

The meeting was called to order at 2:00 p.m. on Tuesday, March 20, 1979 in Room 213 with Senator Norman Glaser in the Chair.

PRESENT: Chairman Norman Glaser
Senator Jim Kosinski
Senator Mike Sloan
Senator Don Ashworth
Senator Carl Dodge
Senator William Raggio

Ed Schorr, Fiscal Analyst

ABSENT: Vice-Chairman Floyd Lamb

GUESTS: John Miller, Nevada Bell
Chuck King, Central Telephone Company
Ernest Newton, Nevada Taxpayer's Association
Bill Kaiser, Sierra Pacific Power Company
Senator Cliff McCorkle (S.B. 204)
Carl Soderblom, Nevada Railroad Association
Gary Milliken, Clark County Assessor's Office
William Hammond, Las Vegas Convention Authority
Andrew Grose, Legislative Counsel Bureau (S.B. 204)
Jim Shields, Nevada State Education Association

The Committee discussed the possible problems of double exemption in relation to S.B. 162 and S.B. 204 and decided to hold S.B. 162 until the issue is resolved. Senator Ashworth entered into the record a letter from Mr. Joseph Brown, Attorney at Law, (see Exhibit "A") concerning clarification of the wording of Line 8 of S.B. 162. Mr. Brown's letter states that it might be interpreted that the owner would not be entitled to the exemption since he is not operating the unit and the wording should be changed to "owned and operated".

S.J.R. 2 - Proposing to amend the Nevada constitution to require two-thirds vote in each house of legislature to pass certain tax bills and to permit legislature to provide separately for assessment of taxes on certain residential real property.

S.J.R. 15 - Proposes to amend Nevada constitution to permit legislature to provide separately for assessment of taxes on different classes of real property.

Mr. John Miller, Administrative Manager for Nevada Bell stated that the bills would erode the tax base of Nevada and would conceal taxes in the price of goods and services provided. Mr. Miller said that it would appear that residential property owners would benefit from S.J.R. 2 and S.J.R. 15 but once the bills are put into effect they would actually be deprived of the government services their tax dollars had already paid for.

S.J.R. 2 & S.J.R. 15 - (Cont.)

Mr. Miller stated that there is a need for stringent control on future tax increases.

Senator Raggio asked Mr. Miller how the split-role assessment would affect bond sales? Mr. Miller responded that when the tax rate is reduced to residential property it has to be "picked up" somewhere else, usually in the business community. Mr. Miller entered for the record a copy of Rolland Hatfield's speech dealing with Minnesota's experience with classification of property (see Exhibit "B").

Senator Raggio stated that Nevada already has a split-role assessment of sorts (Green-Belt area) which didn't affect the bonding capacities. Mr. Miller replied that the Green-Belt area is more a function of the land's use and income producing ability than a strict classification by type of property.

Mr. Chuck King, representative for Central Telephone, stated that S.J.R. 2 and S.J.R. 15 would be discriminatory and would lead to higher taxes for business and homeowners.

Mr. Bill Kaiser, Accountant for Sierra Pacific Power Company, stated that he is opposed to S.J.R. 2 and S.J.R. 15 for the same reasons stated by Mr. Miller and Mr. King.

Mr. Ernest Newton, Nevada Taxpayer's Association, stated that primarily residential communities are subjected to bonded debts and, in turn, their tax bases would be eroded by the lowering of the assessment ratio for that particular community. Mr. Newton stated that tax administrators in other states are uniform in their objections to split-role classifications in that it is a method of "hiding" tax impact. Mr. Newton said that the classification of agricultural areas is basically a difference in using the market value approach primarily because the land has no particular definite market value which can be determined.

Senator Dodge asked whether there is any value in using a differential system to test whether property is income producing or non-income producing? Mr. Newton responded "no" and said that taxes are paid on homes in relation to services provided. Senator Dodge questioned whether the spending "cap" would offer adequate protection against undue escalation of homeowner's tax? Mr. Newton stated that either version of the spending "cap" will have a considerable favorable impact on all taxpayers. Senator Dodge asked Mr. Newton if he thought it would be a better idea to assess property each year rather than every five years? Mr. Newton responded that he thought it would be better and could probably be done without a bill being introduced.

S.J.R. 2 & S.J.R. 15 - (Cont.)

Senator Kosinski stated that it is not a question of raising the tax rate for commercial taxpayers but that of lowering the tax rate for the residential taxpayer.

Mr. Carl Soderblom, Nevada Railroad Association, stated that he is opposed to the "classification portion" of S.J.R. 2 and S.J.R. 15. He said the only justification for the classifications is that of "trying to write a cure-all for an illegal practice that has been handled in those particular states". Mr. Soderblom entered, for the record, a copy of Rolland Hatfield's speech dealing with Minnesota's experience with classification of property (see Exhibit "B").

* * * * *

S.B. 204

Senator Cliff McCorkle gave the following testimony in regard in S.B. 204 as "concepts for possible changes in S.B. 204":

Senator McCorkle followed his handout (see Exhibit "C") with discussion being dispersed intermittently.

Senator McCorkle said, "There appears to be only two possible definitions of rent: one is to accept a gross rent which will include all utilities, fuel, furnishings, etc., which are part of the rent and to base a tax rebate on that gross amount. The second choice is to define rent as net rent, which excludes utility, fuel, and furnishings. Obviously the more accurate for tax rebate purposes is net, but an allocation between gross and net would be very difficult. If rent rebate is to be granted at all, perhaps the easiest way to do it is to require rental receipts from the renter which include a statement by the landlord as to what the gross and net rents are..."

Senator McCorkle said that the bottom line on this matter is that although he doesn't have a good answer, he does know the way it is set up now, it won't do the job. He said that the problems in allocation between net and gross rent are one of the arguments in not having rent rebates at all. He said the administrative problems inherent in rent rebates are a great reason not to have them.

Senator Don Ashworth asked Senator McCorkle why gross rent didn't solve the problem, and Senator McCorkle replied if the gross rent is used, then a person is receiving a tax rebate on his electric bill. Senator Ashworth replied that in order to alleviate the problems raised, from an administrative viewpoint, that it would be best to go with a gross rent rather than with a net rent. It was also noted that although there were some inequities in using a gross rather than a net, they would be outweighed by the ease of administration.

Senator Dodge said that perhaps the 4.9% is not enough and it is being discounted to wipe out the utility cost. Senator McCorkle replied that if the 4.9% is used to equalize the potential inequity between gross and net, if it is reduced to some other figure in an attempt to take away the disadvantage of taxing the gross because it is a greater rent than should be taxed, then there is a problem of some people paying a gross rent and some people paying a net rent. He pointed out that some people do not pay utilities in their rent, and asked if it is fair to give the people who pay a greater benefit?

Senator McCorkle said one possible solution was to take utilities and furnishings as an arbitrary percentage factor. Senator McCorkle said that even if the procedure is arbitrary, allocating a percentage for each factor within a rent, it may be the best answer. He said his question is whether this should be done by taxation or by legislation.

Senator McCorkle then brought up his second issue; page 2, line 8, relating to a person who has owned or maintained a home as his primary residence for six months. He read from Exhibit "C" relating to the requirement of six months residency for a renter saying he does not think it is fair for a homeowner who may not have recently moved into the community and who may have a substantial investment in the property. The tax rebate should be figured on a pro rata basis; if he has lived there only thirty days, he should be entitled to 1/12 of the normal tax rebate. There was discussion on this issue with sentiments expressed for both sides of the question--that a homeowner should be entitled to a rebate on a pro-rated basis no matter how long or short a time he has lived on his property, and that it would create problems in local assessments, and that there would be a problem associated with the transiency prevalent in the state. Senator Dodge noted that the equities outweigh some of the problems of administration if a person doesn't get a benefit because he isn't in residence as required the first year because he will be in permanent residence in the future and he will ultimately get the benefit.

Senator McCorkle said that if there was concern about a break-off point, the burden could be placed on the title officers in a title company, who could pro-rate the change of title and then file a report with the Department of Taxation.

Senator McCorkle brought up his third question about the renter's rebate of 4.9%. He said he supports the concept of a tenant being entitled to some rebate because part of his rent does go toward paying taxes. But he said, there is nothing to keep the landlord from raising the rent to eliminate the rebate the renter received. Senator McCorkle stated if market competition is going to dictate rent amounts, then give the rebate to the landlord and look to him to refund the money. The Senator continued and said

if the landlord does not voluntarily give the rebate, and the renter doesn't realize an economic gain, why finance the administration of such an expensive program.

Senator Don Ashworth said he did not agree with Senator McCorkle's analogy. Senator McCorkle also questioned the use of the 4.9% as the proper rebate percentage, see Exhibit "D", and explained his version of what rate should be applied. Senator Dodge said that the rebate rate has already been reduced from 6.8% in the original proposal to 4.9% due to narrowing the sales tax base. Mr. Ed Shorr said this percent was achieved by dividing the \$1.44 of the ad valorem tax (1.08 + .36) by five and multiply by 17% (the percent used in the Senior Citizen's program to determine the portion of rent which is attributed to property tax).

