements with the U.S. whereby the fighter is only interested in what he will actually net.

At Senator Kosinski's request Mr. Amos broke down the various taxes for the March 23rd fight. These are included in a letter from Mr. Amos to Mr. Frank Johnson which is attached to these minutes as Exhibit B. Also attached to these minutes as Exhibit C is a copy of the Deputy Attorney General's letter to Mr. Bob Shields, Chairman of the Nevada Athletic Commission which states his opinion.

Senator Raggio pointed out that gross receipts included any sum received in consideration for holding fight.

Mr. Mann inquired whether they pay tax on the loss. Mr. Tennison pointed out that they have paid \$20,000 tax on previous loss cited. Mr. Mann went on to ask if they could write this off on their federal corporate taxes.

Mr. Amos stated that they also have to put out between \$100-125,000 for promotion of the fight. Mr. Mann again stated that if they were writing this off then they were not faring that badly as a corporation by holding the fight in addition to the advertising advantages. Mr. Amos replied that they were still losing money.

Mr. Amos pointed out that the profit level is set at such a point that if the taxes were imposed to the letter of the law, Don King Production would not be interested in the fight.

It was pointed out that the fight purse is made up of the TV revenue and live gate. In the past the Commission has been allowing them to subtract the fight purse from the TV revenue.

Mr. Amos stated that this is the first time where the TV rate is less then the purse - most of the time it is larger. He stated in other states then Nevada, fights are held in large major arenas and the promoter gambles on the size of the live gate to cover his purse.

Mr. Tanner pointed out that they were actually taxing both revenue and expenditures and as far as he was concerned that was "crazy accounting".

Senator Raggio stated that there was an awful lot of confusion with the bill and that Section 1 states that rate to the people who show live close circuit television would be 4%. The bill would propose to change that and only that to 3%. This has nothing to do with live gate. In Section 3 this has been reduced to 2% on the television rate, live gate and complimentary tickets (to be determined by the Commission). Mr. Tennison stated that this section was supposed to have been amended out.

Senator Don Ashworth stated that since there is an emergency right now, would it be possible to just take care of these two fights and then sit down and go over this whole thing in some meaningful

(Committee Minutes)

manner. He stated that he felt something should be done because the contracts of these two fights were entered into under the previous interpretation of the law.

Mr. Hickey stated that it would be perfectly acceptable to those concerned to have the emergency measure cover just the two fights and to get additional legislation drafted to cover the other points and to accomplish some final changes in the law.

Mr. Tennison stated that all contracts entered into must eventually be received by the Commission and that they would have control on the situation from that standpoint until everything is cleared up.

Mr. Hickey suggested that perhaps a letter of intent from the committees should be forwarded to the Commission.

Senator Ashworth stated that he felt that perhaps the problem was created by terminology in that perhaps it was felt that the purse dollars were produced outside the confines of the gate and television.

It was pointed out that the current law was enacted a long time ago before there was major television coverage and the large purses that currently exist. Instead of changing the law they just adapted it.

Mr. Tanner stated that he questioned the policy of not using purse as expenditure. Senator Raggio pointed out that the A.G. stated that the practice of deducting the purse from the TV receipts was incorrect, however, he did not say that they had to tax both the purse and TV receipts.

Mr. Amos stated that if the fighters purse is not taxed but also is not deducted there would still be problems. Mr. Mann stated that they would then be paying \$100,000 more on this fight than they had been paying.

Stephen Hyde, Vice President of Ceasar's Palace, stated that he would be able to go along with a moratorium on fights until this problem is settled but felt that Commission could not. He stated that this problem does not effect the average fight but is a problem of the major national fight where a significant amount of income comes from other than the live gate. In regards to the March fight, Mr. Hyde stated that the difference of \$50,000 determined that the fight would be held at the Hilton rather than Ceasar's Palace. If Don King would have come down \$50,000 Ceasar's Palace would have held it. If they tax to the full 4%, Ceasar's Palace will be eliminated from ever having a major fight again. He cited the fact that they would lose \$300,000 on the March fight if they had it and although promotion and advertising is good that is just too much to lose and too high a price to pay. He added that if they were to change the bill and just go back to the way they were they would still be priced out of business.

Mr. Hyde stated that when they were aware of the problem they sat down with the Commission and came up with what they could all live with and yet have it equal to what they have been paying. Should this be increased they would run into problems.

