

MEMBERS PRESENT:

CHAIRMAN PRICE
VICE CHAIRMAN CRADDOCK
ASSEMBLYMAN COULTER
ASSEMBLYMAN MANN

ASSEMBLYMAN BERGEVIN
ASSEMBLYMAN MARVEL
ASSEMBLYMAN RUSK
ASSEMBLYMAN TANNER
ASSEMBLYMAN WEISE

MEMBERS ABSENT:

ASSEMBLYMAN CHANEY
ASSEMBLYMAN DINI

GUESTS PRESENT:

See attached list

Chairman Price called the meeting to order for the purpose of hearing testimony on a number of bills. Mr. Price stated at the onset of the meeting that because of the joint meetings that were being held with Senate Taxation on the tax package, he felt that they would not be able to hear each bill. He requested that those people who could not return at another time be heard first. All the bills will be set for another date so that complete testimony can be given on each bill.

Before taking any testimony, Mr. Mann asked for some discussion and direction from the committee regarding the subcommittee that Mr. Bergevin and he were on dealing with the trigger and dettrigger concepts and the spending caps.

Mr. Mann stated that they were presently down to two alternatives on the spending cap for Metro Police Department. One would be to keep them under the spending cap, which would keep them under their budget of \$ 4,000,000 and allow for growth factor. The other would be to put them under the combined city and county's spending cap, which would mean if they wanted to increase they would have to take money from other areas. The cities and counties are coming on strong and suggesting they would much prefer spending caps placed on Metro and let Metro go through the override procedures that they have to go through. What Mr. Mann wanted was some direction of the entire committee as to their feelings on this subject.

Mr. Mann stated that the cities and counties feel "that the sheriff will run the counties, based on the emotional issue of law and order, if they are put under the combined city and county spending cap". The tougher of the two propositions is to hold Metro under a spending cap.

Mr. Price stated that he did not really have to strong feelings one way or the other and added that he felt that perhaps they already had an effective cap in that they have to get their monies from the two entities which would already be under a cap.

Mr. Price stated that he did realize the political implications of the fact that the sheriff is elected and can put political pressure on the county and city commissioners to come up with larger portion of their budget, but maybe that is what the commissioners were elected for. He felt that was an unique situation and that he could probably argue either side of the case.

Mr. Craddock stated that for the sake of the continuity of the package which was held together by the fact the local jurisdictions had input into bringing the budget to where they are today; he felt that once they break that continuity they have problems coming on. He finished by stating that he felt that they should stick with the caps straight across the board.

Mr. Mann stated that the one problem that they didn't foresee was that through the Metropolitan Police Act, they have really neutered the cities and counties in terms of being able to get input as to what the monies are spent for.

Mr. Price inquired whether this could be corrected. Mr. Mann replied that he felt that it was too late in this session to do anything but that it might be addressed in the next session, if needed.

Mr. Mann pointed out that Metro under NRS is considered a local government. If they don't change that it will be under a spending cap and will have the same factors as the cities and counties. They will have the \$34,000,000 that they started with last time plus the growth factor. He added that apparently because of the Metropolitan Police Act that was passed in 1977 the cities and counties are very much restricted to what they can do besides say, "yes, you can have the money".

Mr. Bergevin stated that he had no hard feelings one way or the other but it seemed to him if the county and city does not have enough "backbone" to tell the police department what they can spend he could see no reason why the legislature should be expected to do it.

Mr. Tanner inquired whether Metro was a legal subdivision and Mr. Mann explained that for budget purposes they are, however they do not have to submit their budget to the State Tax Department. Under NRS 354 they are considered a political subdivision unto themselves and it would take an overt act by amending 354 or they will be under a cap.

Larry Ketzenburger, Metro Police Department, stated that it was his understanding, according to Mr. Daykin's interpretation, the Tax Commission has previously ruled that Metro is independent government for the purposes of NRS 354. They have no tax income at all and are dependent upon the city and county for their funding. The budget process is not independent. He felt that perhaps the county and city wanted to be able to tell Metro that they could not fund it as Metro wanted because of the legislature imposed spending cap.