Senator McCorkle asked if the .36¢ is included in the 4.9%? Mr. Ed Shorr, Fiscal Analyst, said yes, but it is not included in the \$1.08. Senator McCorkle said that there will be a real tax savings by changing the percentage to any lower amount.

Senator McCorkle also said that the C.P.I. reference in the bill should be at least a Western C.P.I. and preferably a Nevada C.P.I. estimate. Senator Sloan asked what was the major difference between a national C.P.I. and a local estimate? Senator Dodge said that a San Francisco metropolitan C.P.I. is used quite often, and it might be higher than the national. Senator McCorkle said that his point is that if there is any entity smaller than the national figures, it should be used.

Senator McCorkle said that his final point is that each component of a tax reform measure should be allowed to stand independently and on its own merit. Senator Dodge said that the only problem with severability is if the court declares part of the bill unconstitutional, and the remainder of the bill is still operable, the maximum tax relief is not being offered with the total dollars.

Chairman Glaser asked the Committee to consider Senate Bill No. 309. Senator Sloan suggested that this bill be held for consideration at a later date, as Senator Wilson, the sponsor of this bill, was awaiting the outcome of Assembly Bill No. 68, before requesting further action.

S.B. 204

Mr. William Hammond, Las Vegas Convention Authority, stated that he wanted to determine how taxes such as room taxes, and how gaming taxes collected for Fair and Recreation boards would be considered in lieu of the tax package legislation, (Page 7, Line 48 of S.B. 204). Senator Dodge asked Mr. Hammond if he had pursued this matter with Mr. Roy Nickson of the Department of Taxation? Mr. Hammond said yes, and Mr. Nickson had indicated that it wasn't his intent that room taxes would be included in the "cap", but the Committee's intent would have to be clarified.

Mr. Hammond suggested that Line 3, Page 8, should read, "of capital construction or for revenues from special assessments, or room and gaming taxes collected for fair and recreation boards." Mr. Marvin Leavitt concurred with Mr. Hammond and said that these types of activities should not come under the expenditure "cap".

Senator Sloan commented that the City of Las Vegas and Clark County have a problem with over-crowded jails, and he asked how this can be constructed if a "cap" is based on 1977-78 expenditure level. Mr. Leavitt said that neither the city nor the county have the ability to pay for this construction out of current revenues, and if financed out of debt-financing the "cap" limits the ability to pay-off the debt.

A.B. 250

Mr. Gary Milliken, Clark County Assessor's Office, referenced Sub-Section (g) of Assembly Bill No. 250 and said that he would like to have this legislation reconsidered for "amend and do pass".

Senator Dodge moved to reconsider Assembly Bill No. 250.

Senator Sloan seconded the motion.

The motion carried.

Mr. Ed Shorr, Fiscal Analyst, explained his handout on the rent rebate proposal (see Exhibit "E").

Senator Dodge stated that these figures cannot be used as a reliable comparison because it takes many more rental dollars to go towards property tax. Mr. Andrew Grose said that he felt Senator Dodge's statement was incorrect because the figures used reflect actual percentages of rent paid that go toward property tax. Mr. Grose said that it didn't matter

what the assessment rate was, or whether they vary from state to state, because it is still the percentage of the rent that goes to taxes. Senator Dodge said that he was just talking about the comparison of rates, and that Nevada could not be compared nationally if the nation was at a 30% of rent for property tax, and Nevada is at a 14.6% level.

Mr. Grose also commented that Senator McCorkle's example regarding the rent rebate is based upon an ideal set of assumptions about rental property that in reality does not prevail anywhere in Nevada. Mr. Grose said that the way the bill is written now, the renter and the landlord receive the .36¢ rebate; as the 4.9% rebate includes the .36¢ as well as the \$1.08; therefore Senator McCorkle's observations are correct, but not to the degree that it appears in his figures:

A.B. 250 (Cont.) - Exhibit "F"

Mr. Milliken said that on Page One, Lines 9-10 of Assembly Bill No. 250, a senior citizen can own the home and rent part of the home, but technically, the actual owner is entitled to the full rebate; and the bill changes this so that the owner can receive rebate only on the portion of the home occupied by them.

Senator Dodge moved to amend and "Do Pass"
Assembly Bill No. 250, by deleting Section (g)
on Page Two.

Discussion:

Senators Ashworth, Raggio and Dodge questioned if this would allow the senior citizens to two rebates for property tax. Mr. Milliken said that the rebate is on the amount of property tax paid, so if the tax is already reduced, the rebate will be computed on this reduced payment.

Senator Kosinski seconded the motion.

The motion carried.

S.B. 204 - Amendment No. 330 - Exhibit "G"

Mr. Shorr said that this was a technical amendment which Mr. Daykin had discussed briefly on the Senate floor during the "Committee of the Whole" on Senate Bill No. 204.

The Committee discussed what was the legislative process for S.B. 204. Chairman Glaser mentioned that Senator Ford had suggested a public hearing which compared the Senate bill

to Question 6. The Senators asked where the Assembly Taxation Committee was on their tax package. Mr. Shorr distributed a handout which outlined the Assembly tax legislation, (see Exhibit "H"). The Committee continued to discuss the various aspects of S.B. 204, and delineated the various subjects the bill covers.

Mr. Ed Shorr was asked to discuss the impact of the "cap" imposed on state and local government expenditures, (see Exhibit "I"). Mr. Shorr said that the Assembly Taxation Committee has decided to "cap" budgets rather than expenditures. Mr. Shorr said that if a budget is "capped", a determination must be made in regards to the cash balance. Mr. Marvin Leavitt said the cash balances were going to be outside the "cap" on the budget, by making the reduction at the beginning of the budget and adding with a reasonable factor at the end.

Mr. Jim Shields, Nevada State Education Association, stated that he felt the Assembly's proposal is cumulatively more "damaging" because it uses 80% of the C.P.I., and by the second year of the biennium, this will result in a formidable amount.

Mr. Shorr said that one of the problems involved in the "cap" proposal will be population adjustment because the best figures available will be at least one and one-half years behind.

Mr. Shorr also discussed his handout (Exhibit "J") on limitations of expenditures and revenue as compared to tentative budgets. Mr. Shorr said that the school districts want to emphasize that if expenditure limitation is compared to tentative budgets, it should be kept in mind that the tentative budgets do not include increases anticipated by the Distributive School Fund. Mr. Shorr showed a break-down of the Assembly Taxation Committee's proposal (Exhibit "J-1") using a 1975-76 base on the General Fund only.

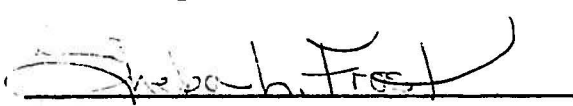
Mr. Jim Shields suggested that legislatively a "cap" could be placed on the entire budget through the use of the basic support rate which applies to about 73% of the budget by "capping" the optional .80¢ ad valorem tax.

Mr. Shorr continued by explaining his handout (Exhibit "J-2") on what S.B. 204 would impact in a modified General Fund. Chairman Glaser asked what the term "modified" implies? Mr. Shorr answered that this is the General Fund definition outlined in S.B. 204 which means any fund which collects substantial tax monies, excluding enterprise funds.

Mr. Shorr also explained his handout on the impact of S.B. 204 on the school districts, cities and counties, (Exhibit "J-3"). Mr. Leavitt pointed out that almost all the various entities are currently involved in employee-negotiations, and the tentative budget relates to what is being done in this area, so usually management is reluctant to include raises for the next fiscal year in their tentative budgets, since negotiations have not been settled, and this is an admittance that the raises can be funded. Mr. Leavitt said that as a result, most governments do not include salary increases for employees in their tentative budgets.

Senator Raggio commented that it wasn't realistic to him to compare expenditure limitations to tentative budgets just for the reasons as stated by Mr. Leavitt, because some tentative budgets are not realistic.

There being no further business, the meeting was dismissed at 5:20 p.m.



Respectfully Submitted By:
Sheba L. Frost, Secretary



Approved By: Senator Norman Glaser,
Chairman

Jones, Jones, Bell, Close & Brown, Ltd.

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March 15, 1979

Senator Don Ashworth
Legislative Building
Capitol Complex
Carson City, Nv. 89710

Dear Don:

I appreciate your support of Senate Bill 162, and would appreciate being advised when it is scheduled for further hearing. In view of the questions which came up yesterday, I think that I should be there at the further hearing, as well as perhaps Father Caviglia or someone else concerned with the project.

I continue to be concerned about the fact that on line 8 of the Bill the word "operator" alone is included. Nevada Catholic Welfare Bureau's associate corporation, N C W B Housing, Inc., will own the property, but it will be operated or managed by the Las Vegas Housing Authority. I am concerned that the Bill might possibly interpret that the owner (N C W B Housing, Inc.) is not operating it and, therefore, we would not be entitled to the exemption sought by virtue of this Bill.

