

PRESENT: Chairman Norman Glaser
Vice-Chairman Floyd Lamb
Senator William Raggio
Senator Carl Dodge
Senator James Kosinski
Senator Don Ashworth
Senator Mike Sloan

Mr. Ed Shorr, Fiscal Analyst

GUESTS: Mr. Frank Daykin, Legal Counsel, Legislative Counsel
Bureau
Mr. Marvin Leavitt, Representing City of Las Vegas
Senator William Hernstadt, Sponsor S.B. 160
Mr. Henry Etchemendy, City Manager, City of Reno
Ms. Helen G. Prioda, Administrative Assistant to
Manager, City of North Las Vegas
Mr. Ben Bartlett, Engineer, City of Fallon
Mr. G.P. Etcheverry, Nevada League of Cities
Mr. Robert Sullivan, Carson River Basin Council
of Governments Representative

The meeting was called to order at 2:15 p.m. on February 15, 1979, in Room 213, with Senator Norman Glaser in the Chair.

S.B. 204

"Proposes to remove sales and related taxes from food and provides tax abatement for certain homeowners and renters."

Chairman Glaser advised that prior to the scheduled hearing on S.B. 160, he asked Mr. Daykin to comment on Senate Bill 204. Mr. Daykin stated that in preparing S.B. 204, and the earlier S.B. 54, there were inadvertently introduced into the language, four substantive changes which were not intended. Mr. Daykin stated that the following changes should not have been carried forward into S.B. 204: Sections 372.145, 372.370, 372.510, 372.570. Consecutively, Mr. Daykin stated that these sections dealt with, provision for padlocking businesses delinquent in Sales and Use Taxes; reduction of commission to merchants for Sales and Use Tax from 2% to 1%; provision for maximum security bond to be \$30,000 from \$10,000; and, lien applicable for ten years rather than five years.

In regards to the "self-destruct" clause of S.B. 204, Mr. Daykin stated that now that S.B. 204 included the exemption of sales tax on food, the wording on the referendum would have to include an expiration by limitation in the event that Proposition 6 passes, so if the public votes for the exemption of food from the Sales and Use Tax law, they will also be voting for the expiration of that exemption in case the property tax is reduced pursuant to Question 6.

Mr. Daykin also said that Subsection 3 of the last section of S.B. 204 would have to be revised so that it doesn't purport to be the entire act expiring by limitation, but only those sections which deal with local school support and property taxes. Mr. Daykin said that as suggested by Mr. Roy Nickson, Tax Commission, a transitory section should also be included in the bill which prescribes the date for claiming those benefits for the first year. After the first year, Mr. Daykin continued, the process goes according to the schedule outlined in the bill.

Senator Dodge brought up the matter previously discussed of trying to manufacture a suit for the Supreme Court, in order to obtain a writ of mandamus. Mr. Daykin replied that it would be possible to produce this by administrative transitory provisions, as it was done in 1967 with the Local School Support Tax.

S.B. 160

"Prohibits counties, cities and towns from imposing certain license taxes on public utilities."

Mr. Marvin Leavitt, representing the City of Las Vegas, distributed a handout showing the amount of the Utility Franchise Taxes levied by the City of Las Vegas, (See Exhibit "A"). Mr. Leavitt stated that the City of Las Vegas and the Nevada League of Cities oppose Senate Bill 160. Mr. Leavitt said that this has been a reasonable good growth tax, but not outside the range of the growth of many other taxes, and sometimes has been substantially less. He also said that in the mid-1960's, an initiative was passed by the voters that would grant the firefighters a monthly increase across the board of \$144.00. The City Commission, Mr. Leavitt said, levied an additional 4% tax on utilities (there already existed a 1% tax on utilities) as a means to collect the revenue to fund the salary increase. Mr. Leavitt said that if the tax were removed, it would mean a revenue loss to Las Vegas of approximately \$3.6 million in the coming year.

Mr. Leavitt said to Senator Dodge that he would be opposed to an absolute "cap" being placed on the tax collection, but the commissioners would rather have a "cap" than no utility revenue at all.

