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

Mr. Ed Shorr, Fiscal Analyst

GUESTS: Mr. Roy Nickson, Director of the Dept. of Taxation
Mr. A.C. Zimmerman, Internal Revenue Service
Mr. John Giannotti, Vice President Harrah's Corp.
Mr. Gene Milligan, Nevada Association of Realtors
Mr. Howard Barrett, Dept. of Administration, Budget Div.
Mr. Frank Daykin, Legal Counsel, Legislative Counsel Bur.
Mr. Ernie Newton, Nevada Taxpayer's Association
Mr. Jim Shields, Nev. State Education Association
Mr. Chuck Knight, Superintendent, Elko Co. School District
Mr. Marvin Leavitt, City of Las Vegas

The meeting was called to order on Thursday, March 8, 1979, at 1:34 p.m., in Room 213, with Senator Norman Glaser in the Chair.

S.B. 204 - Amendment 251 (Exhibit "A")

Mr. Ed Shorr, Fiscal Analyst, began reading Amendment 251, line by line. Mr. Shorr stated that the Amendment will enter the new sections 16.1 and 16.3 into the act.

Senator Dodge asked if "all items" needs to be specified on the Consumer Price Index (CPI)? The Senator said that he would make a note to ask about this exact definition.

Senator Ashworth asked where the estimates of population are obtained? Senator Dodge said that these are prepared by the U.S. Department of Commerce. Senator Ashworth asked what does "provisional estimate" mean? Mr. Shorr answered that this means estimates that occur between census.

The Committee members questioned the exemptions of construction and the purchase of new equipment from the general and highway funds. Mr. Roy Nickson, Director, Department of Taxation, said that it was his understanding that since State Highway funds are primarily funded from user fees, it would not be subject to the "cap", and he understood that the Committee had earlier expressed that they felt that new equipment should not be exempt from the "cap". Senator Raggio said if all these items are exempted, there won't be a "cap". Senator Lamb concurred with Senator Raggio.

Mr. Nickson suggested that the amendment be changed to delete, within Sub-section 1 of Section 16.1, "or the purchase of new equipment" and "and the state highway fund respectively,".

S.J.R. 4 & 6

Mr. A.C. Zimmerman, Internal Revenue Service, spoke on what a limited estate "pick-up" tax might mean to the State of Nevada. Mr. Zimmerman said that in 1977, Nevada could have received credit for approximately $7,800,000 net; and in 1978 the possible credit could have been $2,006,000. Mr. Zimmerman said in checking with states that have a law similar to the one being contemplated by the Nevada Legislature, most states require minimal personnel to process the necessary paperwork.

Senator Ashworth asked if it could evolve that the federal government will ask Nevada to assist in collections if they receive the benefit of the pick-up tax? Mr. Zimmerman said in regards to most returns, the IRS relies on the individual states for appraisals, and in regards to the pick-up tax, the state only accepts the credit that the IRS allows. Senator Ashworth asked if there were any problems inherent in this type of legislation? Mr. Zimmerman said that sometimes several states will want to claim credit if there is some question as to residency. Mr. Zimmerman distributed form Letter 627 from the Internal Revenue Service (Exhibit "B") which is the "closing letter" on estates from which the states receive their credits. Mr. Zimmerman also submitted for the record, an article entitled, "The Truth About Death and Taxes in Nevada" (Exhibit "C") which he stated gave a very thorough analysis of the estate tax subject.

Mr. John Giannotti, Vice-President of the Harrah's Corporation, stated that this credit is due to Nevadans and he felt it should be utilized. Senator Ashworth said "I campaigned in opposition to the estate tax. Two of the reasons, as discussed today, being that in my practice in dealing with this, I saw real abuse in the area of joint tenancy accounts, and also in the area of double taxation as far as the State is concerned. I am of the opinion now in looking at this that basically by going into the area...we are shipping dollars to Uncle Sam that we don't need to."

Mr. Gene Milligan, Nevada Association of Realtors, stated that his association supports the estate tax.

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S.B. 204 - Amendment 251 (Cont.)

Mr. Howard Barrett, Department of Administration, Budget Division administrator, gave a statement of the effect of an expenditure "cap" on the State budgets. Mr. Barrett said that he didn't see any problems with this as the Legislature was dictating that State agencies could not increase any more than the CPI and population growth. Mr. Barrett also said in regards to the suggested deletions that perhaps in the future if a large piece of equipment is needed, an agency may be forced to use the more

S.B. 204 - Amendment 251 (Cont.)

expensive method of leasing rather than buying in order to budget within the necessary guidelines. Senator Dodge stated that Mr. Roy Nickson had observed that the Highway Fund ought to be exempted from the "cap" because it was like an "enterprise fund" which is exempted for the local governments.

Senator Dodge asked what percentage increases there will be for the accounts included in the "cap" in the next biennium? Mr. Barrett said if the capital construction and Distributive School Fund are excluded, in the first year the increase is 9.7%, and the second year increase will be 10.4%. Mr. Barrett added that the inflation is currently approximately 10%.

Senator Ashworth asked why the formula for the "cap" actually comes out to more than 10% per year as it states? Mr. Shorr answered that the factor for the biennium is slightly more than 20% because the population has a weighted average increase.

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Senator Sloan said that in review of previous testimony from various district representatives, he questioned if the Committee was expected to make an exception in the "cap" for every type of entity? To assist in the understanding of the impact of the "cap", Mr. Shorr read from a handout (Exhibit "D") which showed the amounts of the budgets for the school districts if a 1975-76 or 1977-78 base year were used. The second page of the handout showed the impact on the district budgets if the "cap" were only placed on the 80¢ optional of the ad valorem levy.

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Mr. Frank Daykin, Legal Counsel, Legislative Counsel Bureau, entered the meeting and Chairman Glaser asked him to comment on the proposed Amendment 251 for Senate Bill No. 204.

Mr. Daykin read the amendment line by line and the Committee posed questions.

Senator Ashworth asked if it was necessary to include "all items" for the CPI? Mr. Daykin answered that the general understanding is that this is the index for "all items", however, if desired, a more specific definition could be inserted.

Mr. Daykin stated that Sub-section 2 of Section 156 (Page 4 of Amendment 251) provides for the test of the constitutionality of the act. It requires, Mr. Daykin continued, the Director of the Department of Taxation, to begin the preparation of forms and regulations to report his actions within seven days after the act becomes effective, and to deliver a copy of each form to the Director of the Legislative Counsel Bureau.

