

The meeting was called to order at 2:16 p.m. on Thursday, April 26, 1979 in Room 213, with Senator Glaser in the Chair.

PRESENT: Chairman Norman Glaser
Vice-Chairman Floyd Lamb
Senator Don Ashworth
Senator Carl Dodge
Senator James Kosinski
Senator William Raggio
Senator Mike Sloan
Mr. Ed Schorr
Fiscal Analyst

A.B. 32 Removes provision for interest on penalties and costs on delinquent property taxes.

Senator Glaser said they would try to resolve some of the minor issues quickly. He said that Senator Ashworth pulled A.B. 32 off the board because of some questions that were being asked regarding taking the interest off the penalties. He said that according to the previous minutes there wasn't enough background to defend it on the floor.

Senator Ashworth said, after referring to previous minutes, there wasn't much testimony but the concept was explained that it was a little irregular to add the interest on a penalty in addition to the interest that is already on taxes.

After some discussion, the committee agreed to move A.B. 32 back on the General File.

Senator Glaser said there were a number of gas tax bills to be considered and asked the committee how they felt about imposing additional tax on motor vehicle fuels.

Senator Dodge told the committee that the Governor had said he would never sign one of these gas bills, so he did not feel there would be any use in trying to enact on them.

Robert Guinn, Nevada Motor Transport Association, referred to one of these bills that deals with gas tax, A.B. 549, which he felt should be considered.

A.B. 549 Authorizes use of county vehicle fuel taxes for highway repair and maintenance.

Mr. Guinn said this bill is not an imposition of a new tax but is an amendment to the existing optional county gas tax. He said the bill is the current optional county gasoline tax which the county has the right to impose. Mr. Guinn stated there should be an insertion on line 23, Page 2, that resurfacing should be permitted. The amendment should go further with taking out the word "surfacing" since it is superfluous, and the brackets on line 26 should be removed.

Senator Raggio said that when the bill first came out, it included maintenance, repair and even minor repairs, which were deleted

in the Assembly. He wanted to know why the bill could not go a little further and include some repair and patching.

Mr. Guinn said it was a philosophical problem. The original purpose in 1965 was to give the county some money to build highways with, not to take general fund money, which they had been using for maintenance and using it for something else.

Senator Raggio said that now the tax only raises so many dollars and with the concern now being shifted from road construction to more than resurfacing but repair also, he wondered if the philosophy behind this shouldn't be shifted too.

Mr. Guinn said that so far as the highway users are concerned, it would do two things, first of all, the counties would be very innovative in using these funds for about anything they could get away with, which is being done today. The other thing is that if either one of the tax bills are gone through with and this bill is opened up to include repairs and so forth, then they are going to have an in-run on the legislature by using those funds for maintenance and they will simply knock off the portion of ad valorem tax that goes for the support of roads now. He said that only 8 of the 17 counties impose this optional tax now; 7 of them impose 2¢ and one imposes 1¢. If this bill widens to where this money can be used for maintenance, they could be sure the other 9 counties would demand that tax and using it to relieve the pressure on the General Fund.

Senator Ashworth moved that A.B. 549 be amended and recommended to "Do Pass."

Seconded by Senator Sloan.

The Chair called for any further discussion.

Senator Kosinski asked if a county were to enact this tax, would that revenue be under the cap.

Senator Raggio said he was troubled and he asked Mr. Guinn what he said was the difference between resurfacing and reconditioning or renovation.

Mr. Guinn answered that in the normal nomenclature that is used as developed in the rules and regulations of the Department of Transportation in administering federal funds that are available to, say the Highway Department, the words "renovation and reconditioning" are very rigidly construed. He said there are limited amounts of federal funds available for the three Rs, reconstruction, resurfacing and reconditioning. Under that terminology according to the regulations, reconditioning or rehabilitation simply means taking the existing surface and bringing it into a condition where it can be resurfaced. He said resurfacing under the federal law is the addition of not less than one inch of recap and one inch overlay.

The Chair called for any further discussion.

The motion carried unanimously.