I reviewed carefully Senate Bill 204 and think that you can get around the double exemption problem that you spoke of by adding language, probably in Section 6 of the Bill, somewhat to the extent that "persons living in housing which is financed by a loan under the Housing Act of 1959, and owned and operated by a non-profit corporation, shall not be entitled to a refund pursuant to Section 6."

I hope that this suggestion would alleviate your concern with Senate Bill 204. If I have missed the point, however, please let me know so that I can give this some further thought.

Senator Don Ashworth
March 15, 1979
Page -2-

On behalf of the Nevada Catholic Welfare Bureau and the senior citizens who stand to benefit from Senate Bill 162, I want you and your fellow members of the Tax Committee to know that we appreciate your support.

With best personal regards,

JONES, JONES, BELL, CLOSE & BROWN, LTD.

Joseph W. Brown
Joseph W. Brown

JWB:dl

cc: Senator Norman D. Glaser
Senator Floyd R. Lamb
Senator James N. Kosinski
Senator Mike Sloan
Senator Carl F. Dodge
Senator William J. Raggio
Tom Miller

Jones, Jones, Bell, Close & Brown

ATTORNEYS AT LAW

CHAPTER XXI

MINNESOTA'S EXPERIENCE WITH CLASSIFICATION

ROLLAND F. HATFIELD

Commissioner, Minnesota Department of Taxation

Not very long after Minnesota became a state, the people became dissatisfied with their property taxes. This happened even as early as 1872, although when you look at the tax bills they were paying then, it seems incredible that they were unhappy. Nevertheless, they were, and so, over a period of time, a number of studies were conducted with regard to the property tax system.

The legislature appointed an interim tax study committee around the turn of the century. When this legislative committee came back with its findings with regard to the operation of the property tax system, it reported that at that time the local assessors were using different fractions of market value for assessment purposes, even though the constitution provided that all real and personal property should be assessed and also taxed on a uniform basis. The committee pointed out that its ratio study showed that farm property was assessed at only 20 per cent of market value, urban property at 40 per cent, and business property at 40 per cent. Moreover, household goods were assessed at about 25 per cent of what they were worth.

This matter came up at a subsequent meeting of the state legislature. Although there is no written history, I would assume that the debate went along the lines that since this was the situation that was found, something ought to be done to correct it. Therefore, a proposal was made that this be submitted to the people in connection with a 1907

constitutional amendment which provided that taxes should be uniform upon the same class of property.

You can find in the records of that time various arguments for this proposal. One of them, stated in one of the earlier reports of the state tax commission, was that perhaps what they should do was to make the assessor's work legal. At any rate, in 1913 the state legislature, under this constitutional amendment, passed the first of our classified property laws. It set up four classes of property and provided that the taxable value of those properties would be at a different percentage for each of the classes.

I suppose there were a great many arguments for taking this step, and I have no doubt that one of them was that income-producing property ought to be taxed at a heavier rate than non-income-producing property. You find that argument running through the records of those times. The classification law that was passed, however, did not quite follow that theory, at least in my judgment, because a low classification was put on farm property which is, of course, an income-producing property.

No Economic Justification for Classification

Let me make some observations about our classified property system. It is extremely difficult when you are a tax commissioner to make careful observations about the tax laws you are to administer. If you look at the classification of property from the economic sense, especially if you apply the classification law to income-producing property, it does not seem to me that the classification of business property in the different classes has any economic justification.

When a business is created, capital is invested to get the business started. The investment of this capital in each business takes the form of a certain amount of real property and a certain amount of personal property, but the purpose of that investment is to earn a return on the total number of dollars invested. In one case a person would, let us say, invest \$10,000 in a business and, in that connection, he would spend \$9,000 purchasing the land and buildings and \$1,000 purchasing the personal property equipment needed to operate the business. By the same token, however, another person going into a different kind of business would invest \$10,000, but would put only \$1,000 into land and buildings and \$9,000 into equipment. I submit that there is no economic difference between those two situations, and that in both cases they have invested \$10,000, expecting to receive the same return, especially if it is competitive; and, therefore, as a result of this, there should be no difference in the tax burden between those two persons. Under the classified property tax system, however, there is a difference.

Under our system, for example, urban land is valued at 40 per cent of its presumed market value. Rural land is valued at 33 1/3 per cent and personal property at 33 1/3 per cent. Thus under this system there happens to result an unequal tax burden for two businesses in which the total investment in the business is identical. I would say, therefore, that I cannot see any real economic justification for classifying property for tax purposes.

Classification No Cure for Illegal Assessments

Secondly, from observation of our system, classification appears to be no cure for illegal assessments. If it really was believed in those

days that legalization of what the assessor was doing illegally would stop the illegal process, especially with regard to fractional assessments, then I can also assure you that history has proven just the opposite. The assessor, under the classified system, has proceeded to have his fractional assessments just as he had before. So we have a situation where we have not only legal classifications, but also illegal fractional assessments; and this, of course, compounds the inequities that exist between one class of property and another.

Just to give you the extremes in our situation, let me say that if you invested \$10,000--if we are talking now of investments being wholly real or personal property--then, in one situation, your tax would be \$100 and in another situation, providing the same \$10,000 were invested in a different kind of property, the taxes would be \$1,000. In both cases, however, the investment is identical. In all cases I am assuming that the property tax rate applied is the same.

No Logical Stopping Point With Classification

Another observation that I think you can make about the classification of property is that there is no logical stopping point once you start a classification of property. We started with four classes and we now have some twenty different classes. I think the fact that we have only twenty classes of property is a tribute to the legislature, because had they yielded to all the pressures involved we could easily have had over two hundred.

The reason for this is that once you have classification of property, experience has shown that it is extremely easy to add another class. This is because if the proposed new class is to be assessed at a lower fraction than the average of classes previously assessed, then all

the people who will gain from that will appear in the legislature and will fill the halls to overflowing. If that legislation passes and you reduce the tax base, you increase everybody else's taxes, but they are not aware of it and they do not appear in opposition.

Let me give you a simple example. The farm organizations, for a number of years, have approached the legislature with the proposal that all farm buildings be eliminated from assessment and be given a class of zero. They have made some plausible arguments for this on the ground that the basic value in the farm is land and so on. How you operate a dairy farm up in our country has never been explained, but then there are arguments for it. This had been proposed in the legislature a number of times, but there was no opposition from what you might call the other taxpayers that would be affected.

The point is that under the classification system, once it is started, our experience has been that there is no way to stop it effectively. Therefore, as you change the various classes in the classification system you bounce the little white ball of taxes around so that it shifts constantly every time you make a change.

No Proposals for Higher Percentages

Another observation about classified property taxes is that in the years that I have been with the Department of Taxation I do not recall that anyone has proposed and gotten passed a higher percentage than was then existing on a certain class. In other words, all of the proposals are for a lower percentage. The result is that the tax base becomes constantly eroded and the tax rates skyrocket. In fact, our rates, inasmuch as we are the only state with a total classified system, are so

high that when we sell school bonds in New York City we have to send the school superintendent along to explain that those rates do not mean what they say. I think this is a handicap because I have no doubt that as the rates continue in this way, even if you tried to explain it to the bond buyers, you are probably going to have to pay a higher rate than you would if that were not true. Therefore, I think there is also some effect in that area.

There is still another observation about classified property laws. Let me first say that as I listened to the speaker from Tennessee I had a soft spot in my heart for Tennessee. I do not know the main conclusion that you draw from what he said, but I could not help feeling cheered regarding the common sense used by all of the people of Tennessee over those years. In other words, they did not let the classified property tax amendment get through. I think it is just plain sense that they kept it from passing.

I think it is true that you can make a good case for having the so-called public utilities pay a higher tax burden than other people. You can make a case, it seems to me, only on the ground that it is easy for them to pass it on in the rates, although I appreciate their arguments to the contrary. Nevertheless, it seems to me that if your objective is to have the classified law so that you can have higher property tax rates on certain industries or certain public utilities, it might be a lot easier to simply tackle the problem head-on and have an in lieu tax on these industries rather than take a step so drastic as to change the fundamental basis of the property tax system. Of course, I appreciate the fact that having made that remark I have lost all of the audience. However, this is frequently the situation in which the tax commissioner finds himself.

Summary

I would sum up by saying that I have observed in respect to the classified property tax system that it cannot work equitably; that it has no effective brake on it; and that it leads to changes in the property tax law which are inspired by politics rather than by economics. In general, I think it is a hazardous experiment to start.

If you want the opinion of one who comes from the only state which has a totally classified tax system, let me say that I have recommended and I am still going to recommend that the legislature take steps to reverse this process, if possible. We would like to get back to a property tax system.