Mr. Craddock stated that he could see nothing wrong with requiring the Metro justifying their expenditures to the city and county and going through the same override process. He added that they also had the public health and safety escape clause that they could use.

Mr. Ketzenburger stated that this was exactly what they were asking, which is to be under the total county and city spending cap so that they could do just that.

Mr. Weise stated that he did not feel that Metro per se could ask for the override but that would have to be done through the county and city.

Mr. Price stated that if Metro was under the same kind of cap as anyone else they would have to go to the county and city to ask for the override and the county and city would have to have the election.

Mr. Mann stated that Metro would have to petition the Police Commission which is the governing body for Metro. The Police Commission would then have to make the arrangements for the election. This Commission is made up of 3 members from both the county and city commissions.

Mr. Jack, City of Las Vegas, stated that the problem they have with putting Metro under the same cap with city and county is the fact that they have the separate Police Commission. This Commission meets once a month. They do approve the budget, but in terms of continuous budget oversight monitoring function, it is not like you would find for a normal city or county commission, where they are intricately involved. The members of this Commission merely vote on the budget and that is the extent of their fact-finding and analysis on the budget. Mr. Jack stated that it really wasn't until this year that they were even able to go behind the figures and look at the funding requests as submitted.

In answer to Mr. Tanner's question regarding who oversaw the budget, Mr. Jack stated that it was the sheriff and his administrators. It was explained that the budget is approved by the Police Commission and taken back to the county and city commission for final approval, but this is merely a formality. Metro has not really had to fight for their funds such as other entities do. There is very little scrutiny or negotiations that go into this budget. The Police Commission has turned down some parts of the budget but the city and county has never turned down anything approved by the Commission. However, it should be pointed out that the Commission has 3 of the 5 city commissioners serving on it.

Mr. Ketzenburger stated that every year since their conception they have had to justify their budget in detail, item by item, to both the city and county. The Police Commission does not take any action on the budget until they have discussed it with their respective commissions. He added that he felt that they have not gotten the budget that they have asked for or should have had. They can understand the bind that the city and county will be if they

have to fund Metro to the extent that they should and thus have to cut back some other funding. If Metro is capped they will be the only police, sheriff, fire etc. department in the state that is capped apart from local government. Metro was created by the legislature and city and county did come up with a consolidation. They have a responsibility to the people of Clark County to get effective law enforcement and that is why they are here fighting to make sure that they get under the cap.

Mr. Craddock pointed out the language in AB 616 which deals with the override by threat to life and property. He pointed out that Police Commission could determine this and go to the Tax Department for the right to override the expenditure cap.

Mr. Price inquired where this money would come from. Mr. Mann replied that the Police Commission has the power to allocate money. Each side (city and county) has to pick up 50% of that amount.

Mr. Price inquired what would happen if the city or county was at its maximum, in order for them to get more money would they have to go to vote of the people. It was stated that they also could use the threat to life and property clause.

Mr. Mann stated that based on the discussion, Mr. Bergevin and he would recommend that Metro be placed under the combined city and county caps. This would require the changing of NRS 354.

Mr. Mann explained that if Metro was under the combined spending cap, if Metro had the money and city and county were already at their limits and they didn't want to juggle funds from other situations but they still wanted to sell a specific Metro program, the city and county would place the program on the ballot for a override on their general budgets with the money earmarked for this program.

The committee had no objections to the recommendation that this subcommittee will make.

SJR 2

Senator Kosinski, sponsor of the bill, stated that this provides for a dual classification system for real property. It is limited to a second tier merely for real property that the owner occupies as his residence. He stated that there has been alot of literature dealing with "horror stories" of other states that have done similar things, but they have merely opened up the classification to the pleasure of the legislature rather than just a second classification as this provisions does.