Senator Glaser said the rest of the gas tax bills would be held for further discussion.

Senator Glaser referred to a handout that the committee had received that is called "Senate Counter Proposal" (see Exhibit A). He asked the committee to go through this one number at a time and see if they wanted to change any of the wording or enlarge the scope. He said this is just a suggested counter proposal but it could be formalized and presented to the Assembly.

He referred to No. 1 that has to do with the school spending "cap" on the optional 80¢ school levy. He said this reinforces the suggestion to them with the difference that the Assembly wanted to cap to 50¢ and the Senate is maintaining the 80¢ level. He asked the committee if that was agreeable.

Senator Dodge said the result of the 50¢ cap and putting more money into the Distributive School Fund will result in additional revenues to the school districts. He said on an average, the rates would probably have to be cut back to somewhere between 40¢ and 45¢. The rest of the money is made up by adding it into the Distributive School Fund. Senator Dodge stated that in the second year of the biennium the Distributive School Fund appropriates about 6.4% more; in the first year it is about 8%. In the second year of the biennium, the schools are substantially more impacted than they are in the first year and possibly more than is intended to be done in cities and counties.

Senator Lamb said he understood there is a big push to get the money committees to increase the Distributive School Fund; he thought about \$20 million over and above the Governor's budget.

Senator Dodge said that would have a very direct influence on what they are trying to do with these cap figures.

Senator Lamb said that until the money committees have jointly met and pulled their budget together and the spending is all done, it would never be known what could be put into the tax bill.

Senator Dodge said he agreed with that, but he felt the committee should stand on the 80¢ cap.

The committee concurred with No. 1.

Senator Glaser referred to No. 2, which has to do with the spending "cap" on other local entities as agreed to by the Joint Subcommittee. He asked if this was agreeable with the committee.

Senator Raggio said that he and Kosinski agreed in the fact that this was a good concept, but they were still concerned if that

concept is going to result in a much lower residual balance. He said that if it is going to affect the amount of relief that the state is going to provide to the local government, it may have to be adjusted. He said the options may have to be kept open for readjustment, but to go ahead with it.

Senator Glaser said that in other words, if they can agree with the Assembly on a basic format, philosophy and policy, they could leave some of the figures out except for the bottom line balance.

Senator Lamb said that was correct but they had to be a little flexible here so they could move it up and down. This way it shouldn't hold up the session.

Senator Ashworth asked Senator Lamb when Finance would be finished.

Senator Lamb said Finance was in good shape, but he did not know where the Assembly Ways and Means was. He thought they were quite a way apart.

Senator Kosinski said to Senator Glaser that one thing they forgot to put in this was the trigger, which was previously agreed to, with a de-trigger mechanism.

Senator Lamb asked if the committee was happy about the renter pass through.

Senator Kosinski said that he wanted to elaborate on a comment that Senator Sloan had made, Frank did not change his opinion, they just asked him to approach the problem from a different perspective. What they agreed to do was to approach it as the goal is getting tax dollars back to renters rather than controlling rents or putting a cap on the amount of rent that could be charged. He said the basic change that would be incorporated in this proposal is that commercial leases would be included unless there was an agreement between the parties which provided otherwise. If the agreement provided for how taxes were to be handled then the statute would not be applicable. If it did not so provide, then that particular lease would be brought into the parameters of the statute. In response to Senator Lamb's comment, it is true that you cannot guarantee that the landlord is not, after he gives the rebate to the tenant, going to turn around and raise the rent to make up for that but under the initial proposal, you could not do that either. He said that in both cases they would have no economic control over the landlord.

Senator Glaser said they thought as a compromise suggestion and if Mr. Tanner was there, they could put a little more teeth into it, which was what Senator Lamb wanted.

Senator Lamb said he just wanted the renter to get the rebate. He did not feel anyone should be discriminated against.

The committee concurred with No. 2.

Senator Glaser referred to No. 3 which concerns a mandate renter pass through within permissible constitutional limits. He said Mr. Daykin is working on that and he thinks he might be able to broaden the definition and make it a little more enforceable. He asked if this would be agreeable with the committee to approach the Assembly with this. The committee agreed.