S.B. 204 - Amendment 251 (Cont.)

Senator Dodge asked when the case is in the Supreme Court, who becomes the plaintiff, and who becomes the defendant? Mr. Daykin said if this section is used as the vehicle for getting into court, the Director of the Department of Taxation will refuse to comply and the Director of the Legislative Counsel Bureau brings an action for a writ of mandate; therefore, he is the plaintiff, and Mr. Roy Nickson of the Department of Taxation is the defendant. Mr. Daykin said that it would be the duty of the Attorney General to defend Mr. Nickson, unless the Attorney General chooses to disassociate himself and Mr. Nickson will be given special counsel. Senator Dodge asked if it was possible for this procedure to be reversed? Mr. Daykin answered this would be possible if an individual felt aggrieved by this procedure of allowances, the Attorney General with participation from the Legislative Counsel Bureau would defend the act. Mr. Daykin said that if Mr. Nickson doesn't want to be the defendant, he merely has to comply.

Mr. Daykin said that Sec. 158 (Page 5 of Amendment 251) outlines that if any section of the act is judged unconstitutional, the remainder of the bill also will become ineffective. Senator Dodge asked if by setting a "cap" on the general fund expenditures for the State, can the act impose any discipline on future legislatures not to change the "cap"? Mr. Daykin said there isn't any way this can be done.

Chairman Glaser asked if there were any further questions? Senator Raggio asked in regards to the deletions discussed earlier, where this left the State Highway Fund? Mr. Daykin answered that this left the Highway Fund unlimited.

Chairman Glaser said he would entertain a motion on the amendment:

> Senator Lamb moved to adopt Amendment #251 on Senate Bill No. 204, with the deletions stated in order that the revision will read, "In preparing the State budget for each biennium, the chief shall not exceed the limit upon total proposed expenditures for purposes other than construction from the State General Fund calculated pursuant to this section. The base for each biennium is the total expenditure for the purposes limited, from the State General Fund, appropriated and authorized by the Legislature for the biennium beginning on July 1, 1975."
>
> Senator Sloan seconded the motion.

Discussion:

Senator Kosinski asked Mr. Barrett if the "cap" on state expenditures would not have any major impact? Mr. Barrett said that there would be impact, but it is the Administration's intent currently to increase only in accord with population growth

Discussion (Cont.):

and the CPI.

The motion carried.

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Senator Dodge said that in a letter from the Secretary of State, concern was expressed that in the Special Election there wasn't a cut-off date for registration. Mr. Daykin said that it wasn't inserted because he didn't know exactly when the bill would be signed, and he didn't want to have the cut-off date prior to the time the bill became law, (the election is scheduled on the bill for June 5, 1979).

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Chairman Glaser asked Mr. Shorr if he would continue to review his analysis of the impact of S.B. 204, see Exhibit "D", on governmental entities.

Senator Dodge asked if there would be control on the budgets, if for the school districts, the "cap" were only on the 80¢ optional of the ad valorem tax? Mr. Shorr said that there will be control, but it is different from cities and counties because the districts don't have extensive revenue sources and are "locked" into a specific levy.

Mr. Ernie Newton suggested a proposal which he felt would solve the "cap" problems. Mr. Newton said the "cap" would be formed on the 1975-76 base, however the local governments would be allowed to spend at the 1977-78 level until the "cap" caught up with them. Mr. Newton said that this method would depend on how much inflation increased and how much population growth increased. Mr. Nickson stated that a population decrease would have an effect where they might never "catch up". Mr. Newton said that they would have to reduce their local levy until they got to a point where their expenditures bore a reasonable relationship to the value of the services they provided.

Mr. Jim Shields, Nevada State Education Association, said that the Governor's "cap" proposal would be very disadvantageous for schools. Mr. Shields said that the "cap" on the 80¢ optional would be easier for the schools to "live with", than an expenditure "cap". Mr. Shields said that the State of New Jersey initiated a revenue "cap" for schools in 1976, and because the second fiscal year the schools did so poorly, the New Jersey Education Association tried to modify the legislation. However, Mr. Shields stated, they haven't been able to gain the support of even one legislator for an adjustment on the act.

Senator Kosinski and Dodge asked Mr. Nickson to review Mr. Andrew Grose's proposal regarding the implementation of the rent rebate program, and assist in wording an amendment which would mandate how the landlord must comply in assigning the special parcel numbers for the rebate. Mr. Nickson said that he would do so immediately. Mr. Daykin commented that if the parcel number is going to be added to, the Committee might want to amend the landlord-tenant act so as to require that the new parcel number be shown on the rent receipt. Mr. Nickson said that he has some concerns with the proposal and the administrative costs involved with the various mandates. Mr. Daykin said that it does become the question, "Does the burgeoning bureaucracy outweigh the benefits?"

Senator Lamb felt that the additional funding for administration of this legislation should be put directly into the Department of Taxation's budget.

Chairman Glaser said that he would now entertain a motion on the base year for the "cap":

> Senator Sloan moved that Senate Bill No. 204 be amended to change the base year for the "cap" to 1977-78 for local governmental entities.
>
> Senator Don Ashworth seconded the motion.

Discussion:

Senator Dodge felt that many expenditures are not related to growth, and he felt that the growth factor should be weighted. The Senator felt that perhaps the school districts should not be considered in the same manner as cities and counties. He stated that "the people of Nevada expect a reduction in governmental expenditures, and I am saying that we are not bringing this about substantially if we go with a straight population and CPI factor."

Mr. Chuck Knight, Superintendent, Elko County School District said that in 1973 the local entities were mandated to go modified accrual basis of accounting, and as a result of this, many of the school districts had a large unfunded liability called the NRS Conversion Factor. Mr. Knight said that this "paper" unfunded liability necessitates that districts, in order to maintain solvency, have an 'ending balance'. Mr. Knight said that he hasn't seen this 'ending balance' considered in any of the "cap" legislation. Senator Dodge said that he specifically asked the school districts to review the general fund definition used in S.B. 204 with regard to 'ending balances', and he hasn't heard from them. The Senator asked Mr. Knight to provide a suggestion for this, and the Committee would give it consideration.

Senator Dodge moved to further amend Senator

Sloan's motion to include a .75 factor to set on the "cap" from this time forward.

Senator Raggio seconded the motion.

