

The meeting was called to order at 2:00 P. M. on Thursday, March 29, 1979, in Room 213, with Senator Norman Glaser in the Chair.

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

Mr. Ed Schorr, Fiscal Analyst

ABSENT: Senator Don Ashworth

GUESTS: See Exhibit "A"

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The Chair opened the meeting by announcing that the first item of business was consideration of S. B. 307.

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S. B. 307 - Changes basis of motor vehicle fuel taxes to a percentage of sales price.

Senator Keith Ashworth opened testimony on S. B. 307, saying that there has been testimony on numerous occasions in the past from the highway department stating that if the improvement of the state's roads was to be kept up, and if road projects were to continue, with costs of the roads and construction escalating, there was going to have to be some method of obtaining additional revenue. Senator Ashworth said that he went to the bill drafter and asked that he present a conceptual bill that would take tax off of the cents-per-gallon on gasoline and fuels and equate that on an average basis to the cost of gasoline as it was at the time the bill was requested. Senator Ashworth said that as the efficiency of engines increases, less fuel will be used, thus less tax will be received if the use of the cents-per-gallon formula is continued, and with the cost of fuel escalating at a rapid rate, plus other factors such as inflation, he felt that the time had come for the legislature to consider getting off the cents-per-gallon basis in favor of a percentage of sales price.

Senator Ashworth indicated that he realized that some experts might challenge the arithmetic of the bill as he realizes there are those from the highway department and taxation department who know much more than he does about an equation of this sort. He said he would be amenable to any amendment they would recommend that would accomplish getting the state off the fixed tax of a cents-per-gallon. Senator Ashworth said that it would be found that the highway department would support the bill. He testified

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that if the state is going to maintain its road system, more money has to be generated from some source, either from taxation or from the General Fund, or from whatever source is available in order to receive matching money from the federal government. This statement concluded his testimony.

The Chair called for any questions on this matter.

Senator Raggio asked about the equation of averages and Senator Ashworth reiterated that he requested the bill drafter equate on the average cost of gasoline from cents-per-gallon to a percentage.

Senator Lamb asked if the Truckers' Association had endorsed the bill and Senator Ashworth replied that he thought they had not and that they might be opposed to it.

Senator Kosinski asked that in view of the fact the intent of the bill is to extract more revenue from the taxpayers as the price of gasoline increases, if Senator Ashworth had considered requiring a referendum vote on the question.

Senator Ashworth replied that he had not as he felt the people had already made known their desire for road improvements and construction. He said he would have no objection to a referendum.

Senator Dodge then asked if the 6.3% is added to whatever price is posted at the point of sale, and Senator Ashworth responded that it is his intent that it be added to the cost of gasoline wherever it is being taxed at the present time.

Senator Lamb asked if they couldn't go to the highway fund to take care of the highways, and Senator Ashworth said that if Senator Lamb is thinking of a one-shot deal for this year or of increasing it cents-per-gallon, if he can equate it to whatever is needed to do it, that is fine. Senator Ashworth said that it is about the only tax that is level in the taxing scheme of the state that is not tied to the cost of inflation. Senator Lamb then asked how much money this tax would raise, and Senator Ashworth indicated that later testimony would give him that information. Senator Ashworth said that it wouldn't raise any more money right now and that the only time it would raise more money is when the price of gasoline goes up. Senator Lamb replied that there must be a figure of the estimated amount and if not, "How do you know if it is doing the job?"

Mr. Daryl Capurro, Managing Director of the Nevada Motor Transport Association and Executive Director of the Nevada Franchised Auto Dealers Association, then testified. He stated that one cent of gas tax generates between 5 and 6 million dollars a year per cent. He said that he presumed that the percentage figure has more or less been figured on an average gasoline cost of 75¢ per gallon, which would produce the same amount of gas tax as is



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currently being received. He added that his associations favor finding some additional revenues for the highway department but that they oppose the concept of a percentage tax.

Senator Ashworth then addressed Senator Lamb, indicating he would not be adverse to keeping the tax on a cents-per-gallon basis if a formula can be developed to accomplish the same result.

There was discussion on how many gallons of gasoline are sold and the exact figure was not available, but the net to the highway fund the gas tax is producing is just over 22 million dollars a year, at present, at 4 1/2 ¢ per gallon. A penny produces slightly more than 5 million dollars, and in answer to a question of Senator Lamb's, if the price went to 80¢ per gallon, it would produce 5.6 cents per gallon.

