

MEMBERS PRESENT:

CHAIRMAN PRICE	ASSEMBLYMAN BERGEVIN
VICE CHAIRMAN CRADDOCK	ASSEMBLYMAN MARVEL
ASSEMBLYMAN CHANEY	ASSEMBLYMAN RUSK
ASSEMBLYMAN COULTER	ASSEMBLYMAN TANNER
ASSEMBLYMAN MANN	ASSEMBLYMAN WEISE

MEMBERS ABSENT:

ASSEMBLYMAN DINI (excused)

GUESTS PRESENT:

See attached Guest List

A quorum being present, Chairman Price called the meeting to order at 1:45. Mr. Price stated the purpose of the meeting was to hear testimony on SB 204 and AB 32.

Before taking any testimony on the bills mentioned, Chairman Price stated that he would allow some further testimony to be placed into the record on AB 2 and AB 59.

AB 2 and AB 59

Joe Midmore, representing W & W Vending Co., stated that in a previous hearing he had stated that he would be receiving information from other states of how vending machines are taxed in the way of sales tax. A copy of the information that Mr. Midmore presented is attached to these minutes as Exhibit A.

Mr. Craddock inquired whether there would be some constitutional problems with the percentage basis as used in the New Jersey sample which Mr. Midmore presented. Mr. Midmore stated that he couldn't answer that but stated that it has been done in other places but the answer would have to come from an attorney.

SB 204

Marvin Leavitt, representing the City of Las Vegas, began the testimony on SB 204. He stated that he would just make some general comments and that they support the concept of SB 204 in that the benefits of tax relief are given to the area where they should go - that is, residential property owners as well as to those that rent residential property. They also recognize the constitutional problems as well as administrative problems but they do feel that the thrust of the bill and where it addresses the relief is good. However, they would not want to lead anyone to believe that they feel that SB 204 taken by itself is necessarily where it should be.

Mr. Mann inquired if they accepted SB 204 as it is written right now, would they have any problems if a revenue cap were to be put on it. Mr. Leavitt replied that they would not, if it is so written

that they can live with it and it would be fair to all the governmental entities.

Mr. Mann then asked Mr. Leavitt to explain what they had discussed before the meeting concerning the 35% assessed valuation restriction. Mr. Leavitt stated that they were discussing a possibility of a cap on revenue speaking in total dollars from property taxation, which would in effect leave the assessed valuation percentage where it is. Mr. Leavitt stated that his own personal preference would be to not adjust that percentage. They could achieve a reduction or a cap on property taxes by having something in the statutes that read something to the order that the government could not levy a rate that would yield _____ above what the rate was in any previous year. This could be related to a number of things; inflation or straight percentage or something on that order. This would put a definite lid on the levy. The levy would still be equal for all property owners and there wouldn't be any adjustment in that regard. It would simply limit the revenue that any one could levy based on a prior year. Therefore if the assessed valuations went up a terrific amount, they would be forced to reduce their rate because they would be in excess of the total dollar amount.

Mr. Mann stated that this actually does what some of the members of the committee have talked about. He stated that he would hope that a subcommittee could be appointed to do some research on this idea.

Mr. Leavitt went on to state that AB 438 limits spending and the spending cap is not quite the same as a revenue cap.

Mr. Mann then asked Mr. Leavitt if they have computed at all the cost of the renter rebate proposal to the local county assessor. Mr. Leavitt replied that the county has done some computations as it applies to property owners but not as regards to renters.

Mr. Rusk inquired why Mr. Leavitt would prefer not to change the assessed value percentage. Mr. Leavitt stated that his reasoning on this point was that the state has a historical basis over a long period of time as it relates to debt being pegged at a certain percentage of assessed valuation. The legislature can change this in some regards statutorily but he feels that this is best left alone. He cited an example of a situation where a school district levies a certain property tax for debt and that happens to be 50¢ and is based on the 35%. At the same time there is a mandatory 70¢ and 80¢ as well levied. Now they have a \$2.00 rate. Suppose the rate in that particular county is at the \$5.00 through all governmental units. If the provisions of AB 233 were to go into effect it is going to take a rate larger than 50¢ to pay for the school debt. In effect the school district would get \$1.50 plus a guarantee for debt. Therefore you would have a problem with the assessed valuation but it has gone over into the rate situation. This would force the city or county to lower their rates so the effect on the county or city could not only be, if there is no companion legislation, assessed valuation loss but could also be a rate loss as well to make up for the

difference. The amount of money levy would almost have to increase in every case. They would be in effect relying more and more on property tax for debt then before.