Senator Hernstadt, supporter of S.B. 160, said that he considers any tax on items such as power and gas as "obnoxious" as the sales tax on food. The Senator felt there was a certain amount of hypocrisy on the part of the cities in that they were using city funds to negate

S.B. 160 (Cont.)

power increases, yet were "salivating" on the idea that as power revenues increased, so would the amount of revenue received from the franchise taxes.

Mr. Henry Etchemendy, City Manager, City of Reno, concurred with Mr. Leavitt in his opposition of S.B. 160, and said that this was a long-standing revenue source and there didn't seem to be any real reason for eliminating it. Senator Dodge said that the rationale for the legislation was that as power costs escalate, the tax escalates and citizen' problems in paying their power bills are compounded. Mr. Etchemendy said that he understands this situation, however this amounts to a significant revenue for their general fund budget and the city commissioners would like to be able to depend on it in the future.

Ms. Helen G. Prioda, Administrative Assistant to the City Manager, City of North Las Vegas said that she also was opposed to S.B. 160. She also commented that if this revenue were removed, it would affect the federal revenue sharing program which considers the local entity taxing efforts. She said that approximately \$500,000.00 of their job fund revenue comes from the utility franchise fees, which amounts to about 5.5% of the total \$9 million revenue.

Mr. Ben Bartlett, City Engineer, City of Fallon said that his area is also against S.B. 160, as the utility tax revenue means about 2% of their total budget. Mr. Bartlett also said that this that is one of the few that escalates with inflation, and results in an average annual income of \$10,000 for their local entity.

Mr. G.P. Etcheverry, Nevada League of Cities, said that almost every city in the State has responded negatively to the fiscal impact of S.B. 160 to their own individual governmental units.

Chairman Glaser also read into the record a telegram from Humboldt County expressing their opposition to S.B. 160, (See Exhibit "B").

Mr. Robert Sullivan, Carson River Basin Council of Governments representative, stated that although the figures for his areas are much smaller, the funds are given to the schools, and are extremely necessary to the operating budgets.

S.B. 65 -- Exhibit "C"

Chairman Glaser commented that in previous testimony it was pointed out that insecticides and pesticides should be treated the same as fertilizers, so the bill could be passed out of Committee with the effective date on the next General Election, or it could be amended to be considered if a Special Election were called in June, 1979.

Senator Raggio said that the fiscal note on S.B. 65 is so small that it doesn't warrant the process of placing the issue on the ballot.

Senator Raggio moved for "Indefinite Postponement" on S.B. 65.

Senator Sloan seconded the motion.

The motion carried. Senators Dodge, Glaser and Don Ashworth voted "No".

Chairman Glaser asked that the Committee members remain after adjournment for an informal discussion on the various tax proposals.

There being no further scheduled business, the meeting adjourned at 2:55.

Please see Exhibits "D", "E", and "F", for handouts used in the tax workshop.

Sheba L. Frost
Respectfully Submitted By:
Sheba L. Frost, Secretary

Norman Glaser
Approved By: Senator Norman Glaser,
Chairman

Utility Franchise Taxes
Levied by the City of Las Vegas

The City of Las Vegas levies a tax on the public utilities that provide service within the city. This tax is 5% gross receipts. One percent is included within the rate structure and 4% is added as a separate item to each customer's utility billing each month.

The following schedule shows revenue from this tax for the year indicated.

<u>Year</u>	<u>Amount</u>	<u>Percent increase</u>
1974-75	\$1,978,652	
1975-76	2,276,810	15.07
1976-77	2,536,878	11.42
1977-78	2,790,681	10.00
1978-79	3,200,000	14.67

MAILGRAM SERVICE CENTER
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MAILGRAM
ESTABLISHED 1954

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7026235081 MGM IDMT WINNEMUCCA NV 105 02-13 0732P EST

EXHIBIT "B"

HONORABLE NORMAN GLASER
CHAIRMAN SENATE COMMITTEE ON TAXATION
LEGISLATIVE BLDG
401 SOUTH CARSON
CARSON CITY NV 89701

REGARDING SB160 UTILITY BUSINESS LICENSE AND FRANCHISE TAX

BASED ON 1978 REVENUES LOCALLY, THIS BILL WOULD REDUCE COUNTX REVENUE BY ABOUT \$52,865 AND CITY REVENUE BY ABOUT \$46,298 OR AN OVERALL REDUCTION OF \$99,064. IF THERE WERE ROOM IN THE AD BLOREN TAX TO MAKE UP FOR THE LOSS, IT WOULD TAKE ABOUT 25 CITY PENNIES AND ABOUT 7.5 COUNTY PENNIES. THE CURRENT COMBINED RATE BEFORE ANY QUESTION 6 OR OTHER REDUCTIONS IS \$4.88.