The motion carried. (Senators Kosinski, Don Ashworth and Sloan voted "No".)

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Senator Sloan felt that before he could vote on his own previous motion, he needed to look at the impact that the "cap" would have on the cities, with the .75 factor. He felt that the bill should go to the Senate floor backed with figures that have already been computed, rather than put in a new factor amount.

Senator Dodge moved to rescind his motion to amend Senator Sloan's motion.

Senator Lamb seconded the motion.

The motion carried.

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Chairman Glaser asked the Committee to consider Senator Sloan's original motion which read, "moved that Senate Bill No. 204 be amended to change the base year for the "cap" to 1977-78 for local governmental entities."

The motion carried.

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The Committee further discussed the "ending balance" problem as brought up by Mr. Knight of the Elko County School District. Mr. Knight pointed out that the "cap" is saying that every fiscal year must end in zero-balance budgeting, and this will strongly effect this necessary flow of funds, and becomes a budget limitation. Mr. Nickson said that this balance is not considered an expenditure by any local governmental entity, but is a budget item, and is not dealt with in this legislation. Mr. Nickson said that there is a local government regulation which says that the local government entities shall have not less than 4% nor more than 8% as an ending balance.

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Mr. Nickson then presented his suggested amendment regarding the rent rebate section of the bill in accord with Mr. Andrew Grose's proposal. Mr. Nickson recommended that the effective date of this amendment be July 1, 1980, to give the assessors a full year to develop the parceling system, and first year's rebates should be excluded from the statute. This would also

require that the renter put in the parcel number, and secondly would make the rental refund application a public record.

Senator Lamb moved to adopt the amendment as stated by Mr. Nickson for Senate Bill No. 204.

Senator Sloan seconded the motion.

The motion carried. (Senator Raggio voted "No").

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Senator Lamb moved to adopt Amendment 251 of Senate Bill No. 204, as amended.

Senator Don Ashworth seconded the motion.

The motion carried.

****

Senator Raggio felt that included in this bill there should be an "escape valve" whereby the public could exceed the "cap" in case of an emergency, by referendum procedure.

Senator Dodge moved that Senate Bill No. 204 include language as in the Governor's proposal which would allow for referendum procedure if the public did not wish to adhere to the "cap".

Senator Sloan seconded the motion.

The motion carried. (Senator Lamb voted "No".)

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Senator Lamb moved "Do Pass" of Senate Bill No. 204 as amended this date.

Senator Don Ashworth seconded the motion.

The motion carried.

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The Committee decided to wait until the Reprint of Senate Bill No. 204 was available before calling a joint hearing with the Assembly Taxation Committee.

S.J.R. 6 (Exhibit "E") -- Administrative Vote

Senator Raggio moved "Do Pass" on Senate Joint Resolution No. 6.

Senator Dodge seconded the motion.

S.J.R. 6 (Cont.)

The motion carried. (Senator Lamb voted "No".)

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S.B. 158 (Exhibit "F") -- Administrative Vote

Senator Sloan moved "Do Pass" on Senate Bill No. 158.

Senator Raggio seconded the motion.

The motion carried.

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There being no further business, the meeting was adjourned at 4:45 p.m.

Sheba L. Frost

Respectfully Submitted By:
Sheba L. Frost, Secretary

Norman Glaser

Approved By: Senator Norman Glaser,
Chairman

EXHIBIT "A"

1979 REGULAR SESSION (60TH)

ASSEMBLY ACTION	SENATE ACTION	Senate AMENDMENT BLANK
Adopted ☐	Adopted ☐	AMENDMENTS to Senate
Lost ☐	Lost ☐	Bill No. 204 ~~Joint Resolution No.~~
Date:	Date:	BDR 32-1480
Initial:	Initial:	Proposed by Committee on Taxation
Concurred in ☐	Concurred in ☐	
Not concurred in ☐	Not concurred in ☐	
Date:	Date:	
Initial:	Initial:	

Amendment No. 251

Amend the bill as a whole by inserting new sections designated sections 16.1 and 16.3, following section 16, to read as follows:

"Sec. 16.1. Chapter 353 of NRS is hereby amended by adding thereto a new section which shall read as follows:

1. In preparing the state budget for each biennium, the chief shall not exceed the limit upon total proposed expenditures for purposes other than construction or the purchase of new equipment from the state general fund and the state highway fund respectively, calculated pursuant to this section. The base for each biennium is the total expenditure, for the purposes limited, from each fund appropriated and authorized by the legislature for the biennium beginning on July 1, 1975.

2. The limit for each biennium is calculated as follows:

(a) The amount of expenditure constituting the base is multiplied by the percentage of change in population for the

To: E & E
LCB File
Journal
Engrossment
Bill

Date 3-7-79 Drafted by FWD:sl

current biennium from the population on July 1, 1975, and this product is added to or subtracted from the amount of expenditure constituting the base.

(b) The amount calculated under paragraph (a) is multiplied by the percentage of inflation or deflation, and this product is added to or subtracted from the amount calculated under paragraph (a).

(c) If the amount resulting from the calculations under paragraphs (a) and (b) represents a net increase over the base biennium the chief may increase the proposed expenditure accordingly. If the amount represents a net decrease, the chief shall decrease the proposed expenditure accordingly. If the amount is the same as in the base biennium, the amount is the limit of permissible proposed expenditure.

3. The revised estimate of population for the state issued by the United States Department of Commerce as of July 1, 1975, must be used, and the most recent available provisional estimate must be used in determining the percentage of increase or decrease in population for each succeeding biennium. The Consumer Price Index published by the United States Department of Labor for July preceding each biennium must be used in determining the percentage of inflation or deflation.

4. The chief may exeeed the limit to the extent necessary to meet situations in which there is a threat to life or property.

Sec. 16.3. NRS 353.150 is hereby amended to read as follows:

353.150 NRS 353.150 to 353.246, inclusive, [shall be known and] and section 16.1 of this act may be cited as the State Budget Act.

Amend section 30, page 12, line 4, by inserting after the period: "Section 1 of this act expires by limitation on June 30, 1981, if before that date the constitution of the State of Nevada is amended to limit the amount of general (ad valorem) taxes on real property to $1 for each $100 of full cash value, or to any lesser amount.".

Amend section 47, page 14, by deleting lines 39 and 40 and inserting:

"Sec. 47. 372.145 Revocation, suspension of permit: Procedure.".