Mr. Weise questioned whether it would be possible to take the \$1.50 and converting it over to county money. They already have the mechanics in the DSF to compliments those monies. Mr. Leavitt stated that it would be possible to do that. This would be moving very close to what the governor's plan is. Mr. Weise further stated that they haven't then touched the \$5.00 rate and don't have any new mechanism.

Mr. Leavitt stated that rebate does have some attractions in that it does not have a change in the rate or percentage.

Mr. Mann stated that he felt that no matter what package they come with they have got to deal with that inflation factor. He stated that he totally disregards the spending cap way of dealing with that because it can be gotten around. He stated that the one thing he doesn't understand how by using a revenue cap that you would still be restricting the revenues generated at the 35% and would effect the bonding indebtedness. He stated he could not see the logic of saying that it was alright to have the revenue cap but it wouldn't be alright to lower the 35%.

Mr. Leavitt stated that on a revenue cap you could use either the assessed valuation percentage or use the rate. It would seem to him that the rate would be the only real thing that you could use on a cap of that kind. This in effect would freeze the 35% and allow the rate to fluctuate in various districts based on the growth within that district. The growth would be restricted in some method.

Mr. Mann inquired whether this would interfere with the bonded indebtedness. Mr. Leavitt stated that there would have to be a provision that all debt is protected regardless of what happens and as long as the voters have approved it.

Mr. Marvel inquired how Mr. Leavitt would suggest that they get the assessed valuations uniform throughout the state. He stated that the base should be uniform throughout the state. Mr. Weise stated that most places are under assessed and if they were to go with AB 233 this would encourage everybody to come up to market value in a hurry. They would be forced by the community to get the assessments up to full market value.

Mr. Mann stated that most of the members were committed to the food tax issue and he wondered if anyone had projected figures of if there was enough surplus to handle both the food tax elimination and what it would cost to implement AB 233.

Mr. Price stated that when they get to the point where they are talking about concept then they will get down to talking about that kind of figures.

Mr. Mann inquired of Mr. Weise of his concept of the \$1.50 of the DSF could operate under SB 204 as well as AB 233. Mr. Weise stated that it could not. He stated that under SB 204 they will reflect the taxes just as they are collecting them now. This will not disturb the mechanism significantly. What it will do is have a new agency that is going to start refunding the money. He added that this would be similiar with the complaints many have the federal government where they have to take our money back to Washington, sift through it and send it back to us. He stated that he would have to put that same argument to SB 204. Why does the state have to collect this money, manage it and circulate it and send it back in some form. This would build in a little more bureaucracy which is not what Question 6 addressed itself to.

Mr. Weise stated that it seems to him that there could be dramatic tax reduction under something like the governor's program and the communities are going to be able to generate more real dollars than they are today. He stated that they could go in and reduce properties from 35% to 25%, keep the \$5.00 limit, and a good assessor can go out and get more money off the residents than he could at 35% rate. He stated that he does not thing this is unrealistic statement. What they will have is better equity and more watch dogs all over town.

Next person to testify was Jeanne Hannafin of the Department of Taxation. Mrs. Hannafin presented the committee with the figures they had complied which reflect their estimated cost to the Department of implementing the renter rebate program under SB 204. This does not include the homeowners rebate or allowance that would be done by the county assessors. These figures also represent a amendment to the bill of changing the program under Section 10 to go from July to October so that they could utilize the staff that are presently doing the Senior Citizen rebate program which is during the first part of the year. A copy of these figures is attached to these minutes as Exhibit B. Mrs. Hannafin stated that if this is not done they would also require an additional 4 1/2 people more then is shown on the sheet.

The residential homeowner relief would simply be handled by a lump check to each county and some auditing that would be required. The counties would be processing the claims on the homeowners.

Mr. Weise inquired if they knew about how much rebates they were talking about. Mr. Miles stated that it would be approximately \$23.1 million the first year and \$26.5 million the second year.