Nevada Legislature

SIXTIETH SESSION

MARCH 20, 1979

SUGGESTED CONCEPTUAL AMENDMENTS TO SENATE BILL #204

1. Page 2, Lines 6 through 7: There are several problems with this language. There appear to be only two possible definitions of rent; one, to accept "gross" rent which will include all utilities, fuel, furnishings, etc., which are part of the rent, and to base a tax rebate on this gross amount. The second choice is to define rent as "net" rent which excludes utilities, fuel, and furnishings. Obviously, the more accurate for tax rebate purposes is "net", but an allocation between gross and net will be very difficult. If a rent rebate is to be granted at all, perhaps the easiest way to do it is to require rental receipts from the renter which include a statement by the landlord as to what the "gross" and "net" rents are. Problem: Fuel, utilities, water, sewer, and furnishing expenses may each change as frequently as twice per year. Will it be necessary for the landlord to recalculate each time there is a change in net rent? If so, a landlord with perhaps 300 rental units may have to make as many as 1000 to 2000 calculations each year. This appears to be an unfair burden on him, especially with no compensation. Another problem in this area is the consistency between the utilities and furnishings allocation and those totals

as stated on the landlord's federal income tax return. A discrepancy between the two could conceivably lead to claims of fraud and the problems of making the two consistent by a landlord again could become an administrative "nightmare".

2. Page 2, Line 8: I can understand the rationale for requiring six months residency for a renter, mainly to establish his stability and permanence in the community. However, I do not think that it is a fair requirement for a homeowner who may or may not have recently moved into the community and who has a substantial financial investment in the property. If the homeowner lived in the property only 30 days, he should be entitled to 1/12 of the normal tax rebate.
3. Page 2, Line 23: I question the true relationship of 4.9% of rent as it applies to a corresponding tax rebate to a homeowner. (Refer to handout.) I recommend that the rebate be reduced to at least 2.9% and conceivably to as low as 2.5% to reflect the disproportionately smaller risk a renter takes than an owner of real property. It seems reasonable that there should be some reward for risk.
4. Page 4, Line 5: If there is to be an audit, does the fiscal impact note truly reflect its cost? Is fraud investigation included along with residency verification, the ratio of net to gross rents, assigning parcel numbers to each renter or home, etc.?
5. Page 4, Lines 13 through 15: Why should a homeowner's household goods and furniture be exempted from taxation

- but not a landlord's household goods and furniture?
6. Page 6, Line 35: I suggest inserting "total" before expenditure so as to eliminate interpretation of "expenditure" as a line item expenditure.
 7. Page 6, Line 43: The area for which the CPI refers must be defined; at the very last it should be a Western CPI, and ideally a Nevada CPI. It would seem reasonable that if requested by this state, the U.S. Department of Labor would take whatever measures are necessary to determine the state CPI.
 8. Page 15, Lines 42 through 43: Why is it necessary that the Department of Taxation grant and issue to each applicant a separate sales tax permit for each place of business within the State? (According to Mr. Roy Nickson, it is not necessary.)
 9. Page 36, Line 33: I question the concept of non-severability. Is it not reasonable that each component of tax reform measure should be allowed to stand independently and on its own merit?

HOMEOWNER ALLOWANCE VS. RENTER REBATE
WHAT IS THE PROPER REBATE PERCENTAGE?

Note: The method for figuring market value of rental units is a standard appraisal technique and it conforms also to the familiar rule of thumb that rental property on the average is valued at seven times gross rent.

I. Under S.B. 204, Renter Rebate is 4.9 Percent of Rent.

Monthly rent	=	\$300
Gross Income	=	\$300 X 12 = \$3,600/year
Minus Vacancy Rate (3%)		108/year
Adjusted Gross Rent	=	\$3,492/year
Minus Operating Expenses (35%)		1,222/year
Net Operating Income	=	\$2,270/year

A. $\frac{\text{Net Operating Income}}{\text{Capitalization Rate}} = \text{Market Value}$

Capitalization Rate, Normal Market Equals 8-10 Percent:
Assume 9 percent.

$$\frac{\$2270}{9\%} = \$25,222 \text{ Market Value}$$

$$\text{Assessment Ratio } 35\% \times \$25,222 = \$8,828.$$

B. At \$4.64/\$100 Tax Rate, Tax = \$410.

C. Renter Rebate = 4.9% X \$3,600 = \$176.

II. Under S.B. 204, Homeowner Allowance on Home Equal to Market Value of Apartment is as follows:

Market Value	=	\$25,222
Assessed Value	=	8,828
Tax at \$4.64/\$100 Rate	=	\$ 410
Homeowner Allowance of \$1.18/\$100	=	\$ 104

III. Apartment Unit and Home of Equal Value, Renter Rebate 69 Percent Higher than Homeowner Allowance.

A. What Renter Rebate Percentage Would Provide Homeowner-Renter Equity?

$$\frac{4.9\%}{176} \times \frac{X}{104}$$

$$X = 2.9 \text{ percent.}$$

RENT REBATE

\$300/Mo X 12 Months X 17% = \$612/Year

#1. \$5.00/hundred rate @4.9% rebate = \$176.40

Assessed value = \$12,240

Market value = \$34,971

#2. \$4.50/hundred rate @4.9% rebate = \$176.40

Assessed value = \$13,600

Market value = \$38,857

#3. \$4.00/hundred rate @4.9% rebate = \$176.40

Assessed value = \$15,300

Market value = \$43,714

HOMEOWNER'S ALLOWANCE

#1. \$34,971 Market Value, \$12,240 assessed value

(\$1.08 + \$.36)/Hundred = \$176.27 Allowance

#2. \$38,857 Market Value, \$13,600 assessed value

\$1.44/Hundred = \$195.84 Allowance

#3. \$43,710 Market Value, \$15,300 assessed value

\$1.44/Hundred = \$220.32 Allowance

What would^{bc} the monthly rent for units with market values above (excluding utilities)?

Points to consider:

1. Vacancy rate
2. Market condition
3. Interest rates
4. Wide range of operating costs

ASSEMBLY BILL NO. 250—COMMITTEE ON TAXATION

FEBRUARY 1, 1979

Referred to Committee on Taxation

SUMMARY—Increases certain allowances to elderly for payment of property tax. (BDR 32-1247)

FISCAL NOTE: Effect on Local Government: No.
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 the property tax; increasing the range of income within which the elderly may be eligible for an allowance against tax; increasing the maximum allowance; broadening permissible eligibility for benefits; 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. NRS 361.825 is hereby amended to read as follows:
2 361.825 "Property taxes accrued" means property taxes (exclusive
3 of special assessments, delinquent taxes and interest) levied on a claim-
4 ant's home in this state which are due and payable during July, imme-
5 diately succeeding the date of filing of a claim. If a home is owned by two
6 or more persons or entities as joint tenants or tenants in common and
7 one or more persons or entities are not members of the claimant's house-
8 hold, property taxes accrued is that part of the property taxes levied on
9 the home which reflects the [ownership] percentage of the *residential*
10 *space occupied by the* claimant and his household.
- 11 SEC. 2. NRS 361.873 is hereby amended to read as follows:
12 361.873 1. The department is responsible for the overall administra-
13 tion of the Senior Citizens' Property Tax Assistance Act.
14 2. The department may:
15 (a) Specify by regulation any other kind of income for the purpose of
16 NRS 361.823.
17 (b) Prescribe the content and form of claims and approve any form
18 used by a county assessor.
19 (c) Designate the kind of proof to be required for substantiation of
20 claims.
21 (d) Establish criteria for determining when a claim may be filed by
22 one of two eligible spouses without the consent of the other.

1 (e) Prescribe that a claimant's ownership of his home must be shown
2 of record.

3 (f) Provide by regulation that a vendee in possession of his home
4 under an installment sale contract and responsible for paying the prop-
5 erty taxes on the home is eligible to claim assistance as a homeowner.

6 (g) *Provide by regulation that an otherwise eligible person who has*
7 *conveyed his ownership interest to a member of his family but occupies*
8 *the entire home and actually pays the property taxes thereon may claim*
9 *assistance as a homeowner.*

10 (h) Limit the computation of benefits to the nearest dollar and limit
11 issuance of warrants to \$5 or over.

12 [(h)] (i) Verify and audit any claims, statements or other records
13 made pursuant to this act.

14 [(i)] (j) Adopt regulations to safeguard the confidentiality of infor-
15 mation supplied by claimants.

16 [(j)] (k) Provide by regulation for a limited extension of time to file
17 a claim in cases of hardship.

18 [(k)] (l) Adopt such other regulations as may be required to carry
19 out the purposes of the Senior Citizens' Property Tax Assistance Act.

20 SEC. 3. During 1979 only, claims for allowances or refunds under
21 the Senior Citizens' Property Tax Assistance Act may be filed until and
22 including May 31, 1979.