Senator Glaser referred to No. 4 which concerns provision for removal of the sales tax on food as proposed in A.B. 616 (Addendum #1). He referred to Addendum No. 1 (see Exhibit B) which shows the Assembly version and the Senate version. He said the only difference was the Senate version went into a little more detail (see Exhibit C). He said it was agreed that they would go with the Assembly on that and asked if the committee was agreeable to that.

Senator Kosinski said he was confused on that and asked if it was the intent to exclude vending machine sales.

Senator Glaser said he thought it did exclude vending machines.

Senator Lamb said he thought this would start a war.

Senator Sloan said they weren't sure how to make that allocation, so they just went with it so that all vending machines would be excluded. He said that apparently the Assembly is going to defer that important consideration to the Department of Taxation for regulation.

The committee agreed to go along with the Assembly on No. 4.

Senator Glaser referred to No. 5 which concerns return of the real estate transfer tax and the county gaming tax to cities and counties. He said the amendment of A.B. 268 is suggested by the joint subcommittee in Addendum #2 (see Exhibit D). He explained Addendum #2.

Senator Kosinski asked what the rationale was for the 25%, 50% and 75% distribution and why should it go on population. Senator Glaser said it was worked out to try to replace, in effect, the sales tax on food.

Marvin Leavitt said that 25% was shifted so that what heretofore had gone to the state would go to the county and city. In other words, the 25% now going to the state, if it is collected in the boundaries of an unincorporated area of the county, it goes to the county. If it is collected in a city or town, it goes to the city or town.

Senator Raggio asked if the county gets any further relief from this. Mr. Leavitt referred to the next page (see Exhibit E).

The committee concurred that they were tentatively in agreement with the Assembly on No. 5.

Senator Glaser referred to No. 6 which maintained an ending general fund balance of \$34 million each fiscal year. The committee concurred with this.

Senator Glaser referred to No. 7 which concerns the full committees meeting jointly to explore the level and application of the ad valorem rate. He said the level and application meant whether they were going to the split level and how much were they going to be able to give the taxpayers as a level of relief. He said this is the basic bone of contention that separates the committees. He said the Assembly is hung up on wanting to meet full committee on full committee, they don't want to go the traditional conference route.

Senator Ashworth said the only problem with that is the basic difference in philosophy.

Senator Glaser asked Mr. Schorr to write a provision No. 8 on the trigger and de-trigger.

Senator Glaser turned the gavel over to Senator Dodge.

Senator Dodge said he had received a letter in which they were being urged to settle the constitutional questions concerning Question #6. He said he had thought about this and thought it would be the worst thing they could do. He felt it would have two implications to the people, one would be that they are trying to figure out some way to prevent them from their expression on that question at the next election. Secondly, they don't have too much confidence in the legislature's credibility anyway, and it would be a lot less on this basis.

Senator Ashworth said he agreed 100%. He said he has already had some feedback that indicated this same thing.

Senator Dodge said he thought there might be a constitutional challenge if the thing is passed but he didn't think the legislature should bring about the constitutional challenge; there would be a lot of people who would figure it was inequitable and would bring a suit.

Senators Raggio and Sloan agreed.

Senator Ashworth moved no further consideration of a constitutional challenge on Question #6.

Seconded by Senator Sloan.

Senators Glaser and Lamb absent for the vote.


The motion carried unanimously.

The meeting was adjourned at 3:20 p.m.



Respectfully submitted by:
Sheba L. Frost, Secretary

sf/jk


Approved by: Senator Norman Glaser,
Chairman

SENATE COUNTER PROPOSAL

The Senate Committee on Taxation respectfully suggests that in order to expedite the business of the Legislature and to bring the difference on tax matters to a speedy conclusion, that the following action be adopted:

1. School spending "cap" on the optional 80¢ school levy.
2. Spending "cap" on other local entities as agreed to by the Joint Subcommittees.
3. Mandate renter pass-through within permissible constitutional limits. This is to be drafted to give maximum possible assurance that the renter realize tax savings.
4. Provision for removal of the Sales Tax on Food as proposed in A.B. 616. (Addendum #1)
5. Return the Real Estate Transfer Tax and the County Gaming Tax to cities and counties. Amend A.B. 268 as suggested by the Joint Subcommittees. (Addendum #2)
6. Maintain an ending general fund balance of \$34 million, each fiscal year. (Addendum #3)
7. Full Committees to meet jointly to explore the level and application of the ad valorem rate.