Mrs. Hannafin stated that they had a question on the bill. In order to qualify as a renter it says that they must maintain residence for at least 6 months and they question whether they would qualify for refund if you had been a renter for six months even if there had been numerous different dwellings. Mr. Price stated that he understood it would be possible if they could provide some proof of having rented the various dwellings.

Mrs. Hannafin stated that they had not planned on implementing by having to go to a certified verification but to have the applicant provide the previous addresses, name of landlord and telephone number so that their program would be doing spot audits on perhaps 15 to 20 percent of those at random.

Mrs. Hannafin stated further that these estimates included all renters in the state and included those persons who rented mobile home spaces.

Gary Milliken, Clark County Assessor's Office, stated that they had done an initial study based on SB 54 which he distributed to the committee. This study is attached to these minutes as Exhibit C. This bill assumed that the county assessor would handle homeowners only and not handling renters. The way they would handle this is that they would send each homeowner a envelope with a seal in it with a postcard inside the envelope. All the homeowner would do is simply sign the statement that he is eligible and mail back to the county assessor. The last page of report gives the final costs which would be \$135,000. This would include all the data processing time, computer people, secretaries, field people etc. Their biggest problem would be in determining which homeowners had lived in the house for the six month period required. This would require some spot checking. This would have to be done for address that the mail is sent to that is different from the address being claimed.

Mr. Mann stated that the cost for the whole state would probably be close to a million dollars a year to handle this kind of program to which Mr. Milliken agreed.

Jim Shields, Nevada State Education Association, stated that they support the concept and general outline of SB 204. He stated that this program would give relief to 106,000 residents that would not benefit under any other plan being considered.

Mr. Shields offered regarding concerns expressed over the cost of administration perhaps some administrative fee could be charged to renters for acquisition of the rebate check and thus there would be no cost to the state.

Mr. Shields stated that if the language is ambiguous as to who would qualify the committee can surely clean this up. Legislative intent should be made very clear.

Mr. Shields went on to state that they would be willing to support the cap on ad valorem taxes under the right conditions. They have no fundamental objections to that and understand the necessity for that.

Mr. Bergevin inquired of Mr. Shields if he felt that business were actually going to absorb this extra cost. There is no lid on assessments here so there is going to be tax increases.

Mr. Shields stated that they would be comfortable supporting a tax

revenue ceiling. This would protect the businesses from rapid increases in ad valorem taxation.

Bob Sullivan, representing Carson River Basin Council of Governments, stated that as far as the rural counties are concerned the idea of the rebate can be understood. They are a little afraid of the administration costs and their abilities to deal with it. Carson City is on a computer. They probably could handle it but in the other counties they often have part time clerks and personnel. The cost of this program would be much higher for them. Unless the state would kick in some extra assistance to them it would cause a great deal of problems.

Mr. Price inquired what their preference would be of the various plans. Mr. Sullivan stated that they do not have any preferences as they do not have enough knowledge to comment on them.

Mr. Bergevin stated that in many counties they also have a real space problem. This would require additional people with no place to put them. Mr. Sullivan stated that this is really a uniform problem with most of the small counties. He stated that there would be tremendous administrative problems dealing with this.

Mr. Craddock stated that if they were to lower the tax rate from 35% to 25% - then they would have something that equates to an across the board reduction. By recognizing that all those costs to the private sector are passed through to the consumer it would seem to Mr. Craddock that the lowering of the rate rather than some kind of rebate would serve better. He questioned whether Mr. Sullivan would have any problems with this. Mr. Sullivan stated that they would not like to go into a lowering of the rate for the arguments previously given.

Mr. Sullivan stated that they do have problems with each package as there seems to be some "pennies" missing in each one. Mr. Craddock pointed out that the committee would really like some help on this issue.

Mr. Weise inquired whether they had a bigger problem in dealing with tax rate itself or dealing with assessment rate. Mr. Sullivan stated that the assessment rate is something that they don't talk about. They have difficulties with the assessment rules and procedures. This area is rapidly growing on a per capita basis and they are having a hard time playing "catch-up ball".

Mr. Weise inquired mechanically where do they have more problems. More problems dealing with an adjusted rate or percentage change. Mr. Sullivan stated that he did not feel he could answer that. He pointed that one difficulty in answering is the variability among the counties. He cited the situation of one of the smallest counties in the state that has a capital improvement budget of \$3,000 and they are at \$3.27 as a county. He questioned which was better in terms of the approaches.