Mr. Gene Phelps of the highway department testified that this percentage bill has the advantage of being responsive to inflation and also responsive to the fact that consumption, because of increase in price, is likely to decrease, so it does make for a stable revenue source. He said the simplest way is cents-per-gallon as it is not as inflationary responsive as are some of the other general taxes.

Mr. Capurro pointed out that there is one further advantage to the cents-per-gallon approach, in that there is present a clear indication of what income is produced and so when the budgets are reviewed, the situation is clarified.

Senator Lamb then inquired of Senator Ashworth if he would consider a change in the formula and Senator Ashworth replied that he has no objection to changing it to a cents-per-gallon as long as there is present the ability to increase the tax as the price of gasoline increases, and as long as it generates money for the highway fund.

Senator Dodge asked Senator Ashworth about the mathematics of the matter. Senator Ashworth replied that it was his thought that if the average price of gasoline was used for computation of the percentage, by the time the session had ended, and the bill became law, the price of gasoline would be high enough to effect an increase in the tax, thereby bringing in the desired revenue.

Senator Lamb then advised Senator Ashworth to go back and rewrite the bill, and rework the formula. Senator Ashworth then asked if the committee was going to give direction to percentage or cents-per-gallon, and asked Senator Dodge if he would be amenable to a percentage increase. Senator Raggio advised to put the bill on a cents-per-gallon basis, and Senator Ashworth asked how the committee members were going to accommodate the price of gasoline increasing and the demand decreasing?

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Mr. Capurro stated that there is no doubt but that the traditional method of charging the tax on a cents-per-gallon basis has resulted in some flattening out in the gas tax revenue as more fuel-efficient vehicles are utilized. The point is, he continued, that by going to a percentage situation, there is a different level of tax due to differences in price from one location to another. Senator Lamb asked Mr. Capurro if he thought it would be better to collect the tax at the pump and Mr. Capurro replied that he did not think so. Presently the tax is collected from perhaps 30 distributors beforehand and it is already in the gas price when it is purchased at the pump. If the tax is switched to pump collection, that will make collectors out of thousands of service station operators. Senator Ashworth added that if they wanted to collect at that level, it would be satisfactory with him, but that the percentage would have to be higher.

Mr. Virgil Anderson, of the American Automobile Association, testified that his association is opposed to the percentage concept, but it is very definitely in favor of some additional financing for the highway program, including local roads. He pointed out one deficiency in this bill to the committee--that it does not include diesel fuels and, representing his group, he feels that in the interest of fairness and equity the trucks should pay their share. He said his association supports a cents-per-gallon basis for gasoline and diesel fuel.

Senator Raggio asked for the justification of collecting a percentage on gasoline, and why does it differ from taxation on other products.

Mr. Capurro replied that when the sales tax is applied, it is on a wide range of items and there is a wide differential in costs. When one talks about gasoline, it is only about one product, and despite the fact that the price may vary for it throughout the state, it is still the same item.

Senator Raggio asked if there would be in effect a "tax upon a tax"--does the bill contemplate a tax upon the price of gasoline that includes any federal tax. He also asked why the fuel tax is not based on a sales tax.

Senator Sloan asked if any states utilize the percentage formula and Mr. Phelps replied that only one, the State of Washington, does so. It is a formula that "floats" and is converted to a cents-per-gallon ultimately. Mr. Capurro added that it is really called a variable tax and the hazard attached to it is that it is out of the hands of the legislature as an administrator sets the level of the fuel tax.

Senator Dodge made the statement that he knows the state needs more money in the highway fund, but he questions the wisdom of going to the voters for any tax increase. In addition, he wonders if the governor would sign any such bill. He asked that,



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in theory, would it not be better to have a more flexible type tax such as the percentage in place of a flat rate, which would require the legislature to return in a few years to ask the people for another increase.

Mr. Gene Phelps replied there is an advantage to having a revenue that is responsive to inflationary pressures but such pressures also work in the opposite direction on a per unit tax. He said the costs for construction and maintenance are growing at the rate of more than 10% a year, and have done so for the last 5 to 6 years. He then addressed Senator Raggio's question as to why fuel is not taxed on a sales tax basis. It is because the fuel tax was imposed long before the sales tax was, and it has historically been a method of funding road construction, going back to the 1920's and 30's. He added for the record that the highway department had not requested this bill.

Senator Dodge asked what if the percentage tax should raise more revenue than was needed at any given point. Mr. Phelps replied that he could not imagine that happening in at least a two-year period, at which time the legislature would have an opportunity to scrutinize the bill. Senator Dodge said that they could have an election in June (1979) if they really wanted to put it out to the people. Mr. Phelps said he could not conceive of a windfall in the short-range, but he could see circumstances where it might develop.