He added that the Senate felt this was equitable to provide for a lower classification, a lower rate for the owner occupied real property as long as it was limited to that. Most of the testimony against the bill came from the utility and commercial properties. They were concerned that commercial property may find themselves



carrying a larger share of the real property load. This is indeed a problem. A legislature down the road could buckle and provide that commercial property could take a heavier share of the load. Information available to them indicated that presently 60% of the real property roll is commercial and 40% is residential owner occupied property. They stated during their deliberations on the bill that if they had a provision like this now they probably would provide relief similar to that SB 204.

The Senator went on to state that they passed the bill in the hopes that 5 years down the road they would have capability available to establish the lower rate for owner occupied residential property.

Mr. Rusk inquired how this would be made up in that this would propose to lower it in one area. He wondered if Senator Kosinski felt that this was a better approach then direct tax relief.

Senator Kosinski stated that he believed residential property owners should be provided most of the benefit available from the surplus and if they had just enough taxes to provide the exact amount of revenue that was needed and wanted to provide some tax relief for residential property owners it would have to be made up. The point is that this state has large surplus and it would be his believe that relief should go to the citizens of the state and that it should go through the property tax system. He finished by stating that did not feel it was a problem of making up anything.

Mr. Rusk continued by asking what was the need for this now in light of the tax package being developed. Senator Kosinski stated that in 5 years perhaps they may be in the same situation as they are now with the large surplus. This would give the legislature the capability of providing relief to these people.

Mr. Coulter stated that he was rather confused in that the Senate was arguing so ferventing for the constitutionality of SB 204 then why was this measure necessary. Senator Kosinski stated that there was two issues here and the first was that this was requested before SB 204 was developed. The other was that there are a lot of Senators that are not entirely comfortable with SB 204. Legalislative Counsel has indicated that it can be defended but there are many that feel that this approach would be better. He stated that he believes that the residential property owner should be getting most of the benefit from the surplus that has been accruing.

Mr. Bergevin questioned why the property owners should get the biggest benefit from this when business people are paying 60% of this tax. They are already subsidizing many of the services that the property owner receives. This would place an additional burden on business. He stated that he felt that this additional burden would simply be passed back to the consumer, the very same property owner.

Senator Kosinski stated that he felt that nothing that was being proposed would put any additional burden on the business community. He saying that if there are some benefits to be given it should go to the the residential property owner. He stated that he felt that business in the state was in an extremely favorable tax position and business climate.

Mr. Craddock pointed out that Sierra Pacific Power paid \$118,000 in interest on taxes that they paid before they got it back through increased rates. To place an inproportionate amount of the tax burden upon the utility companies in effect authorizes the utility money to make additional money by way of interest on the money that they used to pay the taxes. People pay taxes, not hotel buildings or power lines.

Senator Kosinski stated that if they gave relief to Sierra Pacific and about 50% of their revenue comes from commercial users, still only 50% of the benefit will get back to residential property owner. He stated that he was not sure that this relief is reflected to everybody but rather is higher profit to a few.

Mr. Mann stated that he has supported the concept of this bill for a long time but it is beginning to seem to him that they have to place some extreme interest towards business. Many people have felt that they have to diversify and one of the reasons that they can diversify is the agreeable taxing situation in this state. He stated that he feared that if they pass this business could be picking up a larger burden of the taxes and thus make it unfairable for new business to come into the state. The whole concept of equal taxation with everyone in a state carries a great deal of weight in terms of satisfying the total needs of everyone. This bill does not mean the legislature actually has to do this but it would make future legislatures able to do it.

Orland T. Outland of Reno, representing himself, spoke in support of AJR 4 and SJR2. His statement is attached to these minutes as Exhibit A.