Mr. Sullivan stated that they haven't had a chance to analyze each bill but when the committee gives them some direction to go with they will be analyzing them like crazy.

Mr. Mann stated that he felt that the people like Mr. Sullivan should be coming up with some proposals so they would be "eating Question 6".

Mr. Weise pointed out that the county assessors and others like that are only charged with implementing what the legislature directs them to. It is not their position to determine policy. The small counties do not have the staff to respond to the various proposals.

Mr. Marvel pointed out that he represents three counties and each entity has its own unique problems and he could understand what Mr. Sullivan was saying.

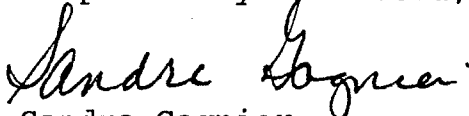
AB 32

Sam Mamet, representing Clark County, stated that they have a problem with this bill however it isn't a problem of being opposed to the bill. The problem is a minor one that was pointed out to them by the county treasurer. The problem occurs with the change on page 2, line 35 where the bracketing out of the word "thereof" and putting in "of the notice unless sooner redeemed". The problem is with a conflict at the top of the page on line 2. The wording on line 35 would have the redemption period running for 2 years from the date the notices are prepared which is in March and the other one says the fourth Monday in April. Mr. Mamet stated that they don't care what is done as long as the two dates are consistent and not in conflict.

Mr. Mamet stated that as a point of general information their county treasurer feels that change as proposed while there is cost impact to the county of anywhere from \$15-30,000, in all fairness to the taxpayers, perhaps the changes make sense.

Chairman Price adjourned the meeting at 3:50.

Respectfully submitted,



Sandra Gagnier
Assembly Attache

Also attached to these minutes as Exhibit D is a copy of a letter to Senator Glaser from Frank Daykin regarding the Constitutionality of Senate Bill No. 204.

Also attached is a letter from the Department of Taxation stating their interpretation of SB 204 regarding rentals as requested by Mr. Mann. This is attached to these minutes as Exhibit E.

ASSEMBLY TAXATION COMMITTEE

GUEST LIST

Date:

NAME	REPRESENTING	WISH TO SPEAK	
		YES	NO
Gary Milliken	Clark Co. Assessor		✓
W. C. ANDREWS	DEPT OF TAXATION		✓
James Harnafin	Dept. of Taxation		✓
PAUL DELORNEY	FED FIREFIGHTERS of NEV		
MARVIN LEAVITT	CITY OF LAS VEGAS (204)	✓	
Charles Hunsberger	CLARK County Library Dist		✓
SAM MAMET	CLARK COUNTY AB32	✓	
Joe Midmore	Worwinding Co, Las Vegas	✓	
M. M. Parsons			✓
Robert Sealman			
John Hawkins	SCHOOL BOARD		✓
Bob Sullivan			
Tim Shields	NSEA		

JUL 13 1978



EXHIBIT A

Michigan
Regular Session
1978 New Laws Page 397

MICHIGAN
Regular Session

Public Act 275, Laws 1978

House Bill No. 6218

AN ACT to amend section 4g of Act No. 167 of the Public Acts of 1933, entitled as amended "An act to provide for the raising of additional public revenue by prescribing certain specific taxes, fees, and charges to be paid to the state for the privilege of engaging in certain business activities; to provide, incident to the enforcement thereof, for the issuance of licenses to engage in such occupations; to provide for the ascertainment, assessment and collection thereof; to appropriate the proceeds thereof; and to prescribe penalties for violations of the provisions of this act," as added by Act No. 310 of the Public Acts of 1974, being section 205.54g of the Compiled Laws of 1970.

The People of the State of Michigan enact:

Section 1. Section 4g of Act No. 167 of the Public Acts of 1933, as added by Act No. 310 of the Public Acts of 1974, being section 205.54g of the Compiled Laws of 1970, is amended to read as follows:

Sec. 4g. (1) A person subject to tax under this act need not include in the amount of the gross proceeds used for the computation of the tax any sales of prescription drugs for human use or food for human consumption, or the deposit on a returnable container for a beverage, or the deposit on a carton or case which is used for returnable containers, except prepared food intended for immediate consumption.