Mr. Mann asked Senator Sloan if the legislature could legally give the Commission a blanket moratorium of 60 days to allow them to do what they have been doing. Senator Sloan replied that they could not authorize the Commission to violate the law. The AG has given his opinion and the Commission must follow through with it until that law no longer exists.

Senator Raggio stated that they could go ahead and pass a bill that would allow them to do what they have been doing all along and then after the fights pass another bill that would make that law what they should be doing in the future.

It was determined that the Chairman Price would appoint a sub-committee with those present to come up with appropriate wording for amendments to the bill.

Mr. Tanner stated that if they covered two areas in terms of taxes they should have the bases covered. The first would be television rights and the cap. Senator Raggio stated that it should be clear that there would be no deductions from that. The other avenue would be the live gate and they would like to see that at 3%.

Mr. Hickey stated that they should consider comps in the live gate issue.

Senator Sloan stated the live gate is the only thing that the Hilton pays the tax on and he would wonder why it should go down to 3%. Mr. Hyde stated that they should be realistic in this in that Don King doesn't really pay anything in that if there were additional taxes or fees to be paid Mr. King would just charge them that much more.

Mr. Price pointed out that the point of this so far has not been to make this a revenue for the state but rather to operate the Boxing Commission.

Senator Ashworth stated that you also have the difference between the live gate and the guarantee. This is additional revenue and is taxed also. Mr. Tanner stated that he was not so sure that they should tax the guarantee. Senator Ashworth stated that it was just on the difference between the gate and what was guaranteed.

Senator Dodge stated that that was not the way it was in the new bill. It was pointed out that the bill was incorrectly drafted on this point. Mr. Amos pointed out that in some cases the live gate is part of the guarantee site fee but there is the chance that this is not always the case.

At this point Chairman Price adjourned the joint hearing so that the subcommittee of Assemblyman Tanner, Mann and Price could meet and develop the needed amendments.

Respectfully submitted,

*Sandra Gagnier*

Sandra Gagnier  
Assembly Attache

Also attached to these minutes as Exhibit D is a copy of a newspaper article entitled "Nevada Boxing Threatened?"





SUMMARY--Revises certain fees for promoters of boxing and wrestling events. (BDR 41-1952)  
Fiscal Note: Effect on Local Government: No.  
Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to boxing and wrestling; revising certain fees for promoters; directing that a portion of certain fees be used for boxing programs for amateurs; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 467.104 is hereby amended to read as follows:

467.104 1. [Any] Except as provided in subsection 4, any person who charges and receives an admission fee for exhibiting any live boxing or sparring match, wrestling exhibition or performance on a closed-circuit telecast, or motion picture, shall, within 72 hours after [such] that event, furnish to the commission a verified written report on a form which is supplied by the commission, showing the number of tickets sold and issued or sold or issued, and the gross receipts therefor without any deductions.

2. [Such] That person shall also, at the same time, pay to the commission a license fee, exclusive of federal taxes thereon, of [4] 3 cents for each \$1 or fraction thereof received for admission at [such] the exhibition. The license fee [shall apply] applies uniformly at the same rate to all persons subject to it. The license fee [shall] must be based on the face value of all tickets sold and , at the discretion of the commission, all complimentary tickets issued.

3. The commission shall use 15 percent of the money received from the license fee for boxing programs for amateurs.

4. The license fee is not required to be paid with respect to any amateur match sanctioned by the commission.

Sec. 2. NRS 467.105 is hereby amended to read as follows:

467.105 1. Every promoter or foreign copromoter, in order to present a program of boxing contests, wrestling exhibitions, or a combination of [such] those events, shall obtain a permit from the commission for each such program.

2. The following fees [shall] must accompany each application for a permit to present a program of contests or exhibitions:

Foreign copromoter's permit.....	[\$100]	<u>\$500</u>
Promoter's permit.....	[25]	<u>100</u>

*These* The provisions of this subsection [shall] do not apply to the presentation of a program of amateur boxing contests, amateur wrestling exhibitions or a combination of [such] those events.

Sec. 3. NRS 467.107 is hereby amended to read as follows:

467.107 1. In addition to the payment of any other fees and [moneys] money due under this chapter, every promoter shall pay an additional license fee of [4] 2 percent of the total gross receipts up to \$10,000 of any boxing contest, wrestling exhibition, or combination of [such] those events, exclusive of any federal tax or tax imposed by any political subdivision of this state. The license fee [shall apply] applies uniformly at the same rate to all promoters or clubs subject to it.