Senator Sloan asked if any of this money would be used for mass-transit needs. Mr. Phelps replied that there would presently be a constitutional prohibition against that action.

Mr. Virgil Anderson added that the American Automobile Association's surveys of gasoline prices over the last several years indicate that within the last year the price of gasoline is escalating faster than inflation. Senator Dodge reiterated that such is a circumstance that he can foresee; he can see on the short-range a generation of more money from the tax than the escalation in construction costs.

Mr. Capurro stated there is almost a certainty of a very short-run, short-period, astronomical rise in the cost of gasoline, far beyond the index for other items. He said to tie a taxing system, especially of a natural resource of this type, into this situation, creates innumerable problems. He said his organizations support the idea of a fixed tax structure and if there is a need for an increase in the future, then the matter may be again legislated.

The Chair then said the questions had been adequately covered, and it was just a matter of which way to go. He thanked the witnesses.

There ensued a general discussion on referendum laws. It was noted that if the route of a referendum was taken, then the legality

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of the percentage should be explored. If the percentage is not elucidated and the people should vote on the measure, it could not be changed by the legislature and the bill would be locked in.

Senator Kosinski stated that there are no provisions in the constitution for a referendum to be initiated by the legislature. Mr. Frank Daykin, Legislative Counsel, said the legislature does have the right to initiate a referendum.

Mr. Orvis Reil introduced himself as a private citizen and consumer. He said the gasoline tax was never conceived as a general revenue-raising measure but rather as a measure to build and maintain roads. If the state should go to the price concept, he feels the sales tax would have to be adopted. He said there is a direct connection between the use of the roads and the tax.

Senator Raggio then inquired if there are any other commodities sold that have a fixed tax. Mr. Vargas replied that liquor did, and the committee members variously answered that cigarettes have.

The Chair asked if there were any further questions.

Mr. John Madole, representing the Associated General Contractors, said his group supports the increase in tax money needed. He said that whether it is percentage or a cents-per-gallon formula is not important. His association feels that the increase in taxes for building roads is the important factor. Mr. Madole presented some figures to demonstrate the cost increase in maintaining roads, and said the request for an increase in highway funds should have been made before now. He also feels that with the legislature meeting every other year, that it could monitor any windfall which might accumulate and readjust the tax as needed.

Mr. Dave Young, representing the Operating Engineers Union, said his group supports any type of increase in the gas tax in order to obtain the necessary revenue to improve the roads, and benefit the general welfare of communities.

This concluded the testimony and discussion on this bill.

No action was taken by the committee on Senate Bill 307.

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A. B. 405 - Administrative Hearing and Additional Testimony

Specifies state agency which may designate sites as historic for purposes of property taxation.

Senator Glaser announced the committee would move to A. B. 405 and called upon Ms. Mimi Rodden of the State Historical Preservation and Archeology Department.

(Committee Minutes)



A. B. 405 - (con't)

Ms. Rodden said she was present to answer any questions that the members of the committee might have in regard to this matter. As it pertains to historic sites, this bill does not change the authority of the state or local governments in regards to open space.

Senator Dodge noted that he had previously misunderstood the authority question but it has been clarified in his mind and he now supports the bill.

Senator Raggio said he believes that one state agency should make the determination and designation in this matter.

Senator Kosinski asked what procedure a person follows in order to obtain a tax exemption for a historic site. Mr. Pete Morris, Assistant Director for Conservation and Natural Resources, replied that application has to be made to the county assessor and the decision is made by the county. Mr. Roy Nickson, Chairman of the Tax Commission, said the county assessor has the authority to make the decision. Senator Raggio asked him what his recommendation would be in this bill, and Mr. Nixon replied that one state agency should have to authority to make a determination on designation of historic sites for taxation purposes. He added that uniform standards should be applied.

There was discussion and clarification on various aspects of the bill and on definitions connected with the measure.

Senator Raggio moved "do pass" on Assembly Bill 405.

Senator Dodge seconded the motion.

The motion carried.

Senator Lamb was absent for the voting.

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A. B. 107 - Removes interest and penalty on deferred taxes on agricultural and open-space real property.

The Chair called for testimony on A. B. 107.

Mr. Sam Mamet, representing Clark County, said that initially the Clark County Treasurer had some concerns about this bill but these concerns had been taken care of in the Assembly reprint and now Mr. Mamet may state concurrence with the bill.