(2) "Prescription drugs for human use" means insulin or drugs dispensed by a licensed pharmacist to fill individual prescriptions prescribed by a licensed physician or other licensed practitioner of the healing arts solely for the use of a designated person.

(3) "Food for human consumption" means all food and drink items intended primarily for human consumption except beverages with an alcoholic content of 1/2 of 1% or more by volume, tobacco and tobacco products, and prepared food intended for immediate consumption.

(4) "Prepared food intended for immediate consumption" means a retail sale of:

(a) Food or drink prepared and served for immediate consumption at or near the premises or ordinarily sold on a takeout basis for immediate consumption either on or off the premises. For the purposes of this section premises includes the total space and facilities in or on which a retailer conducts his business, including, but not limited to, parking areas for the convenience of in car consumption, outdoor tables, benches, chairs, and similar conveniences.

(b) Food or drink furnished, prepared, or served for immediate consumption at a table, chair, or counter or from a tray, glass, dish, container, or other tableware.

(c) Food or drink arranged on a plate or platter, whether intended for individual or multiple servings and whether sold by the pound or by the serving, or a sandwich, either hot or cold. A combination of taxable and nontaxable items when sold as a plate or packaged as a meal, even though intended for more than 1 serving.

(d) Food which is cooked to the order of the purchaser, or which is cooked and maintained at a temperature higher than the surrounding air temperature prior to sale, or prepared food which is sold by the piece rather than by weight or measure.

(e) Food or drink intended for immediate consumption sold from a vending machine or by a vendor from a mobile facility, except for milk, juices, fresh fruit, candy, nuts, chewing gum, cookies, crackers, and chips, when sold from a vending machine selling these products.

(5) Prepared food intended for immediate consumption does not include bakery products for off premise consumption, such as doughnuts, pastry, bread, and cakes.

This act is ordered to take immediate effect.

Approved, July 3, 1978

In New Jersey a bill is on the Governor's desk which if signed will impose the sales tax on all items of food and beverages sold through vending machines at 60% of the retail price. If signed, this bill will provide the vending operator with significant sales tax relief.

In Louisiana a bill is expected to be signed by the Governor which will tax products sold from vending machines at cost. In order to aid the government in sales tax enforcement and to offset state revenue loss for the first year because of the sales tax relief bill, the industry is supporting legisla-

Significant tax relief legislation was introduced but died on adjournment in Mississippi and Maryland. The Mississippi bill would have provided that tangible personal property when sold through a vending machine shall be taxed at 3% instead of the general tax rate of 5%. The Maryland bill would have exempted sales through a vending machine of candy or soft drinks when the retail price is 30¢ or less.

The Washington Department of Revenue has issued regulations concerning the 1977 initiative in which the voters approved exempting certain food products sold for human consumption from the sales tax. The regulations provide for exempting most food items sold from vending machines which are of the kind and packaged in the same way as they are sold at regular grocery outlets for "take home" purposes. However, this does not include items such as liquids dispensed in open containers, salads, pies, soups, and sandwiches. Also, all food items sold through vending machines will be taxed when the machines are operated at or nearby areas where tables, chairs or counters are provided for the consumption of food.

SB 204

DEPARTMENT OF TAXATION
OPERATING COST ESTIMATE

FUNCTION	ONE TIME		CONTINUING	
Computer Systems and Programming	\$	25,000	1979-80	1980-81
Computer operations			\$ 14,400	\$ 15,840
Equipment				
Calculators	9	2,700		
Desks, chairs, etc.	8	4,900		
Terminal work stations	4	650		
File cabinets	6	740		
Counters	3	3,000		
Telephones	6	450	2,600	2,900
Terminals	4		5,040	5,040
Printers	2		2,460	2,460
Postage			78,000	78,000
Certified mail for denials		25,000		
Mail rebate checks and other		50,000		
Audit		3,000		
Printing				
Envelopes	165,000		3,000	3,300
Application forms	200,000		3,000	3,300
Copy machine costs			1,500	1,650
Operating supplies			1,000	1,100
In-state travel-training-auditing			7,500	8,250
Space rental			12,100	12,100
Operating cost		37,440	130,600	133,940