23 SEC. 4. This act shall become effective upon passage and approval.

1979 REGULAR SESSION (60TH)

ASSEMBLY ACTION	SENATE ACTION	Senate	AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to _____	Senate _____
Lost <input type="checkbox"/>	Lost <input type="checkbox"/>	Bill No. _____	Joint Resolution No. _____
Date: _____	Date: _____	BDR _____	32-1480 _____
Initial: _____	Initial: _____	Proposed by _____	Senator Glaser _____
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>		
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>		
Date: _____	Date: _____		
Initial: _____	Initial: _____		

Amendment N^o 330

Replaces Amendment No. 308

Amend section 1, page 1, line 2, by deleting "13.5" and inserting "13.7".

Amend the bill as a whole by inserting a new section designated section 13.7, following section 13.5, to read as follows:

"Sec. 13.7. 1. In any year in which the total taxes levied by all overlapping units within the boundaries of the state exceed the limitation imposed by section 2 of this act, and it becomes necessary for that reason to reduce the levies made by any of those units, the reduction so made must be in taxes levied by those units (including the state) for purposes other than the payment of bonded indebtedness, including interest thereon.

2. The taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including the state) for all other purposes where

To: E & E
 LCB File
 Journal
 Engrossment
 Bill

Date 3-19-79 Drafted by FWD:sl

Amendment No. 330 to Senate Bill No. 204 (BDR 32-1480) Page 2

reduction is necessary to comply with the limitation imposed by section 2 of this act."

Amend the bill as a whole by deleting section 16 and inserting:

"Sec. 15.2. NRS 244.527 is hereby amended to read as follows:

244.527 1. If the special fund created by the proceeds of the assessments is insufficient to pay such bonds and interest thereon as they become due, the deficiency shall be paid out of any assets in the general fund of the county, regardless of source, which are otherwise legally available therefor.

2. If the general fund is insufficient to pay any such deficiency promptly, the board of county commissioners shall levy [, and it shall be its duty to levy,] general (ad volorem) taxes upon all property in the county which is by law taxable for state, county and municipal purposes, without regard to any statutory tax limitation existing on or after April 23, 1969, and without limitation as to rate or amount, fully sufficient, after making due allowance for probable delinquencies, to provide for the prompt payment of such bonds as they become due, both principal and interest, but subject to the limitation of section 2 of article 10 of the constitution of the State of Nevada.

[3. Any such tax levy shall enjoy the same priority as provided by NRS 350.600 for other taxes levied for the payment of bonded indebtedness over taxes levied for all other purposes where reduction

Amendment No. 330 to Senate Bill No. 204 (BDR 32-1480) Page 3

is necessary in order to comply with the limitations of section 2 of article 10 of the constitution of the State of Nevada.]

Sec. 15.4. NRS 244.911 is hereby amended to read as follows:

244.911 1. If the special fund created by the proceeds of the assessments is insufficient to pay such bonds and interest thereon as they become due, the deficiency shall be paid out of any assets in the general fund of the county, regardless of source, which are otherwise legally available therefor.

2. If the general fund [shall be] is insufficient to pay any such deficiency promptly, the board shall levy [, and it shall be its duty to levy,] general (ad valorem) taxes upon all property in the county which is by law taxable for state, county and municipal purposes, without regard to any statutory tax limitation now or hereafter existing, and without limitation as to rate or amount, fully sufficient, after making due allowance for probable delinquencies, to provide for the prompt payment of such bonds as they become due, both principal and interest, but subject to the limitation of section 2 of article 10 of the constitution of the State of Nevada.

[3. Any such tax levy shall enjoy the same priority as provided by NRS 350.600 for other taxes levied for the payment of bonded indebtedness over taxes levied for all other purposes where reduction

Amendment No. 330 to Senate Bill No. 204 (BDR 32-1480) Page 4

is necessary in order to comply with the limitations of section 2 of article 10 of the constitution of the state.]

Sec. 15.6. NRS 271.495 is hereby amended to read as follows:

271.495 1. If the special fund created by the proceeds of the assessments is insufficient to pay such bonds and interest thereon as they become due, the deficiency shall be paid out of any assets in the general fund of the municipality, regardless of source, which are otherwise legally available therefor.

2. If the general fund [shall be] is insufficient to pay any such deficiency promptly, the governing body shall levy [, and it shall be its duty to levy,] general (ad volorem) taxes upon all property in the municipality which is by law taxable for state, county and municipal purposes, without regard to any statutory or charter tax limitation now or hereafter existing, and without limitation as to rate or amount, fully sufficient, after making due allowance for probable delinquencies, to provide for the prompt payment of such bonds as they become due, both principal and interest, but subject to the limitation of section 2 of article 10 of the constitution of the state.

[3. Any such tax levy shall enjoy the same priority as provided by NRS 350.600 for other taxes levied for the payment of bonded indebtedness over taxes levied for all other purposes where reduction is necessary in order to comply with the limitations of section 2 of article 10 of the constitution of the state.]

Amendment No. 330 to Senate Bill No. 204 (BDR 32-1480) Page 5

Sec. 15.8. NRS 309.337 is hereby amended to read as follows:

309.337 The provisions of the Local Government Securities Law, as from time to time amended, [shall be applicable] apply to any securities authorized to be issued under NRS 309.332 to 309.339, inclusive, but in the event of conflict the provisions of NRS 309.332 to 309.339, inclusive, [shall be controlling.

The application of the Local Government Securities Law shall include, without limitation, the application of NRS 350.600 to any general obligation of the district.] control.".

Amend section 28, page 12, by deleting line 7 and inserting:

"Sec. 28. NRS 539.6363 is hereby amended to read as follows:

539.6363 1. To levy and collect taxes, the board of directors shall:

(a) Determine in each year the amount of money necessary to be raised by general (ad valorem) taxation, taking into consideration other sources of revenue of the district; and

(b) Fix a rate of levy which, when levied upon every dollar of assessed valuation of taxable property within the district and together with other revenues, will raise the amount required by the district annually to supply funds for paying promptly in full, when due, all interest on and principal of bonds of the district.

In the event of accruing defaults or deficiencies, an additional levy may be made as provided in NRS 539.6364.

Amendment No. 330 to Senate Bill No. 204 (BDR 32-1480) Page 6

2. The board of directors shall certify to the board of county commissioners of each county within the district, or having a portion of its territory within the district, at the same time as fixed by law for certifying thereto tax levies of incorporated cities, the rate so fixed, with directions that at the time and in the manner required by law for levying taxes for county purposes, such board of county commissioners shall levy such tax upon the assessed valuation of all taxable property within the district, in addition to such other taxes as may be levied by such board of county commissioners at the rate so fixed and determined.

3. The board of directors shall levy such general (ad valorem) taxes upon all property in the district which is by law taxable for state, county and municipal purposes, without regard to any statutory tax limitation now or hereafter existing and without limitation as to rate or amount, fully sufficient, after making due allowance for probable delinquencies, to provide for the prompt payment of such bonds as they become due, both principal and interest, but subject to the limitation of section 2 of article 10 of the constitution of the state.

[4. Any such general (ad valorem) tax levy shall enjoy the same priority as provided by NRS 350.600, as from time to time amended, for other taxes levied for the payment of bonded indebtedness over taxes levied for all other purposes where reduction is necessary

Amendment No. 330 to Senate Bill No. 204 (BDR 32-1480) Page 7

in order to comply with the limitations of section 2 of article 10 of the constitution of the state.]".

Amend section 154.5, page 35, by deleting line 20 and inserting:

"Sec. 154.5. NRS 349.246, 350.600, 354.599 and 428.370 are hereby repealed.".

Amend section 157, page 36, line 11, by deleting "two" and inserting "three".