BOARD OF COUNTY COMMISSIONERS
HUMBOLDT COUNTY, NEVADA
PETE BENGOCHEA, CHAIRMAN
SAMMYE UGALDE, MEMBER
ALAN BECK, MEMBER

1934 EST

MGMCOMP MGM

S. B. 65**SENATE BILL NO. 65—COMMITTEE ON TAXATION**

JANUARY 19, 1979

Referred to Committee on Taxation

SUMMARY—Provides for submission at next general election of question proposing exemption of agricultural insecticides and herbicides from Sales and Use Tax Act. (BDR 32-242)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: Yes.

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

AN ACT relating to taxation; providing for the submission to the registered voters at the general election in 1980 of the question whether the Sales and Use Tax Act of 1955 should be amended to exempt agricultural insecticides and herbicides from those taxes; contingently creating similar exemptions from certain analogous taxes; and providing other matters properly relating thereto.

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

- 1 SECTION 1. At the general election on November 4, 1980, a pro-
2 posal must be submitted to the registered voters of this state to amend
3 the Sales and Use Tax Act, which was enacted by the 47th session of
4 the legislature of the State of Nevada and approved by the governor in
5 1955, and subsequently approved by the people of this state in the
6 general election held on November 6, 1956.
- 7 SEC. 2. At the time and in the manner provided by law, the secre-
8 tary of state shall transmit the proposed act to the several county clerks,
9 and the county clerks shall cause it to be published and posted as pro-
10 vided by law.
- 11 SEC. 3. The proclamation and notice to the voters given by the
12 county clerks pursuant to law must be in substantially the following
13 form:
- 14 Notice is hereby given that at the general election on November
15 4, 1980, a question will appear on the ballot for the adoption or
16 rejection by the registered voters of the state of the following pro-
17 posed act:
- 18 AN ACT to amend an act entitled "An Act to provide revenue
19 for the State of Nevada; providing for sales and use taxes; providing
20 for the manner of collection; defining certain terms; providing

Original bill is 3 pages long.
Contact the Research Library for
a copy of the complete bill.

\$5.00 RATE	CURRENT RATES	GOVERNOR'S PROPOSAL		PROPOSED REBATE	
		REDUCTIONS	NEW RATE	REDUCTIONS	NEW RATE
<u>BOULDER CITY</u>					
STATE RATE	\$.2500	\$< .2500>	\$.0000	\$< .2500>	\$.0000
COUNTY RATE	1.1305	< .1100>	1.0205	< .1100>	1.0205
CITY RATE	1.1970	—	1.1970	—	1.1970
POOL & LIBRARY	.2202	—	.2202	—	.2202
SCHOOL RATE	2.2023	< .7000>*	1.5023	—	2.2023
TOTAL COMBINED	<u>\$ 5.0000</u>	<u>\$<1.0600></u>	<u>\$ 3.9400</u>	<u>\$< .3600></u>	<u>\$ 4.6400</u>
			HOMEOWNER'S REBATE	< 1.0800>	
				<u>\$ 3.5600</u>	
\$4.38 RATE					
<u>GARDNERVILLE TOWN</u>					
STATE RATE	\$.2500	\$< .2500>	\$.0000	\$< .2500>	\$.0000
COUNTY RATE	.6400	< .1100>	.5300	< .1100>	.5300
TOWN RATE	.9200	—	.9200	—	.9200
T-C WATER CONSERVANCY	.0040	—	.0040	—	.0040
MOSQUITO ABATEMENT	.0548	—	.0548	—	.0548
SANITATION DIST.	.4000	—	.4000	—	.4000
SCHOOL RATE	2.1200	< .7000>*	1.4200	—	2.1200
TOTAL COMBINED	<u>\$ 4.3888</u>	<u>\$<1.0600></u>	<u>\$ 3.3288</u>	<u>\$< .3600></u>	<u>\$ 4.0280</u>
			HOMEOWNER'S REBATE	< 1.0800>	
				<u>\$ 2.9480</u>	