#1

Exhibit B

FOOD TAX RELIEF

	<u>1979-80</u>	<u>1980-81</u>
Food Tax - State 2¢	\$13,600,000	\$16,000,000
Food Tax - Schools 1¢	<u>6,900,000</u>	<u>8,000,000</u>
State Cost	<u>\$20,500,000</u>	<u>\$24,000,000</u>
Food Tax - City/County 1/2¢	<u>3,400,000</u>	<u>4,000,000</u>
Total Tax Relief	<u>\$23,900,000</u>	<u>\$28,000,000</u>

Unresolved Question: Final date for registration on the election.
Regular registration ends 5th Saturday before June 5th. Food
Tax registration ends 3rd Saturday before June 5th.

ASSEMBLY VERSION

SENATE VERSION

Exhibit C

19 Section 56.2. 1. There are exempted from the taxes imposed
 20 by this act the gross receipts from sales and the storage, use or
 21 other consumption of food for human consumption.
 22 2. "Food for human consumption" does not include:
 23 (a) Alcoholic beverages.
 24 (b) Pet foods.
 25 (c) Tonics and vitamins.
 26 (d) Prepared food intended for immediate consumption.

19 Sec. 156. 1. The section numbers and leadlines contained in the
 20 respective sections added to chapter 372 of NRS by sections 43 to 154,
 21 inclusive, of this act are for convenient reference only and are not part
 22 of the law.
 23 2. It is the intent of the legislature that the exemption of food for
 24 human consumption from the sales and use tax and local school support
 25 tax, if it becomes effective, be strictly construed and be applied only to
 26 those foods and beverages commonly purchased for preparation and
 27 consumption at home. As of the effective date of this section, such foods
 28 and beverages are those eligible for purchase with food coupons issued
 29 by the Department of Agriculture and sold in food stores or departments
 30 where sales of eligible foods and beverages constitute more than half of
 31 total sales. The exemption is not intended to include sales by or from
 32 catering services or vending machines.

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Section 56.2. 1. There are exempted from the taxes imposed by this act the gross receipts from sales and the storage, use or other consumption of food for human consumption.

2. "Food for human consumption" does not include:
 (a) Alcoholic beverages.
 (b) Pet foods.
 (c) Tonics and vitamins.
 (d) Prepared food intended for immediate consumption.
 3. As used in subsection 2, "prepared food intended for immediate consumption" means:
 (a) Food or beverages furnished, prepared or served by an eating establishment or grocery store for immediate consumption at or near its premises or sold in the regular course of its business on a "take out," "to go" or catered basis for immediate consumption either on or off its premises. For purposes of this paragraph, "eating establishment" includes a catering business, restaurant, cafe, cafeteria, lunch counter, snack bar, soda fountain, drive-in, dining car, tavern, place serving sandwiches, hamburgers, fish and chips, fried chicken or pizza, refreshment stand, food and drink concession and other similar facilities.
 (b) Food or beverages intended for immediate consumption sold from a vending machine or by a vendor from a vehicle or other mobile facility.

EXHIBIT D
COUNTY GAMING TAX DISTRIBUTION

Memorandum

#2

Exhibit D

EXISTING LAW

AB 268

RECOMMENDATION

In County - Not Within
 Incorporated City or
 Unincorporated Town

County	75%	100%	100%
State	<u>25%</u>	<u>-0-</u>	<u>-0-</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

In County - Within Boundaries
 of Incorporated City or Un-
 incorporated Town

County	25%	50%	25%
City (or Town)	50%	50%	75%
State	<u>25%</u>	<u>-0-</u>	<u>-0-</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Real Estate Transfer Distribution

County	25%	100%	25% + Pop.*
City	-0-	-0-	pop.*
State	<u>75%</u>	<u>-0-</u>	<u>-0-</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

* Distributed according to population between county and city or cities.