ASSEMBLY TAXATION PROPOSAL

<u>State Relief:</u>	<u>1979-80</u>	<u>1980-81</u>
Food Tax - State 2¢	\$ 13,600,000	\$ 16,000,000
Food Tax - Schools 1¢	6,900,000	8,000,000
State 11¢ Share	6,207,000	7,137,000
State 25¢ Share	14,107,000	16,222,000
Schools 70¢ Share	39,500,000	45,400,000
Schools 30¢ Share	16,930,000	19,467,000
	<u>\$ 97,244,000</u>	<u>\$112,226,000</u>

<u>Local Relief:</u>		
Household Personal Property	\$ 3,500,000	\$ 4,000,000
Food Tax - Cities/Counties 1/2¢	3,400,000	4,000,000
	<u>\$ 6,900,000</u>	<u>\$ 8,000,000</u>

<u>Total Tax Relief:</u>	<u>\$104,144,000</u>	<u>\$120,266,000</u>
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Biennial Total \$224,370,000

<u>State Costs:</u>		
Tax Relief	\$ 97,244,000	\$112,226,000
Real Estate Transfer	2,500,000	2,750,000
County Gaming	2,700,000	2,900,000
Child Welfare	220,000	220,000
	<u>\$102,664,000</u>	<u>\$118,096,000</u>

Total Cost: Biennium \$220,760,000

Available \$224,500,000

PROPERTY TAX RELIEFFeatures:

- . Maximum tax rate reduced from \$5.00 to \$3.64
- . State would fund the entire \$1.36 reduction as follows:
 - 11¢ Medicaid would be state funded
 - 25¢ State Tax would not be levied
 - 70¢ Mandatory school levy would be state funded
 - 30¢ School levy (part of current 80¢) would be state funded
- \$1.36
- . Remaining 50¢ school levy would be made optional putting schools on equal basis with other local government entities
- . Across-the-board tax relief to all taxpayers
- . Requires 2/3 local voter approval to raise any tax
- . Self-destruct if Question 6 passes in November 1980
- . Exempt household property
- . Trigger additional relief in FY 1980-81 if state revenues exceed expectations

Fiscal Impacts:

State:		<u>1979-80</u>	<u>1980-81</u>
Property Tax Relief (State funded)	11¢	\$ 6,207,000	\$ 7,137,000
	25¢	14,107,000	16,222,000
	70¢	39,500,000	45,400,000
	30¢	16,930,000	19,467,000
		<u>\$76,744,000</u>	<u>\$88,226,000</u>
Trigger - additional 2¢ to 18¢	18¢		<u>\$12,060,000</u>
Local Impact: (Household Property)		<u>\$ 3,500,000</u>	<u>\$ 4,000,000</u>

Impact on Taxpayers:

Assuming \$50,000 Residence:	<u>Current Method</u>	<u>Proposed</u>	<u>% Relief</u>
Value	\$50,000	\$50,000	
	35%	35%	
Assessed Value	<u>\$17,500</u>	<u>\$17,500</u>	
Rate	5.00	3.64	
Tax	<u>\$ 875</u>	<u>\$ 637</u>	<u>27.2%</u>

FAMILY TAX RELIEF

Assume:

Family of 4
 Income \$19,000
 \$50,000 Residence

<u>Property Tax:</u>	<u>Current Method</u>	<u>Proposed</u>	<u>% Relief</u>
House: Value	\$50,000	\$50,000	
	35%	35%	
	<u>\$17,500</u>	<u>\$17,500</u>	
Rate	5.00	3.64	
Tax	<u>\$ 875</u>	<u>637</u>	27.2%
Household: @ 5% of home	44	0	5.0%
<u>Food Tax:</u>	83	0	
Total Tax Burden	<u>\$ 1,002</u>	<u>\$ 637</u>	<u>\$36.4</u>

EXPENDITURE LIMITATIONSBasic Features

- . Base Year 1978-79 (Current year budgets as of July 1, 1978)
- . Population Increases - with an appeal process
- . Inflation - 80% of the last 5 years average CPI
- . Funds - limit all funds receiving property taxes
- . State Expenditures - limit state General Fund expenditures in the same manner as A.B. 438. (Base 1975-77 Biennium)
- . Overrides - limits may be exceeded to protect life and property and by a vote of the people
- . Trigger - allow additional tax relief if state revenues exceed expectations

Population Factor

- . Population changes for the state are those of the U.S. Department of Commerce
- . Population changes for local governments are those certified by the Governor with appeals to the Tax Commission
- . Population changes for schools are weighted enrollments certified by the State Board of Education

Inflation Factor (1979-80)

- . State Index is July 1974 to July 1978 (32.91%)
- . Local Index is November 1973 to November 1978 at 80% (7.48%)

Formula Example

Expenditure Base: 1978-79 Budget	\$1,000,000
Times: Population Increase	1.06
	<u>\$1,060,000</u>
Times: Inflation Index	1.0748
Expenditure Limit 1979-80	<u><u>\$1,139,288</u></u>

ASSEMBLY TAXATION COMMITTEE
EXPENDITURE LIMITATION ESTIMATES

<u>Entity</u>	<u>FY 1979-80¹</u> <u>Budget Limit</u>	<u>Increase from²</u> <u>FY 1978-79</u>	<u>FY 1979-80³</u> <u>Tentative Budget</u>	<u>FY 1979-80⁴</u> <u>Decrease</u>	<u>Tax Rate⁵</u> <u>Adjustment</u>
Carson City	\$ 11,498,966	\$ 1,998,695	\$ 9,782,556	-0-	-0-
Schools	10,572,298	900,679	10,670,459	\$ 98,161	\$.05
Churchill County	3,163,142	317,974	3,306,570	143,428	.08
Schools	4,997,377	439,654	5,098,687	101,310	.14
Fallon	1,367,756	129,372	1,476,094	108,338	*
Clark County	86,389,365	9,354,385	87,911,299	1,521,934	.04
Schools	148,848,713	13,732,257	152,727,756	3,879,043	.13
Boulder City	2,316,611	269,739	2,524,752	208,141	*.24
Henderson	5,883,358	619,214	6,157,706	274,348	.07
Las Vegas	50,458,173	5,989,278	48,726,250	-0-	**
North Las Vegas	10,164,347	1,005,827	10,570,863	406,516	**
Douglas County	5,810,583	791,983	5,702,538	-0-	**
Schools	6,274,896	339,333	7,242,637	967,741	.42
Elko County	3,639,662	209,124	4,007,300	367,638	.21
Schools	7,594,766	522,065	7,505,386	-0-	**
Carlin	349,804	28,066	377,450	27,646	*
Elko	2,317,306	199,758	2,424,115	106,809	.32
Wells	331,506	21,972	332,225	719	**
Esmeralda County	852,705	48,130	969,659	116,954	.91
Schools	530,276	43,319	495,086	-0-	-0-
Eureka County	1,562,393	176,228	1,577,210	14,817	.05
Schools	884,592	113,385	812,859	-0-	**
Humboldt County	3,695,470	399,085	3,551,144	-0-	**
Schools	3,730,745	280,330	3,724,403	-0-	**
Winnemucca	1,261,172	139,839	1,357,330	96,158	*--**
Lander County	1,822,215	136,289	2,284,222	462,007	.48
Schools	2,029,210	215,705	2,092,462	63,252	.15
Lincoln County	1,355,713	139,935	1,555,074	199,361	.56
Schools	2,050,406	48,296	2,223,987	173,581	.50
Caliente	131,930	5,623	142,343	10,413	*.14
Lyon County	3,612,364	(53,724)	4,555,507	943,143	1.19
Schools	5,268,356	742,096	5,416,821	148,465	.14
Yerington	503,101	15,737	584,657	81,556	.61
Mineral County	2,813,630	383,286	2,261,210	-0-	**
Schools	2,868,679	192,432	2,724,494	-0-	**
Nye County	4,687,555	471,984	5,228,443	540,888	.48
Schools	4,159,083	491,798	4,357,950	198,867	.15
Gabbs	190,495	16,098	165,382	-0-	-0-

Entity	FY 1979-80 ¹ Budget Limit	Increase from ² FY 1978-79	FY 1979-80 ³ Tentative Budget	FY 1979-80 ⁴ Decrease	Tax Rate ⁵ Adjustment
Pershing County	1,715,452	151,643	1,591,012	-0-	**
Schools	1,547,523	95,264	1,609,646	62,123	.15
Lovelock	317,159	28,941	365,056	47,897	*.69
Storey County	879,071	95,004	952,745	73,674	.46
Schools	556,633	68,471	567,694	11,061	.08
Washoe County	45,912,945	7,876,746	48,190,941	2,277,996	.28
Schools	57,728,439	4,319,549	60,069,511	2,341,072	.14
Reno	35,073,875	3,964,502	40,449,454	5,375,579	.54
Sparks	11,018,516	1,227,468	11,909,595	891,079	*.20
White Pine County	3,166,611	306,080	4,467,597	1,300,986	1.60
Schools	3,757,660	249,059	3,175,161	-0-	**
Ely	798,138	12,531	990,000	191,862	*.07
Totals	\$568,460,741	\$59,270,504	\$586,963,298	\$23,834,563	
		12.1%		4.1%	

Note: Expenditure Limit uses 1978-79 Budgeted expenditures as the base with increases allowed for population and inflation. Population increase is from 1977 to 1978 as prepared by the State Planning Coordinator. Enrollment increases are weighted enrollments from September 1978 to projected enrollment September 1979. Inflation increase is 80% of the last five year average of the CPI.
(Nov. 1973 = 137.6, Nov. 1978 = 202.0 = 9.36% X 80% = 7.48%).

Footnotes:

1. 1979-80 Budget Limit is expenditure limitation plus a 3% to 5% ending balance.
2. Increase from FY 1978-79 is the amount of expenditure increase provided over 1978-79 budgeted expenditures before allowance for ending balance.
3. FY 1979-80 Tentative Budget is total budget filed with Department of Taxation on Feb. 20, 1979.
4. Decrease Required is adjustment of tentative budget.
5. Tax Rate adjustment is amount of estimated decrease from the existing (FY 1978-79) tax rate.