Amend section 47, page 15, by deleting lines 7 through 16.

Amend section 47, page 15, by deleting line 18 and inserting: "unlawful.".

Amend section 48, page 15, line 19, by deleting "1.".

Amend section 48, page 15, by deleting lines 23 through 28.

Amend section 68, page 18, line 35, by deleting "1" and inserting "2".

Amend section 96, page 23, line 13, by deleting "$30,000," and inserting "$10,000,".

Amend section 96, page 23, line 19, by deleting "$30,000," and inserting "$10,000,".

Amend section 108, page 26, line 30, by deleting "10" and inserting "5".

Amend section 108, page 26, line 32, by deleting "10" and inserting "5".

Amend section 108, page 26, line 33, by deleting "10" and inserting "5".

Amend the bill as a whole by inserting a new section designated section 156, following section 155, to read as follows:

"Sec. 156. 1. With respect to taxes or refunds payable during the fiscal year 1979-80 only, a claim for an allowance or a refund may be made at any time between the 10th day after the effective date of this section and June 30, 1979. The department of taxation shall make refunds as soon as practicable. County treasurers shall apply allowances, when determined, to the remaining unpaid installments of taxes.

2. The director of the department of taxation shall, not later than the day after the effective date of this section, begin the preparation of forms and regulations appropriate for the administration of the Tax Abatement Act. It is the mandatory duty of the director of the department of taxation to report the measures

taken pursuant to this subsection to the director of the legislative counsel bureau for dissemination to the members of the legislature. The director of the department of taxation shall make this report within 7 days after the effective date of this section, and shall deliver with the report to the director of the legislative counsel bureau a copy of each form of claim used in administering the Senior Citizens' Property Tax Assistance Act.".

Amend the bill as a whole by renumbering section 156 as section 157 and inserting a new section designated section 158, following section 156, to read as follows:

"Sec. 158. This act constitutes a unified plan for the reduction of taxes and the abatement of inequities in their effect, and is not severable. If any provision of this act or the application thereof to any person, thing or circumstance is held invalid, the other provisions of this act become ineffective, and the measure described in section 30 of this act must not be submitted to the registered voters of this state.".

Amend section 157, page 35, by deleting lines 22 and 23 and inserting:

"Sec. 159. 1. This section, sections 1 and 2, sections 29 to 40, inclusive, section 156 and section 158 of this act shall become effective upon passage and approval.".

Amendment No. 251 to Senate Bill No. 204 (BDR 32-1480) Page 6

Amend section 157, page 35, line 24, by deleting "and section 156" and inserting ", inclusive, 154.5 and 157"

Amend section 157, page 35, line 29, by deleting "This act expires" and inserting "Sections 1 to 28, inclusive, 154 and 154.5 of this act expire".

Amend the title of the bill, 1st line, after "limits" and inserting:

"on the state budget,".

EXHIBIT "B"

Internal Revenue Service
District Director

Department of the Treasury

Date:

Estate of:

Decedent's Social Security Number:

Date of Death:

Person to Contact:

Contact Telephone Number:

Estate Tax Closing letter

(This is not a bill for tax due)

Our computation of the Federal Tax liability for the above estate is shown below. It does not include any interest that may be charged. You should keep a copy of this letter as a permanent record because your attorney may need it to close the probate proceedings for the estate. This letter is evidence that the Federal tax return for the estate has either been accepted as filed, or has been accepted after an adjustment that you agreed to.

This is not a formal closing agreement under section 7121 of the Internal Revenue Code. We will not reopen this case, however, unless Revenue Procedure 74-5, reproduced on the back of this letter, applies.

If you have any questions, please contact the person whose name and telephone number are shown above. Thank you for your cooperation.

Sincerely yours,

D. F. Swanson

District Director

Tentative tax		$_____
Less: Aggregate gift taxes payable (for gifts made after 12-31-76)	$_____	
Unified credit	$_____	
Credit for State death taxes	$_____	
Credit for Federal gift taxes (on gifts prior to 1-1-77)	$_____	
Credit for foreign death taxes	$_____	
Credit for tax on prior transfers	$_____	
Total subtractions		$_____
Net estate tax		$_____
Penalties, if any		$_____

(over)

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P.O. Box 4100, Reno, Nevada 89505

Letter 627(DO) (Rev. 2-78)

Rules governing the reopening of cases closed after examination in the office of a District Director

Rev. Proc. 74–5

SECTION 1.—PURPOSE

The purpose of the Revenue Procedure is to restate and amplify the conditions under which a case closed after examination in the office of a District Director of Internal Revenue may be reopened to make an adjustment unfavorable to the taxpayer.

This procedure contains a listing of certain types of cases wherein reconsideration is not considered a reopening and makes clear that cases closed after examination by service centers require application of reopening procedures.

SEC. 2.—SCOPE

This procedure pertains to all cases, regardless of type of tax, in which the prior audit and conference action, if any, did not extend beyond the jurisdiction of the office of the District Director. It does not apply to cases previously closed after consideration by Regional Appellate Offices of Regional Counsels.

SEC. 3.—DEFINITIONS

.01 Closed Case:

1. A case agreed at the district level is considered closed when the taxpayer is notified in writing, after district conference, if any, of adjustments to tax liability or acceptance of his return without change.

2. An unagreed income, estate or gift tax case is considered closed when the period for filing a petition with the United States Tax Court specified in the statutory notice of deficiency issued by the District Director expires and no petition was filed.

3. An unagreed excise or employment tax case is considered closed when the period for filing protest and requesting consideration by the Appellate Division specified in the preliminary letter expires and no protest or request for Appellate consideration is filed.

.02 Examination and Reopening:

1. Contacts with taxpayers to verify or adjust items disclosed on information returns, including items of income distributable to taxpayers by partnerships, fiduciaries, or small business corporations, and contacts with taxpayers to correct mathematical errors are not examinations or reopenings.

2. Reconsideration of a case is not considered a reopening and therefore, requires no approval or issuance of form letter L–153 if it involves:

(a) Cases involving section 1311 of the Code.

(b) Cases involving the year of deduction of a net operating loss carryback or similar type of carryback under other provisions of the Code.

(c) Cases in which there have been involuntary conversions and the taxpayer has not recomputed his tax liability because he did not replace the property within the time provided by section 1033 of the Code.

(d) Cases involving an overpayment in excess of $100,000, subject to consideration by the Joint Committee on Internal Revenue Taxation under section 6405 of the Code.