*SCHOOL RATE REDUCED BY \$1.00 BEGINNING FY 1980-81

REPEAL OF THE SALES AND USE TAX ON FOOD

The League of Women Voters of Nevada supports passage of SB 32 repealing the sales tax on food. An increasing portion of a Nevadan's total expenditure goes toward food. Inflation has a greater impact on food than on most other commodities. The recent monthly increase in the Consumer Price Index of 1.3% reflects the unprecedented and frightening monthly increase of 14% for meat alone.

Yet meat is the major source of protein available to the consumer, and protein is necessary for that consumer's health. At \$1.39 per pound for hamburger the taxpayer shells out another 5¢ in tax.

Persons on low or fixed incomes feel increases in the price of food the most. Food is necessary for life and must be bought no matter what the price. It is when price increases for the necessities of life, such as food, shelter and medicine, are greater than the increases in prices of other commodities that the poor get poorer.

Yet it is not only the poor and the retired that feel the impact of inflation and taxes on their income. While the average wage-earners income is slated to rise by 7%, inflation is projected to increase by more than 10%, and the price of food will increase by even more.

The sales tax on food currently contributes approximately 4.5% of the State general fund. Of the 3.5¢ sales tax, 1.5¢ goes to school districts and political subdivisions. The League qualifies its support of the repeal of the sales tax on food to the extent that losses in tax revenues to the school districts and cities and counties be reimbursed. Were these lost revenues made up from the general fund, the League feels all citizens would benefit from the repeal of sales tax on food.

BALLPARK FIGURES

	<u>1979-80</u>	<u>1980-81</u>
1. STATE FUNDS	\$ <u>96,460,000</u>	\$ <u>128,030,000</u>
2. GOVERNOR'S PROPOSAL		
State Impact -		
Governor's Estimate	\$ <88,790,000>	\$ <120,632,000>
Local Gov. Impact	\$ -----	\$ -----
3. REBATE PROPOSAL		
State Cost	\$ <85,800,000>	\$ <99,000,000>
Local Gov. Cost	<3,400,000>	<4,000,000>
	\$ <u><89,200,000></u>	\$ <u><103,000,000></u>
4. QUESTION #6		
Assuming in Effect 79-80	\$ <75,200,000>	
State and Local	<u><75,200,000></u>	
5. EXEMPT HOUSEHOLD PROPERTY		
State	\$ <264,000>	\$ <304,000>
Local Government	<3,611,000>	<4,153,000>
	\$ <u><4,875,000></u>	\$ <u><4,457,000></u>
6. REAL PROPERTY TRANSFER TAX		
State	\$ <2,500,000>	\$ <2,750,000>
Local Government	2,500,000	2,750,000
	<u>- 0 -</u>	<u>- 0 -</u>
7. COUNTY GAMING TAX		
State	\$ <2,700,000>	\$ <2,900,000>
Local Government	2,700,000	2,900,000
	<u>- 0 -</u>	<u>- 0 -</u>
8. CREDIT FOR TRADE-IN		
State	\$ - 0 -	\$ <2,175,000>
Local Government	- 0 -	<363,000>
	<u>- 0 -</u>	\$ <u><2,538,000></u>
9. SALES TAX OFF FOOD		
State	\$ <20,500,000>	\$ <24,000,000>
Local Government	<3,400,000>	<4,000,000>
	\$ <u><23,900,000></u>	\$ <u><28,000,000></u>
10. CHILD WELFARE APPROP.		
State	\$ <220,000>	\$ <220,000>
Local Government	220,000	220,000
	<u>- 0 -</u>	<u>- 0 -</u>
11. COURT RECORDS INFO.		
State	\$ <3,500,000>	\$ <2,700,000>
Local Government	3,500,000	2,700,000
	<u>- 0 -</u>	<u>- 0 -</u>