* Tentative 1979-80 rate higher than current 1978-79 rate.

** Exemption of food from Sales Tax or exemption of household property, inventories and livestock would allow a higher rate than current rate.

EXHIBIT A

702

ESTIMATED TAX RATES

Entity	Existing Rate FY 1978-79	Tax Rate After ¹	Estimated Tax ²
		Major Tax Relief FY 1979-80	Rate w/Expenditure Limits FY 1979-80
Carson Urban	\$4.83	\$3.47	\$3.42
Rural	3.65	2.29	2.24
Churchill County	3.80	2.44	2.22
Fallon	5.00	3.64	3.64
Clark County	3.58	2.22	2.05
Boulder City	5.00	3.64	3.23
Henderson	5.00	3.64	3.40
Las Vegas	5.00	3.64	3.47
North Las Vegas	5.00	3.64	3.47
Douglas County	3.01	1.65	1.23
Minden	4.87	3.51	1.48
Elko County	3.05	1.69	1.48
Elko	4.40	3.04	2.83
Esmeralda County	3.75	2.39	1.48
Goldfield	4.70	3.34	1.68
Eureka County	3.42	2.06	2.01
Eureka	3.92	2.56	2.06
Humboldt County	3.23	1.87	1.87
Winnemucca	4.88	3.52	3.52
Lander County	3.92	2.56	1.93
Battle Mountain	5.00	3.64	2.10
Lincoln County	3.60	2.24	1.18
Caliente	5.00	3.64	2.44
Lyon County	3.91	2.55	1.22
Yerington	5.00	3.64	1.70
Mineral County	5.00	3.64	3.64
Nye County	3.70	2.34	1.71
Gabbs	4.95	3.59	2.96
Pershing County	3.28	1.92	1.77
Lovelock	5.00	3.64	2.80
Storey County	4.79	3.43	2.89
Virginia City	4.99	3.63	2.89
Washoe County	3.87	2.51	2.09
Reno	5.00	3.64	2.68
Sparks	5.00	3.64	3.02

<u>Entity</u>	<u>Existing Rate</u> FY 1978-79	<u>Tax Rate After</u> ¹	<u>Estimated Tax</u> ²
		<u>Major Tax Relief</u> FY 1979-80	<u>Rate w/Expenditure</u> <u>Limits</u> FY 1979-80
White Pine County	\$3.60	\$2.24	\$.64
Ely	5.00	3.64	1.97
Maximum Allowable Rate	5.00	3.64	

1. Tax Rate After Major Tax Relief is the existing tax rate less \$1.36 proposed for state funding (11¢ share, 25¢ share and 1.00 for schools).
2. Estimated Tax Rate with Expenditure Limits is the estimated rate after major tax relief and expenditure limitations based on 1978-79 budgets, population growth and 80% of the 5 year average CPI. These rates are based on tentative budgets filed February 20, 1979 and, therefore, can only be considered estimates at this time. Reductions in rate because of the expenditure limitation occur largely because of large beginning balances for FY 1979-80. These rates will go back up in 1980-81 in many cases.

E L E M E N T S

O F
C A P

I. BASE

- A. Time - Fiscal year, average of fiscal years, assigned amount, biennium.
- B. Quantity to be measured -
 - 1. Expenditures - general fund only, combination of funds, all expenditures.
 - 2. Budgets - general fund only, combination of funds, all funds, tentative budget, final budget, include cash balance, exclude cash balance.
 - 3. Revenues - specific revenues in specific funds, specific revenues in all funds, all revenues in all funds.

II. COST ADJUSTMENT

- A. C.P.I.
- B. Other index (percentage of C.P.I.).

III. POPULATION ADJUSTMENT

- A. Measure of population - enrollment, population estimates.
- B. Period to be measured - period prior to base with period prior to period being limited, actual for base with estimate for period being limited. .
- C. Adjustment for units for which no population figures are available.

IV. ENFORCEMENT OF LIMIT

- A. Budget preparation
- B. Force decrease in tax
- C. Other

REVENUE AND EXPENDITURE LIMITATIONS
Compared to 1979-80 Tentative Budgets

A. Expenditure Limitation (Governor's Proposal A.B. 438)

1975-76 Base - General Fund only

Population Increases (Enrollments)

CPI - November 1974 to November 1978 - 30.78%

Net Reductions:

Counties	\$ 7,097,000	(11 Counties lose and 6 gain)
Schools	17,543,000	(13 Schools lose and 4 gain)
Cities	8,589,000	(12 Cities lose and 4 gain)
Totals	<u>\$33,229,000</u>	

B. Levy Limitation

1975-76 Base - Total Property Tax Levy including debt

Population Increases (Same as A.B. 438)

CPI (Same as A.B. 438) - 30.78%

Net Reductions:

Counties	\$ 9,664,000	(12 Counties lose and 5 gain)
Schools	20,800,000	(13 Schools lose and 4 gain)
Cities	3,191,000	(14 Cities lose and 2 gain)
Total	<u>\$33,655,000</u>	

C. Levy Limitation

1975-76 Base Year - Total Levy excluding debt service and 11¢ Medicaid

Population Increase (Same as A.B. 438)

CPI (Same as A.B. 438) - 30.78%

Net Reducitons:

Counties	\$ 8,089,000	(12 Counties lose and 5 gain)
Schools	17,073,000	(15 Schools lose and 2 gain)
Cities	4,156,000	(14 Cities lose and 2 gain)
Total	<u>\$29,318,000</u>	

D. Levy Limitation

1978-79 Base Year - Total Levy less debt services and
11¢ Medicaid

Population Increase 1977 to 1978

CPI - November 1977 to November 1978 - 8.8%

Net Reductions:

Counties +\$	728,000	(Gain) (11 Counties lose and 6 gain)
Schools	5,979,000	(14 schools lose and 3 gain)
Cities	2,271,000	(10 Cities lose and 6 gain)
Total	<u>\$7,522,000</u>	

E. Expenditure Limitation

1975-76 Base Year - Includes all appropriation funds less
debt service

Population Increases (Enrollments)

CPI - November 1974 to November 1978 - 30.78%

Net Reductions:

Schools \$21,647,000 (14 schools lose and 3 gain)

F. Expenditure Limitation (School Proposal¹)

1978-79 Base - General Fund

Enrollment Increases

CEI Increases (Cost of Education Index) 12.54%

Net Reductions:

Schools +\$19,417,000 (Gain) (15 schools gain and 1 lose)

G. Expenditure Limitation

1978-79 Base - General Fund only

Population Increases (Enrollment)

CPI Increase 8.8%

Net Reductions:

Counties	+\$ 6,564,722	(Gain)	(14 Counties gain 2 lose)
Schools	+ 16,603,330	(Gain)	(15 schools gain 1 loses)
Cities	+ 2,895,557	(Gain)	(10 cities gain 6 lose)
	<u>\$26,063,609</u>		

1975-76 BASE
General Fund Only

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EXHIBIT "J-1"

	Expenditure		Population Factor Result	CPI Factor 1.3078 Result	Tentative Budgeted Expenditure 1979/80	Gain or (Loss)
	Year 1975/76	Population Factor				
Carson City	4,166,496	1.3088	5,453,110	7,131,577	9,216,766	-22.6% (2,085,189)
Schools	6,246,650	1.1012	6,878,811	8,996,109	9,932,483	-9.4% (936,374)
Churchill County	1,201,323	1.0579	1,270,880	1,662,057	2,193,310	-24.2% (531,253)
Schools	3,384,184	1.0421	3,526,658	4,612,163	4,765,707	-1.3% (63,544)
Fallon	950,633	1.0749	1,021,835	1,336,356	1,380,303	-3.2% (43,947)
Clark County	44,994,999	1.1735	52,801,631	69,053,973	68,622,177	431,796
Schools	90,456,885	1.0888	98,489,456	128,804,511	135,883,792	-5.2% (7,079,281)
Boulder City	1,379,574	1.1586	1,612,170	2,108,396	2,236,952	-5.7% (128,556)
Henderson	3,094,838	1.2951	4,008,125	5,241,826	5,741,317	-8.7% (499,491)
Las Vegas	31,445,161	1.1779	37,039,255	48,439,938	47,827,994	611,944
North Las Vegas	7,046,260	1.1060	7,793,164	10,191,900	10,383,792	-1.8% (191,892)
Douglas County	2,668,203	1.3817	3,553,246	4,646,935	4,235,698	411,237
Schools	3,587,272	1.3586	4,873,668	6,373,783	6,555,701	-2.8% (181,918)
Elko County	1,408,124	1.0437	1,469,659	1,922,020	2,105,656	-8.7% (183,636)
Schools	5,599,671	.9166	5,132,658	6,712,490	6,912,226	-2.9% (199,736)
Carlin	215,428	1.0524	226,716	296,499	341,550	-13.2% (45,051)
Elko	1,515,462	1.0467	1,586,234	2,074,477	2,180,480	-4.9% (106,003)
Wells	354,318	.9759	345,779	452,210	309,225	142,985
Esmeralda County	290,108	1.2057	349,783	457,446	607,280	-24.7% (149,834)
Schools	397,527	.9500	377,651	493,892	521,758	-5.3% (27,866)
Eureka County	680,711	1.1810	803,920	1,051,367	991,031	60,336
Schools	777,865	.7655	595,456	778,737	746,401	32,336
Humboldt County	921,353	1.1587	1,088,118	1,423,041	1,743,581	-18.4% (320,540)
Schools	2,402,629	1.0061	2,417,285	3,161,325	3,317,290	-4.7% (155,965)
Winnemucca	843,355	1.1135	939,076	1,228,124	1,233,622	-.4% (5,498)