PERSONNEL REQUIREMENTS

3 Account clerk/receptionist	Grade 21	29,202	30,699
1 Administrative aide II	Grade 20	9,351	9,838
1 Principal account clerk	Grade 26	11,920	12,531
2.5 Senior account clerks	Grade 23	26,365	27,740
1 Auditor	Grade 31	14,727	15,487
1 Tax examiner	Grade 30	14,107	14,840

UPGRADE PRESENT JOB

1 Senior auditor	Grade 34 to		
Principal accountant	Grade 36	1,793	1,883

Total personnel requirement		\$107,465	\$111,135
Total cost of administration	\$ 37,440	\$238,065	\$245,075

SB 54 "Tax Abatement Act"

Renters - No problem. Section 10 states that renter applicants must be filed with D. O. T.

Homeowners - following is a breakdown of owned residences. The fourth column is projected eligibility based on estimated owner occupied percentages.

Type	No.	Est. % Owner occupied	Projected Eligible
Detached Single family	76,623	95%	72,792
Townhouse	7,330	95%	6,964
Condominium	3,900	95%	3,705
Duplex	4,451	50%	2,226
Triplex	840	30%	252
Fourplex	8,665	30%	2,600
Apts. 5 units +	30,179	5%	1,509
Mobile homes	21,262	90%	19,136
	Max. potential applicants		109,184

Maximum projected total is assuming that all eligible applicants take advantage of the program.

Sec. 7 Par. 3. States that form must be furnished by the County Assessor "to each claimant.". The numbers above dictate that at least 115,000 forms be printed. Though procedures are not yet planned, we must assume from various sections of SB 54 that it will be necessary to provide copies of the application for: Tax Receiver (Sec. 8 Par. 4), Auditor (Sec. 8 Par. 1), Department of Taxation (Sec. 12) and naturally the original would be kept by the Assessor. The foregoing would necessitate at least four copies and five if a copy were to be maintained by the applicant.

The Personal Property Division recently ordered 5,500 4-copy NCR letter size credit memos for the senior citizens program. Cost of these forms was \$902.83 or \$16.42 per 100. (NCR forms alleviate usage of carbon paper and cuts clerical time spent on each application substantially). Assuming that the applications would be at least letter size, and that the volume of 115,000 applications could earn a 15% discount, the form cost would be: \$16,050.55. Letter size envelope cost is \$18.00 per thousand or \$2,070.00. Use of window envelopes would eliminate the need for address labels or typewritten envelopes if data processing could address the applications. Though postage costs are not directly charged to each department, the postage would nevertheless be charged to the County. The assumption is made that only the application would be mailed and not followed by an additional correspondence. $109,184 \times 15\text{¢} = \$13,507.20$. Breakdown of only material and postage with no labor cost is as follows:

115,000 Applications	\$16,050.55
115,000 Envelopes	2,070.00
Postage 109,184 x 15¢	16,377.60
	<u>\$34,498.15</u>

Labor - Projecting labor cost is probably the most difficult aspect of this program. We have no history on which to base incidents where additional work is required. We do know that approximately 35% of the senior citizens applications are either filed in person (which involves more time than mail apps.) or must be verified, audited or returned to the applicant for one reason or another. We must assume that the form will not be as detailed as the senior citizen application and will be more easily understood. An estimate of 20% of this type of "problem" application is made, or approximately 22,000 applications that will require other than "normal" processing. The majority of these problems can probably be solved by a phone call, but even so we must assume a minimum of 4 or 5 minutes on each call. If 80% can be solved by telephone, then approximately 1200 man hours will be spent on phone calls alone. (160 working days of 7 1/2 hrs.) Average field time per call, including travel, should be about 45 minutes. The number of field calls could run as high as 4,400, which means about 3,300 hours expended (440 work days = 2 full time field auditors)

In addition to insuring that eligible applicants receive applications, the following clerical procedures would probably take place.

1. Applications must be opened, checked for completeness, and date stamped for receipt thereof.
2. Completed apps. would then be checked against ownership rolls, either real property or mobile home. Parcel or decal number would be entered on application.

Applications not deemed calcuable would be referred to audit personnel for phone or field check or returned to applicant for completion.

3. Appropriate information would be forwarded to data processing (either by list or direct entry) for listing and calculations.
4. Original applications would be noted as completed and filed in Assessor's Office.
5. D. P. List would be forwarded to Auditor showing description, name and address or applicant and dollar allowance of each claim.