Mr. Gene Milligan, Nevada Association of Realtors, was the next speaker. He referred to the amendment on the first page, starting with about line 10. He said it is more of a technical amendment, referring to when a parcel is split. The new owner must

A. B. 107 - (con't)

must file but the owner of the remaining parcel (the previous owner of the original parcel) does not have to file on his remaining portion. Mr. Milligan and his association see no problem with this stipulation and feel it would probably save paper work time and effort.

The Chair called for further testimony.

Senator Dodge said that he would like to make an observation that he feels the 6% interest is punitive, and he went on to explain his point. He can see the recapture of the tax differential but not the 6% interest.

Senator Sloan then asked if the owner had not had the benefit of the money for that period of time and that with inflation the owner had really escaped part of the tax. Senator Dodge added that he does not see the interest charge on top of the tax differential as being fair.

There was further general dialogue on this subject.

Senator Glaser noted that, as he recalled from previous testimony, that interest on a considerable piece of ground almost precludes the owner from selling it. He said he would have to go back to some of the original testimony in some of the old minutes for the details.

Mr. Cozart, representing the Nevada Association of Realtors, said that his association agrees with Senator Dodge that the interest is punitive, and in A. B. 107, the interest is removed. He said there had been a great deal of testimony on this fact, the punitive nature of the interest, in the Assembly committee when it was heard there. The Assembly committee agreed that they should cut the interest out but leave the penalty in. He stated that his association concurs with what Senator Dodge and Senator Glaser have been saying. Mr. Milligan said Mr. Bob Weise, Assemblyman, is testifying on another matter or he would be present today to testify.

Senator Sloan repeated that he has difficulty comprehending what is punitive about the interest, as the owner has had the benefit of that money all the time in the past.

Mr. Cozart replied that explanation would probably go back to former testimony in 1975, and the basic intent of the open-space and agricultural greenbelt usage, which was to try to keep the agricultural and open-space usage there, because it is becoming increasingly expensive for the farmer, the landowner, to stay in that business with rising costs and food prices not going up on a parity basis. He said the entire structure of the greenbelt law was to provide some kind of a break, at least for a time, so that this type of land could be kept in agricultural usage.



A. B. 107 - (con't)

There was further, general discussion about open space, greenbelt, and the assessment of the lands.

Senator Dodge explained the intricacies of this particular tax structure now in existence. Senator Glaser explained that the philosophy of the greenbelt law was to keep the farmer farming so that he would not convert into subdivisions. The philosophy was not to save the farmer money but to keep him from converting his property. If he would continue to farm his land and keep it in either greenbelt or open space, his taxes were kept at that level on that use. Senator Glaser said that it was a type of land-use planning technique.

The Chair called for any further remarks or testimony, and there being none, this concluded the hearing on A. B. 107.

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A. J. R. 15-Administrative Hearing

Proposes to amend Nevada constitution by reducing 7-year requirement for retroactive assessment of agricultural and open-space property for property tax purposes.

Senator Glaser opened remarks by saying that this resolution resembles A. B. 107. It asks for a change in the 7-year requirement to a 4-year requirement, and that is the only change.

Senator Kosinski said that he does not see the seven years as a penalty.

Senator Raggio remarked that there was nothing "magic" about the 7 years and there is nothing magic about the 4 years, and that there could be some sort of a compromise, although he has no problem with the 4 years.

Senator Kosinski asked about a 2-year period and Senator Raggio replied that it depended upon whether they wanted to recapture or not.

Senator Glaser said he could go with 7 years and that there has to be some hold on speculators who would grab a piece of land, hold it for 2 years, then convert it, and get off with a light penalty. He said 7 years would detour the speculators.

Senator Kosinski sees the problem as the evil they are trying to get at is, particularly in the penalty area, the developer, who would want to come in and make a lot of money. But the penalty presently goes back for a 7-year period, and he asked about the possibility of coming with an alternative, say 3 years, for the purposes of the penalty.

A. J. R. 15 - (con't)

Senator Dodge stated that it is not a penalty, it is a tax recapture, and he thinks it is the interest that is punitive. He does not feel the same way about the 7-year stipulation as he does about the interest. He feels that agriculture is an industry that ought to be able to defend what it is willing to do as a reasonable compromise in position with other taxpayers on escalating values of property. It seems to Senator Dodge that the 7-year figure is defensible, but he has some question with four years as not being defensible for recapture. He does feel differently about the interest. He would not support going with 4 years but would support the interest removal.

The Chair said it would entertain a motion, unless anyone felt strongly about supporting A. J. R. 15.

Senator Sloan moved for an indefinite postponement of Assembly Joint Resolution 15.