	Expenditure Year 1975/76	Population Factor	Population Factor Result	CPI Factor 1.3078 Result	Tentative Budgeted Expenditure 1979/80	Gain or (Loss)
Lander County	864,170	1.1875	1,026,202	1,342,067	1,227,800	114,267
Schools	1,359,739	1.1088	1,507,679	1,971,743	1,886,644	85,099
Lincoln County	466,565	1.1412	532,444	696,330	746,420	- 6.7% (50,090)
Schools	1,540,317	1.2195	1,878,417	2,456,594	2,020,074	436,520
Caliente	104,952	1.0501	110,210	144,133	135,755	8,378
Lyon County	1,522,857	.9483	1,444,125	1,888,627	2,590,839	- 27.1% (702,212)
Schools	3,133,134	.9752	3,055,432	3,995,894	4,746,941	- 15.8% (751,047)
Yerington	330,894	.9203	304,522	398,254	555,049	- 28.2% (156,795)
Mineral County	994,990	.8965	892,009	1,166,569	1,567,871	- 25.6% (401,302)
Schools	2,068,864	.8335	1,724,398	2,255,168	2,464,908	- 8.5% (209,740)
Nye County	1,735,376	1.1706	2,031,431	2,656,705	2,342,450	314,255
Schools	2,309,609	1.1845	2,735,732	3,577,790	3,763,774	- 4.9% (185,984)
Gabbs	124,831	.9360	116,842	152,806	143,808	8,998
Pershing County	572,252	1.1856	678,462	887,293	798,890	88,403
Schools	946,195	1.0086	954,332	1,248,075	1,476,046	- 15.4% (227,971)
Lovelock	201,163	1.0383	218,926	286,311	335,260	- 14.6% (48,949)
Storey County	304,999	1.2944	394,791	516,308	613,747	- 15.9% (97,439)
Schools	292,700	1.4179	415,019	542,762	518,894	23,868
Washoe County	19,474,657	1.2429	24,205,051	31,655,366	35,203,025	- 10.1% (3,547,659)
Schools	34,982,478	1.0423	36,462,237	47,685,314	55,690,363	- 14.4% (8,005,049)
Reno	20,384,073	1.1292	23,017,695	30,102,542	36,496,593	- 17.5% (6,394,051)
Sparks	5,114,144	1.1374	5,816,827	7,607,246	9,032,116	- 15.8% (1,424,870)
White Pine County	1,020,877	.8743	892,553	1,167,281	1,616,325	- 27.8% (449,044)
Schools	2,823,031	.7638	2,156,231	2,819,919	2,916,490	- 3.3% (96,571)
Ely	556,438	.8630	480,206	628,013	943,55-	- 33% (315,537)
TOTALS	319,258,334		356,706,117	466,500,262	499,729,724	(33,229,462)

Modified General Fund
75-76 Base Year

S B 2 0 4

EXHIBIT "J-2"

	1975/76 Expenditures	Population Factor and Result	CPI Factor 1.3078 Result	1979/80 Budget	Gain or (Loss)
Carson City		1.3088			
General Fund	4,166,496			9,216,766	
Airport Fund	171,512			62,289	
Special Marriage Fund	52,643				
Agriculture Extension	-0-			31,960	
TOTAL	4,390,651	5,746,484	7,515,252	9,311,015	(1,795,763)
Clark County		1.1735			
General Fund	44,994,999			66,622,177	
Road Fund	2,345,545			3,397,507	
Indigent Fund	4,600,472			8,401,034	
Coop Extension	187,208			353,134	
Metro PD	22,976,107			34,247,759	
Fire Department Fund	5,823,023			9,463,253	
Coroner Fund	171,250			-0-	
Co Health District	2,919,435			5,223,395	
TOTAL	84,018,039	98,595,169	128,942,762	127,708,259	1,234,504

-19.3%

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	1975/76 Expenditures	Population Factor and Result	CPI Factor 1.3078 Result	1979/80 Budget	Gain or (Loss)
Washoe County		1.2429			
General Fund	19,474,657			35,203,025	
Road	2,001,062			3,413,165	
General Assistance Indigent	446,515			742,859	
Med Assistance Indigent	2,046,269			3,561,168	
Agriculture Exentsion	57,518			147,628	
Fire Suppression	32,995			327,202	
Computer Assisted Appraisal	298,221			-0-	
Health	-0-			2,940,666	
Regional Planning	-0-			571,217	
TOTAL	24,357,237	30,273,610	39,591,827	46,906,930	(7,315,103)
White Pine County		.8743			
General Fund	1,020,877			1,616,325	
Agriculture District No. 13	21,844			37,300	
Agriculture Exentsion	13,758			20,000	
Airport Fund	29,097			43,500	
Indigent Fund	87,503			127,200	
Library	63,567			105,600	
Employee Retirement Fund	69,342			-0-	
Road Fund	343,423			564,900	
TOTAL	1,649,411	1,442,080	1,885,952	2,514,825	(628,873)

-15.6%

-25%

S.B. 204

ANALYSIS OF CAP BASED ON
FY 1977-78 EXPENDITURES

	FY 1979-80 Expenditures			
	Permissible Expenditures	Tentative Budget Modified General Fund	Decrease Required	Percent Decrease
Carson City	\$ 9,794,234	\$ 9,311,015	-0-	-
School District	9,759,214	9,932,483	\$ 173,269	1.7
Churchill County	2,730,208	3,509,570	779,362	22.2
School District	4,750,421	4,765,707	15,285	.3
Fallon	1,323,665	1,380,303	56,638	4.1
Clark County	126,171,848	126,488,218	316,370	.3
School District	137,456,793	135,883,792	-0-	-
Boulder City	2,195,006	2,236,952	41,946	1.9
Henderson	5,507,584	5,741,317	233,733	4.1
Las Vegas	48,931,914	47,827,994	-0-	-
North Las Vegas	10,143,732	10,383,792	240,060	2.3
Douglas County	4,837,534	5,582,416	744,882	13.3
School District	6,598,417	6,555,701	-0-	-
Elko County	3,548,636	3,647,064	98,428	2.7
School District	6,836,161	6,912,226	76,064	1.1
Carlin	350,732	341,550	-0-	-
Elko	2,130,462	2,180,480	50,018	2.3
Wells	474,771	309,225	-0-	-
Esmeralda County	683,731	897,380	213,649	23.8
School District	421,814	521,758	99,944	19.2
Eureka County	1,317,610	1,368,861	51,251	3.7
School District	759,338	746,401	-0-	-
Humboldt County	3,662,538	3,431,105	-0-	-
School District	3,411,825	3,317,290	-0-	-
Winnemucca	1,220,339	1,233,622	13,283	1.1
Lander County	2,605,046	1,887,600	-0-	-
School District	1,800,911	1,886,644	85,733	4.5
Lincoln County	1,746,692	1,790,880	44,188	2.5
School District	2,463,501	2,020,074	-0-	-
Caliente	144,204	135,755	-0-	-
Lyon County	3,169,275	3,934,631	765,356	19.5
School District	4,195,065	4,746,941	551,876	11.6
Yerington	435,444	555,049	119,605	21.5
Mineral County	2,465,059	2,123,919	-0-	-
School District	2,460,020	2,464,908	4,888	.2
Nye County	4,722,459	4,837,092	114,633	2.4
School District	4,043,212	3,763,774	-0-	-
Gabbs	229,994	143,808	-0-	-
Pershing County	1,561,284	1,669,749	108,465	6.5
School District	1,353,845	1,476,046	122,201	8.3
Lovelock	289,283	335,260	45,977	13.7
Storey County	678,864	903,097	224,233	24.8
School District	510,662	518,894	8,232	1.6
Washoe County	41,759,450	45,130,726	3,371,276	7.5
School District	53,665,533	55,690,363	2,024,830	3.6
Reno	33,750,985	36,496,593	2,745,608	7.5
Sparks	-8,636,161	9,032,116	395,955	4.4
White Pine County	2,732,303	4,205,169	1,472,866	35.0
School District	3,131,709	2,916,490	-0-	-
Ely	669,991	943,550	273,559	29.0