SEC. 4.—POLICY

.01 The Internal Revenue Service will not reopen any case closed after examination by a district office, service center or Office of International Operations to make an adjustment unfavorable to the taxpayer unless:

1. There is evidence of fraud, malfeasance, collusion, concealment or misrepresentation of a material fact; or

2. The prior closing involved a clearly defined substantial error based on an established Service position existing at the time of the previous examination; or

3. Other circumstances exist which indicate failure to reopen would be a serious administrative omission.

.02 All reopenings must be approved by the District Director or by the Director of International Operations for cases under his jurisdiction. If an additional inspection of the taxpayer's books of account is necessary, the notice to the taxpayer required by section 7605(b) of the Code must be signed by the District Director, or by the Director of International Operations for cases under his jurisdiction.

SEC. 5.—EFFECT ON OTHER DOCUMENTS

This Revenue Procedure supersedes Rev. Proc. 72–40, 1972–2 C.B. 819.

The Truth About Death and Taxes in Nevada

*by Albin J. Dahl**

> The gospel of wealth . . . calls upon the millionaire to sell all that he hath and give it in the highest and best form to the poor by administering his estate himself for the good of his fellows before he is called upon to lie down and rest upon the bosom of Mother Earth. So doing, he will approach his end no longer the ignoble hoarder of useless millions; poor, very poor indeed, in money, but rich, very rich, twenty times a millionaire still, in the affection, gratitude, and admiration of his fellow-men . . . because he has lived, perhaps one small part of the great world has been bettered just a little.[1]

Scope and Purpose

After reviewing the rationale and history of death taxes and the opportunity for sharing Federal estate tax revenue, the author considers the proposed amendment to the Nevada Constitution to permit the Legislature to impose a "pick up Federal revenue" estate tax. The purpose is to show that provision for this kind of a limited scope estate tax would be prudent fiscal management and in no way a deterrent to Nevada residency of wealthy persons.

Characteristics and Rationale of Death Taxes

An estate tax is levied on the net asset value of the estate of a decedent. Funds and value of property available for distribution to heirs are reduced by the amount of the estate tax liability. Inheritance taxes are assessed to heirs of a decedent's estate and the schedule of rates varies directly with the remoteness of the relationship (if any) of the heir to the decedent. Thus the schedule of inheritance tax rates payable by a son or daughter is below that payable by a nephew or neice of the decedent. The highest rates are payable by beneficiaries ("strangers") having no blood relationship to the decedent. The distinction between an *estate* and an *inheritance* tax becomes blurred if the code provides for estate tax exemptions which vary according to the relationship of the heirs to whom net proceeds or title to property is to be transferred. For example, the Federal estate tax code and that of several states grant a sizeable exemption from tax liability applicable to property to be transferred to a surviving spouse. By contrast, at their discretion, lawmakers may provide for full taxation (without any exclusion) of estate property destined for transfer to a stranger or to a distant relative. Because there is no hard line separating *estate* from inheritance taxes, the broader term *death taxes* is often an appropriate substitute phrase.

Generations ago scholars rationalized death taxes as a substitute for the decedent's obligation for helping needy people, inasmuch as provision for social welfare is essentially a responsibility of the state.[2] This rationale implies that the decedent's charitable contributions during his or her lifetime were inadequate, measured by some imaginary standard, and that wealth was accumulated. Death taxes make the state one of the beneficiaries of decedents who leave tangible wealth and this was entirely just and proper, according to this "social welfare" rationale.

In modern literature on "death and taxes", scholars have noted that the estate tax has a light incidence. Along this line of thought, it is pointed out that death taxes impose less disincentive to work than is imposed by the income tax and that the adverse effect of death taxes on risk-bearing and allocation of economic resources is minimal.[3]

Death and gift tax rates, like those applicable to income, are "progressive", i.e., rates increase with dollar value subject to taxation. The Federal estate tax rates are steeply progressive, reaching 70 percent on estates of taxable value of over $15 million; "it is only the uninformed, the ill-advised, or the altruistic individual who would not subject an estate [of this value size category] to . . . high [death taxes] as it passes from one generation to the next."[4]

By contrast, taxation at flat rates is regressive on low wealth/income individuals. The sales tax and property taxes are regressive, i.e., the same rates apply irrespective of financial status of taxpayers. But the incidence of the flat rate tax bill falls heavier on the poor than on the rich. The dollar amount of a tax bill at a flat rate is a small percentage of wealth and income of a rich person, but for a poor person, the comparable percentage is much higher.

Apparently some investors retain ownership of assets which have appreciated in value until time of death in order to avoid liability for the capital gains tax. The overall effect of this tendency is to impede the mobility of capital. By taxing transferred assets at market values as of date of death, inheritance and/or estate taxes have the effect of reaching capital gains which otherwise might never be reached. Death taxes also reach the market value of bonds which are exempt from the tax on interest earned.

*Albin J. Dahl is Professor of Economics in the College of Business Administration, University of Nevada, Reno.

EXHIBIT C

Estate Tax Revenue Sharing

Financial exigencies of the Civil War led Congress to impose death taxes but they were repealed in 1870. Subsequently states began to levy death taxes and by 1916 they yielded 8.2 percent of treasury revenue in 42 states. Then fiscal needs of the Federal government during World War I prompted Congress to levy death taxes again, and this time they became firmly embedded in Federal tax structure.

Death and gift taxes are *indirect* because technically they apply to transfer of property rather than to property *per se*. Therefore, unlike taxes on income, estate and gift taxes levied by the Federal government could not be challenged at law as offending the Constitutional ban on the imposition of direct taxes.[5] But the Federal estate tax did arouse some controversy. It was argued that making rules and regulations relating to transfer of ownership of property is entirely within the province of states and therefore the levy of death taxes should be the exclusive preserve of states. However, the consensus at law was that the observed legislative power of the states did not preclude Federal taxation of transfer of property.

In 1924 Congress decided to compromise the issues of who (Federal or state government) shall levy death taxes by providing for sharing Federal estate tax revenue with states. Therefore, in tax revision legislation of that year, Congress allowed states which also levy an estate tax a credit equal to 25 percent of the effective Federal estate tax rate multiplied by the total Federal estate tax liability. In 1926 this revenue sharing rate was increased to 80 percent. In 1932, Congress raised estate tax rates but provided that the 80 percent credit to states should continue to be based on 1926 Federal estate tax effective rates. Subsequently Congress increased estate tax rates again in 1935, 1940, and 1941. The Federal estate tax exemption, $100,000 in 1926, was reduced to $50,000 in 1932 and to $40,000 in 1935. The $40,000 exemption was raised to $60,000 in 1942 only because a special life insurance exclusion of $40,000 was eliminated.