2. For the purposes of this section, total gross receipts of every promoter [shall include:] includes:

(a) The gross price charged for the sale, lease or other exploitation of broadcasting, television or motion picture rights of [such] the contest or exhibition without any deductions for commissions, brokerage fees, distribution fees, advertising or other expenses or charges.

(b) The face value of all tickets sold and , at the discretion of the commission, all complimentary tickets issued.

(c) Any sums received as consideration for holding a boxing contest, wrestling exhibition or combination of [such] those events at a particular location.

3. The commission shall use 15 percent of the money received from the license fee for boxing programs for amateurs.

Sec. 4. This act shall become effective upon passage and approval.

INTER-OFFICE CORRESPONDENCE

To: Frank Johnson

From: Ron Amos

Unit:

Date: Feb. 16, 1979

Subject: NEVADA TAX LAW FOR BOXING EVENTS

Using the Holmes-Ocasio WBC World Heavyweight Championship boxing card as a base for figures, Nevada tax computations under the current state law (enforced), current state law (not enforced-old system) and new bill being introduced are as follows:

CURRENT STATE LAW ENFORCED

Television Rights Fee	\$2,600,000	@4%	\$104,000
Fighters Purses	3,000,000	@4%	120,000
Hotel Guarantee (Site Fee)	700,000	@4%	28,000
Live Gate (Estimate)	500,000	@4%	20,000
			<u>\$272,000</u>

CURRENT STATE LAW NOT ENFORCED

*Television Fee	\$2,600,000	None	None
*Fighters Purses	3,000,000	None	None
Hotel Fee	700,000	@4%	\$ 28,000
Est. Live Gate	500,000	@4%	20,000
			<u>\$ 48,000</u>

NEW BILL

Television Fee	\$1,000,000	@2%	\$ 20,000
Hotel Fee	700,000	@2%	14,000
Est. Live Gate	500,000	@3%	15,000
			<u>\$ 49,000</u>

(\* ) -- Procedure has been to not tax fighters purses and to subtract fighters purses from television fee. In this case, there would be no taxes on either, because fighters purses exceeded television figure.

NOTE: (1) Under all three of the above, you reduce the taxes by giving the outside promoter the live gate and making up the difference between the live gate and the hotel guarantee. In the case of the Holmes-Ocasio fight card, it reduces the taxes by \$20,000.

Boxing Taxes  
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- (2) Roy Tennison, Executive Officer for the Nevada State Athletic Commission, has informed me that, under the Current State Law Enforced, they will not be taxing fighters purses but also will not allow them to be deducted from the television fee, either.
- (3) Allowing (1) and (2) above, the figures in all three systems break down as follows:

CURRENT STATE LAW ENFORCED

Television Fee	\$2,600,000	@4%	\$104,000
Hotel-Gate	700,000	@4%	28,000
			<u>\$132,000</u>

CURRENT STATE LAW NOT ENFORCED

Hotel-Gate	\$ 700,000	@4%	\$ 28,000
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NEW BILL

Television Fee	\$1,000,000	@2%	\$ 20,000
Est. Gate	500,000	@3%	15,000
Hotel, difference between \$700,000 and gate	200,000	@2%	4,000
			<u>\$ 39,000</u>

Also, under the current state law, there is no allowance for deduction of complimentary tickets in live gate sales. There is, however, a NSAC ruling to allow for 1 to 3% of the total. And there no tax on press tickets. The current state law over rules the NSAC rule.

Tennison also mention that the NSAC is adding a clause in the new bill to allow the NSAC to determine the amount of complimentary tickets.

*Law*

CC: Frank Shattuck



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ROBERT N. PECCOLE  
CHIEF DEPUTY ATTORNEY GENERAL

February 7, 1979

Mr. Bob Shields, Chairman  
Nevada State Athletic Commission  
P.O. Box 820  
Reno, Nevada 89504

Dear Bob,

Just prior to the first Athletic Commission meeting I attended on Jan. 19, 1979, I met with past Chief Deputy Attorney General Lyle Rivera.

In briefing me, Lyle indicated that the collecting of taxes on purses had become a major problem. Lyle directed my attention to a letter he had written on Oct. 30, 1978, to the Commission, setting forth his opinion that taxes must be collected on the purses.

Since I have now been assigned as legal counsel to the Commission I thought it would be advisable to set forth my views with respect to the collecting of taxes on the purses.

First off, I should point out that I have discussed the situation with Roy Tennison, and I must admit that his arguments for not taxing purses have merit and are persuasive. However, the present law as cited in Lyle Rivera's letter (NRS 467.107) allows no exceptions and therefore requires that the purses be included for tax purposes.