A.B. 268
Estimated Net Loss After Distributions

<u>Entity</u>	<u>A.B. 268¹</u> <u>As Written</u>	<u>Proposed²</u> <u>Distributions</u>
Carson City	\$ (100,595)	\$ (100,595)
Churchill County	(22,581)	(38,383)
Fallon	(23,531)	(7,730)
Clark County	2,336,249	733,335
Boulder City	(63,407)	(33,033)
Henderson	(202,564)	(83,076)
Las Vegas	(1,602,699)	(408,502)
North Las Vegas	(454,385)	(195,530)
Douglas County	307,325	307,325
Elko County	35,490	(45,495)
Carlin	(16,602)	(2,470)
Elko	(78,991)	(28,977)
Wells	(13,767)	3,072
Esmeralda County	4,346	4,346
Eureka County	(5,053)	(5,053)
Humboldt County	(1,268)	(31,307)
Winnemucca	(41,257)	(11,218)
Lander County	(1,567)	(1,567)
Lincoln County	(6,796)	(9,462)
Caliente	(4,450)	(1,784)
Lyon County	(12,665)	(23,297)
Yerington	(16,336)	(5,704)
Mineral County	(26,758)	(26,758)
Nye County	8,828	3,446
Gabbs	(3,581)	1,801
Pershing County	(545)	(6,887)
Lovelock	(11,201)	(4,859)
Storey County	20,568	20,568
Washoe County	1,062,632	(156,885)
Reno	(857,555)	83,774
Sparks	(286,413)	(8,226)
White Pine County	(1,633)	(12,153)
Ely	(9,006)	1,516
Totals	\$ (89,768)	\$ (89,768)

1. As computed by Nevada League of Cities representatives.
2. Estimated only. County share includes unincorporated towns.

Note: Net loss would be after deducting losses for exempting sales tax on food and property tax on livestock, inventories and household property.

SENATE FINANCE
General Fund Balance
April 26, 1979

Haddendum #3
Exhibit F
S.B. 204

1046

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
General Fund Balance 7/1/78	\$74,805,265		
Estimated Income	\$299,178,167	\$339,317,516	\$387,884,522
Less Park User Fees	(83,350)	(169,800)	(173,900)
Less Mental Health Institute SAMI and Medicare		(225,000)	(230,000)
Less Real Estate License Fees		(235,000)	
Add Estimated Reversions	36,500,000	3,000,000	3,000,000
Total Estimated Income	<u>\$335,594,817</u>	<u>\$341,687,716</u>	<u>\$390,480,622</u>
Legislative Appropriations	(\$241,376,950)		
Estimated Cost 1979 Legislature	(2,000,000)		
Governor's Recommended Appropriations	(134,991,820)	(\$246,095,703) *	(\$263,096,657) *
Total Expenditures Before Tax Relief	<u>(\$378,368,770)</u>	<u>(\$246,095,703)</u>	<u>(\$263,096,657)</u>
Impact of S.B. 204	(\$ 119,760)	(\$ 88,400,000)	(\$107,200,000)
Senate Finance Changes to Appropriation:			
Bills	(\$ 3,746,072)	(\$ 8,312,230)	(\$ 5,189,978)
Budgets	12,791,971	3,162,185	3,058,687
Estimated Fund Balance	<u>\$ 40,957,451</u>	<u>\$ 42,999,419</u>	<u>\$ 61,052,093</u>
Other Fiscal Issues:			
Error in Adult Diploma Program		(\$ 1,026,640)	(\$ 1,104,730)
Increased Special Ed. Units		(500,000)	(500,000)
Estimated Cost 1981 Legislature			(3,000,000)
Return County Gaming		(2,700,000)	(2,900,000)
Return Real Estate Transfer		(2,500,000)	(2,750,000)
		<u>(\$ 6,726,640)</u>	<u>(\$ 10,254,730)</u>
Balance:	\$ 40,957,451	\$ 36,272,779	\$ 44,070,723

* Adjusted for tax relief.