The Tax Reform Act of 1976 substituted a uniform credit for the $60,000 exemption. For estates of decedents dying in 1977, the credit is $30,000. Stepped increases are scheduled in each of the succeeding years through 1981 for estates of decedents dying in those years. The credit is phased in as follows:

Year	Credit	"Equivalent" Exemption
1977	$30,000	$120,666
1978	34,000	134,000
1979	38,000	147,333
1980	42,500	161,563
1981	47,000	175,625

An "equivalent" exemption of $120,666 indicates that a Federal estate tax return must be filed for a gross estate exceeding $120,000. As indicated by the tabulation, the equivalent exemption rises in steps to 1981. Although the Act of 1976 provides for a substantially higher exemption, it also raised estate tax rates at the lower end of the scale and lowered them for the very high value estates. The new rates are in the range of 18 percent to 70 percent compared with a previous spread of 3 percent to 77 percent.

The method of calculating the maximum credit allowable to states is illustrated below.

TABLE FOR COMPUTATION OF MAXIMUM CREDIT FOR STATE DEATH TAXES

(A) Taxable estate equal to or more than -	(B) Taxable estate less than -	(C) Credit on amount in column (A)	(D) Rates of credit on excess over amount in column (A) Percent
$ 40,000	$ 90,000	.....	0.8
90,000	140,000	400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	3,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,600	5.6
1,040,000	1,540,000	38,800	6.4
1,540,000	2,040,000	70,800	7.2
2,040,000	2,540,000	106,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	10,040,000	930,800	15.2
10,040,000	.....	1,082,800	16.0

As indicated by the tabulation, if the taxable estate does not exceed $40,000, the credit for state death taxes is zero.

Assume a taxable estate of $150,000. The nearest applicable figure in column (A) of the table is $140,000, for which the tentative credit to the state is $1,200, as shown in column (C). But the taxable estate ($150,000) exceeds $140,000 of column (A) by $10,000. Therefore, 2.4 percent (column D) of $10,000, or $240, is added to the tentative credit of $1,200 to arrive at a total credit of $1,440.

Originally, under provisions of the 1926 legislation of Congress, states received about 80 percent of the estate tax revenue collected by the U.S. Treasury. The rebate currently allowable to states is approximately 10 percent of Federal estate tax revenue. Forty-four states have qualified for sharing Federal estate tax revenue by imposing death taxes which add in varying degrees to the Federal tax burden associated with transfer of title to assets in names of decedents.

But a state legislature *can* provide for an estate tax without imposing any additional tax liability on estates within its jurisdiction. To qualify for revenue sharing, a state must levy an estate tax but may limit its amount to 80 percent of the percentage of the Federal estate tax collected in 1926. Five states, viz., Alabama, Alaska, Arkansas, Florida, and Georgia, have enacted qualifying innocuous "pick up the federal rebate" estate tax legislation. If Nevada were to follow suit, estates subject to this state's jurisdiction would pay no additional tax. But the state treasury would qualify for Federal estate tax revenue sharing, estimated in the range

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Death Tax in Nevada: Historical Background

In the early decades of this century when all of Nevada was sparsely populated and ownership of corporate assets was concentrated in relatively few nonresident wealthy persons, it was recognized that an inheritance tax would yield substantial revenues per resident of the state. Therefore, in 1913 the Legislature provided for an inheritance tax with rates varying directly with the value of the property to be inherited and the remoteness of the relationship between the beneficiary and the testator. Twenty percent of the tax dollars collected was allocated to counties in which inherited property was situated and the remaining 80 percent was retained by the state treasury. But there were large yearly swings in inheritance tax revenue collected. In 1914 revenue from this source was $123; this compared with $57,594 in 1921, and a yearly average of $7.002. These sharp fluctuations were viewed with apprehension by lawmakers because handsome budgets in anticipation of income from the inheritance taxes which failed to materialize might lead to increases in other taxes in years of lean revenue from the former.

In 1925 the 32nd session of the Nevada Legislature repealed the Act of 1913 which had established an inheritance tax. As we have already seen, in the following year Congress raised the estate tax credit for states to 80 percent of the percentage of the 1926 tax rates. Nevertheless, after the elapse of many years, a resolution prohibiting enactment of an inheritance or estate tax was approved by the 39th session of the Nevada Legislature, 1939. The first step in the process of writing the ban on death taxes into the Constitution by the amendment process had been taken. At the next session of the Legislature, 1941, the anti-death tax resolution was affirmed. In 1942 the proposed amendment was approved by the electorate. Thus Article 10, Section 1 of the Nevada Constitution provides that "no inheritance or estate tax shall ever be levied . . ."

Providing for an estate tax to permit Nevada to follow in the footsteps of Alabama, Alaska, Arkansas, Florida, and Georgia and pick up Federal money without imposing any additional death tax has been discussed at every regular session of the Nevada Legislature since 1961. In 1971 and 1973 a resolution to amend Article 10, Section 1 of the State Constitution to allow the "pick up" estate tax passed the Senate but died in committee in the Assembly.

At the 1975 session of the Legislature, Senate Joint Resolution No. 5 providing for picking up Federal estate tax revenues was approved by an overwhelming majority in the Senate; the vote was 18 in favor and 2 opposed. This resolution barely made it to the Assembly floor, for it was reported out of the taxation committee "without recommendation" on a 5-4 vote. However the Assembly as a whole gave Joint Resolution No. 5 strong support; the vote was 36 in favor, 3 opposed, and one member not voting.

Senate Joint Resolution No. 5 amending Article 10, Section 1 of the Constitution was carefully phrased to authorize the "imposition of an estate tax not to exceed the credit allowable for such a tax against the Federal estate tax, reduced by the amount paid to any other state." in Article 10, Section 1: "No inheritance tax shall ever be levied."