The law, being as it is, forces me to conclude that the Commission must include purses for tax purposes until such time as the law is changed.

Having helped Mr. Tennison with the Legislative package presently under submission to the bill drafters, I am mindful of the changes in the law proposed by the Commission. The changes, if adopted by the Legislature, will allow the Commission more flexibility and will eliminate the taxing of purses

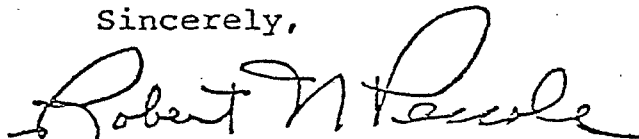
problem that confronts the Commission presently. It is important, however, to understand that the present law must be followed until the changes have been adopted.

Tuesday, Feb. 6, 1979, Mr. Tennison, in a phone conversation with me, indicated that Mr. Robert Dimmick of the Legislative Counsel Bureau, Audit Division, had met with him. Mr. Dimmick had informed Mr. Tennison that the Commission must include all tickets at face value, including complimentary tickets, in determining the tax to be imposed per NRS 467.104. Since this poses a potential problem area I advised Mr. Tennison to include a change of this portion of NRS 467.104 in his Legislative package, if agreeable with the Commission.

Again, I must caution, the Commission is bound to include complimentary tickets in determining the tax to be imposed until such time as there is a change in the law. Hopefully, this will not create too much of a problem.

I would like to take this time to say that I am looking forward to my assignment as advisor to the Commission and anticipate a good working relationship between the Commission and this office.

Sincerely,



Robert N. Peccole  
Chief Deputy, Las Vegas Office

RNP: jd

cc: Roy Tennison

Sig Rogich

Jack Davis

Sam Macias

~~Duke Durden~~

# —Boxing

## Commission Seeks New Tax Law

# Nevada Boxing Threatened?

LAS VEGAS (AP) — An opinion from the state attorney general has forced the Nevada Athletic Commission to take quick action to put new laws covering taxation of prize fights on the books — or face the possible loss of Nevada's burgeoning and lucrative boxing industry.

The ruling received Tuesday said in effect that the traditional method of taxing purses in Nevada has been wrong and that fight promoters must start paying more money into state coffers.

"It's going to put a hell of a bind on the promoters until this new legislation is passed," Roy Tennison, executive secretary of the athletic commission, said Wednesday.

The higher taxes could "hurt, and hurt bad" Nevada's boxing industry, Tennison said, adding, "That's the reason boxing left New York and boxing left California."

Promoter Don King, in announcing Tuesday night that World Boxing Council heavyweight champion Larry Holmes would defend his title here against Osvaldo Ocasio next month, said the deal

hinged on solving the tax problem.

The opinion issued by Chief Deputy Attorney General Bob Piccole said that the 4 percent state tax must be levied on the total amount of money involved. Previously, the prize money was exempt from taxation on grounds that it was the fighter's personal income. Nevada has no state income tax.

King reportedly will receive \$2.6 million from ABC for the television rights to the fight, "so he's going to have to pay 4 percent tax on that, \$104,000, that's what I understand," Tennison said.

"In the past they took the gross receipt, the TV receipt, and they took the amount of the boxers' purses and deducted that from the gross TV income and paid the tax on the net," he said.

Tennison said promoter Bob Arum, who has scheduled the Mike Rossman-Victor Galindez light heavyweight title fight at Caesars Palace on Feb. 24, "doesn't even know about this yet. He's going to scream when I lay it on him."

Without a new law, Tennison

said, "I don't think the commission can do anything. They might ask the attorney general to reconsider his decision, but he's the head honcho and we have to do what he says as far as I can see."

Sig Rogich, the athletic commission member who sought the ruling, said Assemblyman Harley Harmon had agreed to introduce the measure.

Rogich said he had asked for the opinion because "there was a little clouded area there in interpreting the law and I just wanted to get it clarified."

He said he had discussed the proposed bill with Harmon and said the measure "is certainly not a big sweeping law. I don't want to lose a title fight for the city because of a technical interpretation of the law."

Tennison said the bill, as proposed by the commission, would reduce the gate tax from 4 percent to 3 percent and cut the amount of tax on the hotel payment from 4 percent to 2 percent. The tax levied on television payments would be 2 percent "on anything from \$1 to \$1 million, and no tax on anything above \$1 million."