The above processing seems relatively simple, discounting audit work. However, the problems that arise probably would not be in the complexity of the individual process, but in the numbers involved. Logistics concerning over 100,000 applications of any kind are phenomenal.

Minimum foreseeable man hours involved are detailed below. (Figures assume addressing, folding, stuffing - all premailing done by machine.)

Work days July 1 - Dec. 15 - 114 working days

Estimated time to open, stamp and check for completeness - 30 seconds each.

Estimated time to extract date (parcel or decal no.) and copy -
Minimum under ideal conditions using direct terminal - 20 seconds each
Minimum under ideal conditions using remote terminal - 30 seconds each

Maximum apps. that could be processed from receipt to extration of
information per person per day
 using direct terminal - 500
 using remote terminal - 450

The above figures indicate approximately 220 working days just in the opening, stamping and checking for completeness of 100,000 applications. Note the term "under ideal conditions." That term does not take into consideration any lag in computer response or any other interruption such as inquiries, phone calls, etc. If a quick review is built into the process as the time the processing is initiated, then the man hours spent would increase substantially.

Not including any administrative review, additional labor required would be:

 Clerical - to initiate processing and quick review - est. 1,700 man hours
 to make contact on non-calculable apps by phone - 1,200 man
 hours
 Audit - Field audits and checks on property - 3,300 man hours

Because of the time frames allowed in SB 54 the workload would be concentrated in a 6-month period which would indicate that the normal 230 work day year could not be considered in figuring personnel needs.

There are 114 work days between July 1, 1979 and December 15, 1979.

 Clerical - Minimum of 5 competent clerks (OAI)
 Audit - Minimum of 2 field auditors
 Administrative - One person must be given supervisory control of
 program, will exercise personnel duties and have ultimate audit
 control with program.

Labor costs as follows, include retirement, insurance and N.I.C.
Based on 6 months at entry level, 6 months step II.

5 Office Assistant I - \$11,313.31	\$56,566.55
1 Supervisory Senior Office Assistant	14,638.03
2 Field Interviewers (Auditor) OAIH	
@ 13,098.65	26,197.30
First Year Labor Cost Total -	<u>\$97,402</u>

Data Processing will facilitate implementation of the program and allow us to get by on the number of personnel above. The majority of the calculations would

be done by data processing along with listing and preparation for mailing. Possibility exists that data extraction on application could be done by D. P. Estimated D. P. costs are as follows. Those figures with asterisks are one time costs but are subject to approximately 10% per year maintenance.

Program for mailing applications -	\$750*
Run time for mailing applications -	450
Program for secured roll list and tags -	900*
Run cost for secured roll list and tags -	350
Program to tag mobile home roll -	800*
Run time to tag mobile home roll -	250
Total D. P. cost not including entry	<u>\$3,500</u>

Est. Costs SB 54 1st year of implementation - not including capital-space.

Preparation and mailing of applications	\$34,498.15
Labor	97,402.00
D. P.	3,500.00
	<u>\$ 135,400.15</u>

Clark County

2/2/79sr

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



ARTHUR J. PALMER, *Director*
(702) 885-5627

EXHIBIT D
LEGISLATIVE COMMISSION (702) 885-5627

DONALD R. MELLO, *Assemblyman, Chairman*
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640

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February 20, 1979

Senator Norman Glaser
Chairman of the Committee on Taxation
Senate Chambers

LCO 58

Constitutionality of Senate
Bill No. 204.

Dear Norman:

After several oral discussions, your committee has requested my written opinion upon this point. S.B. 204 covers two areas within its general subject, which is taxation. One of these is the removal of the sales and use tax (and its companions, the local school support tax and the city-county relief tax) from food for human consumption. This presents no constitutional problem.

The other area is the reduction, and abatement of the effect, of property taxes. The reduction of the maximum permissible rate of the property tax to \$4.64 likewise presents no constitutional problem, for it applies uniformly to all classes of property. That portion of the provisions for abatement of the effect of the property tax which provides direct payments to renters (section 6 of this bill) also seems safe from effective constitutional challenge, for there is no provision of the constitution which forbids the legislature to appropriate money for this purpose, and in the absence of such a prohibition, expressed or necessarily implied, the legislature may do as it sees fit. Riter v. Douglass, 32 Nev. 400 (1910), at page 412 et seq.