EXHIBIT C

The full text of the 1975 Resolution is reproduced below:

> The legislature may provide by law for the taxation of estates taxed by the United States, but only to the extent of any credit allowed by federal law for the payment of such a state tax. The combined amount of such federal and state taxes shall not exceed the estate tax which would be imposed by federal law alone. If another state of the United States imposes and collects death taxes against an estate which is taxable by the State of Nevada under this section, the amount of estate tax to be collected by the State of Nevada shall be reduced by the amount of death taxes collected by such other state. Any lien for such estate tax shall attach no sooner than the time when the tax is due and payable, and no restriction on possession or use of a decendent's property shall be imposed by law prior to the time when the tax is due and payable. The State of Nevada shall accept the determination by the United States of the taxable estate without further audit.[6]

However, the 1977 session of the Legislature took no action on Senate Joint Resolution No. 5. Therefore, the process of amending the State Constitution to permit the "pick up" tax will have to begin all over again in 1979.[7]

Death Tax Debate

Pro:

1. Nevada should join Alabama, Alaska, Arkansas, Florida, and Georgia in providing for an estate tax not to exceed the credit allowed by the Federal government. The effect would be to take a cut of the Federal estate tax without adding anything to the death tax on the estate of a Nevada resident. In the absence of a "pick up" tax, the Federal government retains the credit which would otherwise go to Nevada.

IRS will not allow the state tax credit on the Federal estate tax until a receipt is forthcoming to indicate that the state tax has been paid. If this receipt is not issued within 6 months, IRS will assess the estate for the amount of the state "pick up" tax.

For example, assume that the Federal estate tax liability is $9,900. IRS will determine a $900 *potential* rebate to the state having jurisdiction over the estate. If the state assesses and collects the $900 "pick up" tax, IRS will bill the estate for only $9,000. But if the state does not collect its $900 share of the tax, IRS will bill the estate for a total tax of $9,900. Therefore, the estate tax liability is the same whether or not the state imposes a "pick up" tax.

"By not having a "pick up" tax, Nevada denies itself revenue and does not decrease the total amount of tax which must be paid."[8]

2. The cost of administering a "pick up" tax is negligible. "In 1975 . . . based on IRS estimates, [Nevada] would have received [revenue in the range of] $2.5 to $3.0 million through a "pick up" tax. Based on [the experience in other] "pick up" states, the cost of administration would [have been less than] $20,000 per year."[9] This suggests a minimum ratio of revenue to cost of administration of 125:1. IRS does all the work.

3. Popularity of the *Proposition 13 idea* is likely to force a reduction in property and sales taxes, the principal sources of revenue for city and county treasuries. Therefore, it is highly probable that in the near future the Nevada State

Treasury will be called upon to share some of its revenue with local governments. "Pick up" estate tax money of $3 million per year is one percent of the state's revenue. Prudent fiscal management suggests a need to qualify for "free" "pick up" revenue from the U.S. Treasury at long last!

Con:

The State's well-advertised *no-tax image* would be tarnished if Nevada were to provide for an estate tax. Wealthy people would be discouraged from becoming Nevada residents. Trust departments of banks, attorneys and accountants (who prepare Federal income tax returns and Federal estate tax returns) and members of other professions will have fewer wealthy clients.[10]

Rebuttal:

Be truthful in advertising: the estate of a Nevada resident is liable for the Federal estate tax plus any unclaimed "pick up" revenue. Nevada and five other states (Alabama, Alaska, Arkansas, Florida, and Georgia) impose no additional tax on the estates of residents. A Nevada "pick up" tax will not add one penny to the estate tax of a Nevada resident. *Wealthy persons and/or their tax consultants are already familiar with the facts on death and taxes in Nevada and in other states.* Advertising that Nevada is the only state which imposes no estate tax is misleading for it implies that the estate tax liability in Nevada is lower than that incurred in the five states which have enacted "pick up" taxes. Nevada and the five states already enumerated are on equal "death tax terms" in attracting wealthy residents. Nevada has the added advantage of imposing no personal or corporate income tax.

★ ★ ★ ★ ★

A careful analysis of "death and taxes" compels the conclusion that the Nevada Legislature should begin the process of amending Article 10, Section 1 again and follow through this time. The true meaning of the "pick up" tax should be given adequate publicity so that in the final step of the amendment process, informed voters can decide the issue.[11]

Amending Article 10, Section 1 to permit the "pick up" tax will require five years to accomplish. Every year of delay costs the State Treasury an estimated $3 million or $15 million every five years, based on estimates for the years 1971-1975. The 1976 schedules of Federal estate tax rates and uniform credits are not expected to change materially the revenue potential allowable to Nevada. As we have seen, Federal estate tax rates were increased several fold at the lower end of the scale, but the exemption was raised. The "inflation effect" on market values of estates and the increasing number of Nevada residents suggest that the allowable "pick up revenue" from the U.S. Treasury will continue at its present level as a minimum expectation.

> The wild duck has dived down to the bottom—as deep as she can get—and bitten fast hold of the weed and tangle and all the rubbish that is down there, and it would need an extraordinarily clever dog to dive after and fish her up again.[12]

Footnotes:

[1]Andrew Carnegie, *The Gospel of Wealth*, Kirkland, Editor, Harvard University Press, Cambridge, Mass., 1962, p. 49.

[2]Adolph Wagner, "Three Extracts on Public Finance", *Classics in the Theory of Public Finance*, R. A. Musgrave and Alan T. Peacock, editors, pp. 16-28.

[3]Joseph R. Seifers, "Nevada and the Death Tax", unpublished master's thesis, Department of Economics, University of Nevada, Reno, 1975, pp. 16-57, reviews the literature on theory of inheritance and estate taxes.

[4]Jerome Kurtz, "Hearings on the Tax Reform Act of 1969", before House Ways and Means Committee, 91st Congress, 1st Session, pt. 2, cited in E. A. Sanders and D. Westfall, *Readings in Federal Taxation*, p. 594.

[5]The 16th Amendment authorizes Congress to "lay and collect taxes on income . . . without apportionment among the several states . . ."

[6]As an added precaution, it may be advisable to add the following sentence to the resolution next time: "if provision for sharing Federal estate tax revenue is ever repealed, Nevada's estate tax shall be deemed to have expired."

[7]Amending the Nevada Constitution is a time-consuming process. A resolution to amend must be approved at two consecutive sessions of the Legislature and then the proposed change must be submitted to voters for approval or rejection.

[8]*Death Taxation in the American States*, Business Research Bureau, University of South Dakota, Vermillion, SD, 1974.

[9]*Estate Taxes*, Nevada Legislative Counsel Bureau, Office of Research, Background Paper, 1977, No. 7, p. 3.