Note: Budget Division revenue and reversion projections are approximately \$6.3 million lower than the Fiscal Analysis Division and under their projection the fund balance would be that much less.

SENATE FINANCE
General Fund Balance
April 26, 1979

A.B. 616

1047

EXHIBIT F

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
General Fund Balance 7/1/78	\$74,805,265		
Estimated Income	\$299,178,167	\$339,317,516	\$387,884,522
Less Park User Fees	(83,350)	(169,800)	(173,900)
Less Mental Health Institute SAMI and Medicare		(225,000)	(230,000)
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Estimated Cost 1979 Legislature	(2,000,000)		
Governor's Recommended Appropriations	(134,991,820)	(\$246,095,703) *	(\$263,096,657) *
Total Expenditures Before Tax Relief	<u>(\$378,368,770)</u>	<u>(\$246,095,703)</u>	<u>(\$263,096,657)</u>
Impact of A.B. 616	(\$ 119,760)	(\$ 98,830,000)	(\$115,321,000)
Senate Finance Changes to Appropriation:			
Bills	(\$ 3,746,072)	(\$ 8,312,230)	(\$ 5,189,978)
Budgets	12,791,971	3,162,185	3,058,687
Estimated Fund Balance	<u>\$ 40,957,451</u>	<u>\$ 32,569,419</u>	<u>\$ 42,501,093</u>
Other Fiscal Issues:			
Error in Adult Diploma Program		(\$ 1,026,640)	(\$ 1,104,730)
Increased Special Ed. Units		(500,000)	(500,000)
Estimated Cost 1981 Legislature			(3,000,000)
Return County Gaming		(2,700,000)	(2,900,000)
Return Real Estate Transfer		(2,500,000)	(2,750,000)
		<u>(\$ 6,726,640)</u>	<u>(\$ 10,254,730)</u>
Balance:	\$ 40,957,451	\$ 25,842,779	\$ 25,519,723

* Adjusted for tax relief.

Note: Budget Division revenue and reversion projections are approximately \$6.3 million lower than the Fiscal Analysis Division and under their projection the fund balance would be that much less.

ASSEMBLY BILL NO. 549—ASSEMBLYMEN GETTO,
DINI AND MAY

MARCH 20, 1979

Referred to Committee on Government Affairs

SUMMARY—Authorizes use of county motor vehicle fuel taxes for highway
repair and maintenance. (BDR 32-1671)

FISCAL NOTE: Effect on Local Government: Yes.
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 county motor vehicle fuel taxes; authorizing the use of the
proceeds of motor vehicle fuel taxes for maintenance and repair of highways
as well as new construction; 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 373.020 is hereby amended to read as follows:
2 373.020 As used in this chapter, unless the context otherwise
3 requires:
4 1. "Acquisition" or "acquire" means the opening, laying out, estab-
5 lishment, purchase, construction, securing, installation, reconstruction,
6 lease, gift, grant from the United States of America, any agency, instru-
7 mentality or corporation thereof, the State of Nevada, any body corpo-
8 rate and politic therein, any corporation, or any person, the endowment,
9 bequest, devise, condemnation, transfer, assignment, option to purchase,
10 other contract, or other acquirement (or any combination thereof) of
11 any project, or an interest therein, herein authorized.
12 2. "Board" means the board of county commissioners.
13 3. "City" means an incorporated city or incorporated town.
14 4. "Commission" means the regional street and highway commission.
15 5. "Cost of the project," or any phrase of similar import, means all
16 or any part designated by the board of the cost of any project, or interest
17 therein, being acquired, which cost, at the option of the board may
18 include all or any part of the incidental costs pertaining to the project,
19 including without limitation preliminary expenses advanced by the
20 county from money available for use therefor or any other source, or
21 advanced by any city with the approval of the county from money avail-
22 able therefor or from any other source, or advanced by the State of

Original bill is 4 pages long.
Contact the Research Library for
a copy of the complete bill.