Senator Lamb seconded the motion.

The Chair called for any further discussion.

The motion carried 5 to 1, Senator Raggio voting no.

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A. B. 107

The Chair called for consideration of A. B. 107 at this point.

Senator Lamb moved "do pass" on Assembly Bill 107.

Senator Dodge seconded the motion.

Senator Kosinski moved that the motion be amended to provide that the 6% penalty be changed from an 84-month period to a 36-month period.

Senator Sloan seconded the motion.

Senator Kosinski's motion to amend the "do pass" motion on Assembly Bill 107 failed.

The Chair then stated the main motion "do pass" was before the committee.

The motion carried.

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S. B. 209 - Administrative Hearing

Increases county fuel tax and extends tax to diesel fuel.

Senator Dodge stated the local entities need help with their county fuel tax, and they need additional ability to increase revenue.

Senator Lamb said he feels the same way and that this bill should be held until S. B. 307 is revised by amendments.

There was general discussion of the amounts of the present tax which go to local governments, and those governments' options for an increase.

Senator Kosinski stated the committee should receive testimony on the needs of the highway department when the amendments to S. B. 307 are presented.

There ensued a discussion on highway department needs, and funds involved for various projects.

Senator Glaser said that amendments were being prepared for S. B. 307, and that S. B. 209 should be held up until the two bills could be considered together and put in one bill.

Mr. Virgil Anderson of the American Automobile Association in Nevada said his group would support additional funding for the state highway system.

The Chair asked if it was agreeable with the committee to hold this bill until S. B. 307 is returned with amendments, and then consider the two as one bill.

Senate Bill 209 was held in committee. No action was taken on it.

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A. B. 32 - Administrative Hearing

Removes provision for interest on penalties and costs on delinquent property taxes.

Senator Dodge stated that this bill was asked for out of Lyon County, and as it stands, there is a penalty on a penalty. He asked if the percentage in almost any county in the state on delinquent taxes is very substantial in terms of dollars involved.

There was a brief discussion of the percentages on delinquent taxes in the various counties of the state.

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A. B. 32 - (con't)

Senator Raggio moved "do pass" on  
Assembly Bill 32.

Senator Kosinski seconded the motion.

The motion carried.

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The chairman of the committee, Senator Glaser, then said that S. B. 204 could be on the Board tomorrow (March 30), and that he is counting on the support of the members of the committee to back him up when it gets on the floor.

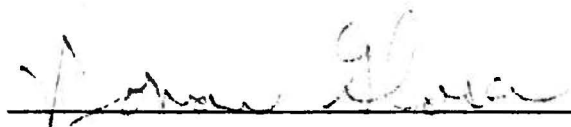
Senator Raggio stated that he had trouble with some of the concepts of the bill and he wanted to reserve the right to talk about the bill when it did get to the floor. He will help process the bill, but wants to maintain a degree of flexibility. In addition, he feels he has some obligation to support the governor's proposal. He will vote for the bill.

Senator Dodge said that as long as the Assembly did not have its bill passed, why not hold S. B. 204 for Monday, April 2, and Senator Glaser concurred, especially as there are some members of the Senate who will be absent from the floor on March 30.

The chair then stated, there being no further business, that the meeting was adjourned.

The meeting adjourned at 3:30 P. M.

  
Respectfully submitted by:  
Carolyn L. Freeland, Secretary

  
Approved by: Senator Norman Glaser,  
Chairman



GUEST LISTDATE: March 29, 1979

NAME	AGENCY OR ORGANIZATION
Senator Keith Ashworth	
Mr. Tom Wice	Hydro Conduit
Mr. Mark Byars	H. M. Byars
Mr. John Madole	Association of General Contractors
Mr. Daryl E. Capurro	Nevada Motor Transport Association, and Nevada Franchised Auto Dealers Association
Mr. Mimi Rodden	Historical Preservation and Archeology, State of Nevada
Mr. Bill Cozart	Nevada Association of Realtors
Mr. Gene Phelps	Nevada Highway Department
Mr. Virgil Anderson	American Automobile Association
Mr. Orvis Reil	Private citizen and consumer
Mr. George Vargas	Major oil companies representative
Mr. Dave Young	Operating Engineers Union
Mr. Sam Mamet	Clark County
Mr. Gene Milligan	Nevada Association of Realtors
Mr. Peter Morris	Assistant Director for Conservation and Natural Resources, State of Nevada
Mr. Roy Nickson	Chairman of the Tax Commission
Mr. Frank Daykin	Legislative Counsel