The only serious objection raised in questions by the committee is that the provision for an allowance to homeowners against their property taxes might contravene the first sentence of section 1 of article 10 of the Nevada constitution, which requires the legislature to "provide by law for a uniform and equal rate of

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assessment and taxation." The questioners suggested that when the allowance of \$1.08 per \$100 of assessed valuation provided to homeowners by section 5 of the bill is applied to the existing tax rate for the locality, the result is the same as if the legislature had provided them a lower rate of taxation.

The first and simplest answer is that the allowance against property tax is only a mechanism which the legislature has chosen for the disbursement to homeowners of their portion of the general appropriation for abatement of the effect of property taxes. So viewed, it stands upon the same footing as the direct payments to renters, and the question of rates of taxation is not involved at all.

The second, more involved, answer is that it is valid despite any incidental effect upon the rate of tax actually paid by the homeowner. An act of the legislature is not rendered unconstitutional merely because its practical effect is the same as would be produced by another statute which would in the form hypothesized, be clearly unconstitutional. In Matthews v. State ex rel. Nevada Tax Comm'n, 83 Nev. 266 (1967), the issue was whether the local school support tax of 1 percent, applied to the same objects of taxation as the sales and use tax of 2 percent, was valid. The legislature could not simply have increased the sales and use tax to 3 percent without a vote of the people, and Justice Collins eloquently argued that the local school support tax had that same effect. The majority, however, held that the form of the local school support tax as a separate law, and its separate purpose, were controlling and the tax was valid. In City of Las Vegas v. Mack, this point was summarily upheld by a unanimous court.

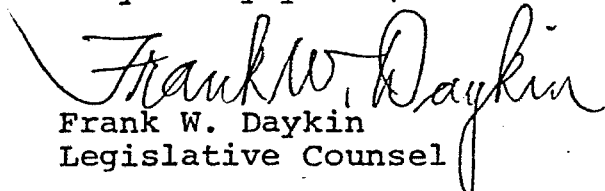
In the present proposal, closely examined, the effect is not quite the same, because the state provides to the local government the revenue which it would otherwise lose by the allowance. As an example, suppose that the total assessed value of taxable property in a particular district is \$6,000,000 and the revenue required for local government is \$240,000. Under S.B. 204, that will be produced by a tax rate of \$4. If half the property is residential, the state will contribute \$32,400 and the owner of business property will pay the \$4 tax rate. If, however, there really were two tax rates which differed by \$1.08, the owner of business property would have to pay a tax rate of \$4.54 (while the homeowner paid \$3.46) to raise the same revenue.

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Neither I nor any other responsible attorney will attempt to guarantee for you the outcome of a lawsuit, but it is my opinion that the chances of successfully defending S.B. 204 are substantially greater than the chances of its being held unconstitutional. The burden, after all, is upon the opponent to overcome the presumption of constitutionality, as Justice Zenoff noted in Matthews.

I do, however, take this occasion to recommend again that if in your judgment public policy requires in effect a difference in the taxes imposed upon residential from those imposed upon other classes of property, you act at this session to initiate a constitutional amendment for this purpose, rather than rely permanently on the technique illustrated by S.B. 204. I believe that such an effort on your part would strengthen your position in defending S.B. 204 as an interim measure.

Very truly yours,


Frank W. Daykin
Legislative Counsel

FWD: smc

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ROBERT LIST, *Governor*

ROY E. NICKSON, *Executive Director*

February 23, 1979

The Honorable Robert E. Price
Assemblyman
Legislative Building
Carson City, Nevada 89701

RE: S.B. 204

Dear Assemblyman Price:

The following interpretation of Section 6 of Senate Bill 204 is submitted in response to the request of Assemblyman Mann.

It is the opinion of the Department of Taxation that all persons who have rented one dwelling or several dwellings for at least six months during a calendar year would qualify for the refund program as provided for in S.B. 204.

Mr. Nickson informs me that this interpretation was discussed in Senate Taxation and they concurred with the opinion.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jeanne B. Hannafin".

Jeanne B. Hannafin
Deputy Executive Director

JBH:mfs