AB 709

Assemblyman Jack Jeffrey, sponsor of the bill, spoke in support of the bill. He stated that it can as a result of a request from the Moose Lodge. In the past most organizations have been exempt from sales tax. The previous Attorney General gave an opinion that said that the Moose Lodge was not eligible for the tax exempt status for the goods that they bought. Some of these charitable organizations are tax exempt and some aren't. It depends on how open their operation is to the general public and similar things. The main part of the opinion was that there wasn't enough of the gross profits that went to charity. They were told, informally, that 75% of the gross profits had to go to charity. Mr. Jeffrey stated that this was virtually impossible, even for a church. Mr. Jeffrey stated that the figure in the bill was really an arbitrary figure that he had picked and he would not be adverse to it being changed. However, the important part was to change

this from gross to net profits. It had been determined by the Legislative Counsel that this would have to go to a vote of the people as it deals with sales and use tax.

Mr. Jeffrey continued by stating that on line 21-23 on page 2 the part that was bracketed was not asked for but he would assume that this was not needed because of the definition of charitable organization.

Mr. Marvel stated that he felt it ought to remain in the bill and Mr. Jeffrey stated that he would have no objections to that at all. He felt that if it were on the ballot that way that it may defeat the whole thing as it may indicate the the door was open and it was not his intention to do that.


Mr. Jeffrey stated he felt most organizations had been operating this way but the reason that the Moose Lodge had become alarmed was because the Tax Commission said that other organizations would have to go back 8 years and pick this tax up. In the particular case of the Moose Lodge they have only been in existence for 2 years. This could be a real burden on some of the others that have been in existence longer.

Mr. Marvel inquired who asked for the AG's opinion. Mr. Jeffrey stated that he was not aware of who, but that he would assume that it came from the Tax Department.

Mr. Marvel inquired how many organizations this would effected. Jeanne Hannifin of the Tax Department stated that she was not aware of any. She added that she was not sure whether the request was one directly to the AG's office or whether the Department had asked for it.

Because of the time limit, Chairman Price stated that all of the bills would be held over until another meeting, and he adjourned the meeting.

Respectfully yours,


Sandra Gagnier
Assembly Attache

ASSEMBLY TAXATION COMMITTEE
GUEST LIST

Date: 4/17/79

NAME	REPRESENTING	WISH TO SPEAK	
		YES	NO
<i>Robert T. Lutens</i>	<i>Sally</i>	<i>Y</i>	<i>NR4</i>
RICHARD BENNETT	Volunteers of America	<i>Y</i>	<i>SB 5612</i>
<i>Steve ...</i>	<i>...</i>		
<i>James E. ...</i>	<i>...</i>		
JOHN MILLER	NEVADA BELL	<i>Y</i>	<i>NR4</i> <i>NR2</i>
STAN WALKER	NEVADA BELL	<i>Y</i>	<i>NR4</i> <i>NR2</i>
E.R. Newton	NTA		<i>NR4</i> <i>NR2</i>
Bill KAISER	SIZYA Pacific Power CO	<i>Y</i>	<i>NR4</i> <i>NR2</i>
GORDON ELIASON	CONTINENTAL TELEPHONE SERV. CORP		<i>NR4</i>
BERNARD HIESCH	CENTRAL TELEPHONE CO.		<i>NR4</i>
RICHARD STITES	SOUTHWEST GAS CORP.		<i>NR4</i>
CHUCK KING	CENTRAL TELEPHONE	<i>Y</i>	<i>NR4</i> <i>NR2</i> <i>NR3</i>
JOHN GIANNOTTI	HAWAII		<i>SB226</i>
Larry Ketzenbarger	Metro Police Dept. - Clark City		
RON JACK	City of L.V.		

REMARKS BY MR ORLAND T OUTLAND
2675 Valmar Place, Reno, NV, 89503
BEFORE THE ASSEMBLY COMMITTEE ON TAXATION
CONCERNING A. J. R. 4
ON APRIL 17, 1979

Exhibit A

EXHIBIT A

Mr. Chairman, gentlemen of the committee, first I wish to thank you for the opportunity to appear before this committee to offer some personal, lay opinions concerning the proposed joint resolution.

I appear before you as an individual, representing no specific group. I am a homeowner taxpayer, and although the views I express here today are my own, they have found considerable support among the hundreds of people I have talked with on the subject.