[10]In 1973, the Nevada Bankers' Association suggested that the proposed resolution "prohibit any attachment of or restriction on an estate as a result of a state 'pick up' tax". The essence of this prohibition is contained in SJR No. 5 (1975) and it is notable that "there was no opposition from the bankers in 1975 committee hearings". *Ibid.*

[11]Cf. "Proposed Estate Tax Has Dollars and Sense", Editorial, *Nevada State Journal*, March 9, 1975.

[12]J. M. Keynes, *The General Theory of Employment Interest and Money*, MacMillan & Co., Ltd., London, 1960, p. 183.

EXHIBIT "D"

SCHOOL DISTRICTS

IMPACT OF EXPENDITURE CAP
ON 1979-80 TENTATIVE BUDGET

	Cap 75-76 Expenditure Year DECREASES	Cap 77-78 Expenditure Year DECREASES
Carson	$ 936,374	577,316
Churchill	63,544	79,983
Clark	7,079,281	Ø
Douglas	181,918	649,173
Elko	199,736	Ø
Esmeralda	27,866	67,800
Eureka	Ø	Ø
Humboldt	155,965	Ø
Lander	Ø	Ø
Lincoln	Ø	Ø
Lyon	751,047	140,441
Mineral	209,740	Ø
Nye	185,984	Ø
Pershing	227,971	137,608
Storey	Ø	Ø
Washoe	8,005,049	2,134,070
White Pine	96,571	Ø
	$18,121,046	$3,786,391

EXHIBIT D

SCHOOL DISTRICTS

IMPACT OF CAP ON 1979-80 TENTATIVE BUDGETS
CAP ON REVENUE FROM 80¢ AD VALOREM LEVY.

	#1 CAP BASED ON 1975-76 ASSESSMENTS, ENROLLMENTS & CPI	#2 3 YEAR AVERAGE CAP 1974-1977 ASSESSMENTS ENROLLMENTS & CPI
	DECREASES	DECREASES
Carson	$ 490,771	$ 497,276
Churchill	26,233	19,649
Clark	4,415,557	4,240,080
Douglas	338,866	229,509
Elko	Ø	Ø
Esmeralda	16,132	21,060
Eureka	Ø	21,890
Humboldt	57,796	58,997
Lander	58,700	41,344
Lincoln	39,573	49,813
Lyon	42,578	9,896
Mineral	34,883	38,469
Nye	285,179	255,539
Pershing	11,648	Ø
Storey	Ø	Ø
Washoe	4,189,297	3,289,711
White Pine	Ø	1,840
	$10,007,213	$8,775,053

ENROLLMENTS - Weighted enrollments in base are actual 1976-77 for #1 and an average of three actual years, 1975-78, for #2. Enrollments for FY 1979-80 are estimates from school district budgets. Actual figures will only be available after the rolls are closed. If the amount of levy is based on an estimated weighted enrollment, there should be a method of adjustment. For example, if the estimate is high or low by 10 students or 2%, whichever is greater, then the next year is subject to adjustment.

SENATE JOINT RESOLUTION #6

S. J. R. 6

SENATE JOINT RESOLUTION NO. 6—SENATORS GLASER, DODGE, RAGGIO, SLOAN, KOSINSKI AND GIBSON

JANUARY 19, 1979

Referred to Committee on Taxation

SUMMARY—Proposes to amend Nevada constitution to allow imposition of estate tax not greater than credit allowable under federal law. (BDR C-724)

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

SENATE JOINT RESOLUTION—Proposing to amend article 10 of the constitution of the State of Nevada, relating to taxation, by authorizing the imposition of an estate tax not greater than the credit allowable for such a tax against the federal estate tax, reduced by the amount paid to any other state.

Resolved by the Senate and Assembly of the State of Nevada, jointly, That article 10 of the constitution of the State of Nevada be amended by adding thereto a new section which shall read as follows:

The legislature may provide by law for the taxation of estates taxed by the United States, but only to the extent of any credit allowed by federal law for the payment of such a state tax. The combined amount of these federal and state taxes may not exceed the estate tax which would be imposed by federal law alone. If another state of the United States imposes and collects death taxes against an estate which is taxable by the State of Nevada under this section, the amount of estate tax to be collected by the State of Nevada must be reduced by the amount of the death taxes collected by the other state. Any lien for the estate tax attaches no sooner than the time when the tax is due and payable, and no restriction on possession or use of a decedent's property may be imposed by law before the time when the tax is due and payable. The State of Nevada shall accept the determination of the United States of the taxable estate without further audit.

and be it further

Resolved, That section 1 of article 10 of the constitution of the State of Nevada be amended to read as follows:

Section 1. The legislature shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation for taxation of all property, real, personal and possessory, except mines and mining claims, when not patented, the proceeds alone of which shall be assessed and taxed, and when patented, each patented mine shall be assessed at not less than

Exhibit "F"

S. B. 158

SENATE BILL NO. 158—SENATORS BLAKEMORE, NEAL, DODGE AND GLASER

JANUARY 30, 1979

Referred to Committee on Taxation

SUMMARY—Provides for transfer of undivided interest in allotment of Indian land under certain circumstances. (BDR 32-130)
FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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

AN ACT relating to property tax; providing for the conveyance of an undivided interest in an allotment of Indian land upon which taxes are delinquent; and providing other matters properly relating thereto.

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

SECTION 1. Chapter 361 of NRS is hereby amended by adding thereto a new section which shall read as follows:

1. Any Indian tribe may acquire property held in trust by the county treasurer if:

(a) The property is an undivided interest in Indian land which is allotted to members of the tribe;

(b) The taxes due on the property are delinquent; and

(c) The period of redemption has expired.

2. The tribe must apply to the board of county commissioners of the county in which the property is located for permission to acquire the property under this section.

3. If the board of county commissioners is satisfied that all of the conditions specified in subsection 1 are met, it may order the county treasurer to convey the property to the tribe without consideration.

SEC. 2. NRS 361.585 is hereby amended to read as follows:

361.585 1. When the time allowed by law for redemption has expired, and no redemption has been made, the tax receiver who issued the certificate, or his successor in office, shall execute and deliver to the county treasurer a deed of the property described in each respective certificate in trust for the use and benefit of the state and county and any officers having fees due him in such cases.

2. The county treasurer and his successors in office, upon obtaining