For many, many years, public finance managers and others concerned about methods of raising money to finance the operations of government have puzzled over the inequities of property taxation as a method of public funding. In our State, in 1974, the Public Finance Committee of the Blue Ribbon Task Force on Growth and Development (Reno, Sparks, and Washoe County) raised some questions as to whether the property tax were equitable. In some areas of the country residential property taxes are rising more rapidly than family incomes; retirees on fixed incomes are especially burdened by this imbalance.

In the period 1967-1977 property taxes on a national average rose 136%. In some cases property taxes on residences are virtually confiscatory. In a nationwide 1977 poll, 33% of respondents named local property taxes as the "least fair" of all taxes; from that base you have seen the Proposition 6 (or 13) syndrome develop. Property taxes nationwide are increasing \$5 billion a year. One tax assessor stated that people have to face the reality they can't afford their own homes anymore; others have expressed the same view. What security, then, does an individual have? Where is the American dream

of owning one's own home so that the last years of one's life is not spent EXHIBIT A
on the public dole? Are we to place ourselves at the mercy of those land-
lords who plague their renters with ever-increasing rents, especially when
property changes hands creating ever higher capital investment bases?
Are we to return to the system of the county poor houses where people who
can no longer afford to pay taxes or rent live in ghettos subject to the
fickle generosity of the taxpaying community? I believe both you and I
would deplore any regression to such a miserable system. Yet that very
threat faces many retirees today.

Some in the business community advance the argument that all property
should be assessed at an equal rate because if business had to pay a larger
share, the consumer would then be forced to pay more for goods and services
through increased costs. What this argument fails to take into consideration,
or totally ignores, wilfully or otherwise, is that the consumer has an option
in many cases as to whether to buy an item or not, depending upon the cost.
Business property is established to generate a profit and to create income.
There are certain loadings, overhead charges, taxes being one of them, that
have to be taken into consideration when making up the price of a product or
service. In establishing the price or fee the burden of the tax is diffused
among the number of units sold or serviced. If the developed cost is too
high, the option remains with the consumer not to buy. In the case of resi-
dential property tax, the consumer, or the residential homeowner, has no
choice if he is taxed; the tax is there and he must pay it or forfeit his
property. Whereas in purchasing an item that is loaded for overhead, one has
the freedom of choice to decide whether or not to pay the added cost. All
consumers may not consume all the same items. As an example: I, for one,
would not pay \$4,000.00 for a wrist watch; there may be any number of you who

would do so eagerly; personal economics would bear on the choice.

EXHIBIT

Furthermore, in many cases, the residential homeowner is a retiree and is a consumer of reduced circumstances and also a consumer of reduced proportion. He is not generating income any longer; in fact he is living off retired income, or perhaps off accumulated capital that has been put to work and his retirement income may be coming to him in the form of dividends. But the residence of such an individual is not income-producing, it is not a profit making entity!! It is, in effect, as far as that facet is concerned, fallow property because it does not produce or generate income such as business property does. To assess property on the basis of its potential worth where there is no source of income to pay for that assessment is to confiscate property and dispossess its tenants. To continue the present system of a uniform rate of assessment and taxation could result in just that: State confiscation of property and dispossession of its citizens.

There must be a different rate of assessment for the residential homeowner and not a deferment of tax, either. Tax deferment constitutes a lien against the property; clouds the title; complicates property transfers to heirs, with the risk of making such transfers unlikely; and sets the spectre of forced sales at less than fair market value in order to pay accumulated taxes, thus depriving legitimate heirs their proper birthright. Consider this: a person retiring at age 65, paying \$700.00 a year in taxes which are deferred until his death or a transfer of the property, dies at age 80, leaving behind a tax lien against his property of \$10,500.00. His heirs would have to have that dollar amount of cash liquidity to obtain clear title to their inheritance.

I urge the strongest possible favorable consideration of this section of the proposed constitutional amendment set forth in Section 1 of A. J. R. 4.