

MEMBERS PRESENT:

Chairman May	Mr. Marvel
Mr. Coulter	Mr. Price
Mr. Bergevin	Mr. Rusk
Mr. Brady	Mr. Stewart
Ms. Cafferata	Mrs. Westall
Mr. Craddock	

GUESTS PRESENT:

Senator Ashworth  
Speaker Barengo

See attached guest list for other guests present

The meeting of the Assembly Taxation Committee was called to order by Chairman Paul May; upon roll call all members of the committee were present. Mr. May introduced several guests including Senator Keith Ashworth, Chairman of the Senate Taxation Committee, Mr. Robert Barengo, Speaker of the Assembly, and the first speaker for this meeting, Mr. Roy Nickson, Executive Director of the Nevada Department of Taxation.

First item on the agenda was the refresher course to be provided by Mr. Nickson.

Mr. Nickson distributed a report prepared by his department and reviewed the report item by item. (attached as EXHIBIT I)

He advised the Committee that his Department was comprised of 130 employees and headed by the bi-partisan seven member Nevada Tax Commission. It administers and collects the following taxes:  
1. Sales and Use Tax (chapter 372, NRS); 2. Local School Support Tax (Chapter 374, NRS); 3. City-County Relief tax (Chapter 377, NRS); 4. Moter Vehicle Fuel Tax and County Motor Vehicle Fuel Tax (Chapters 365 & 373, NRS); 5. Cigarette Tax (Chapter 370, NRS); and 6. Intoxicating Liquor Tax (Chapter 369, NRS).

Additional areas of supervision were enumerated by Mr. Nickson, reviewing briefly the report attached.

Questions on each item discussed were as follows:

A. Sales and Use Tax - this is a two percent levy on the sale or use of tangible personal property in the State. The tax generated \$122,315,810 in fiscal year 1979-80 and is expected to generate \$125,000,000 in FY 1980-81. Estimated revenues for the new biennium are \$137,500,000 in FY 1981-82 and \$151,250,000 in FY 1982-83.

There were no questions by the Committee members on this area.

B. Local School Support Tax - This is a one percent levy enacted by the 1967 session of the Legislature with the revenues returned to the school districts in the county of origin.

Projected receipts for fiscal year 1981-82 are \$68,750,000 and for fiscal year 1982-83, \$74,625,000.

Mr. Nickson advised the committee that under the Governor's proposal of increasing this tax to one and three-tenths percent from one percent it would generate \$89,375,000 in fiscal year 1981-82.

C. City-County Relief Tax - this is a one-half of one percent tax which was enacted by the 1969 session of the legislature and is a local option tax imposed by the boards of county commissioners.

Projections for fiscal year 1981-82 are \$34,375,000 and for FY 1982-83, \$37,812,500.

In response to a question by Mr. Bergevin, Mr. Nickson replied that, if the Governor's tax package is adopted, the distribution formula would have to be changed, and that is the assumption under which the Governor developed the program. They assume that if the increase was made to 2.45 cents that in addition to the funds cited above there would be \$136,974,843.00 received over and above the projection in 1981 of \$34,375.00. Mr. May felt this question was very important as if the Governor's tax package is adopted it is necessary for the committee to understand the present tax structure, i.e., where it comes from and how it is to be divided.

D. Motor Vehicle Fuel Tax - This tax is imposed on the sale of gasoline (including aviation gasoline). The levy is per gallon and the statewide tax is six cents per gallon.

Collections of this tax in FY 1979-80 were \$37,185,402. Estimates for FY 1980-81 are \$38,500,000; FY 1981-82 are \$39,000,000 and FY 1982-83, \$39,250,000.

An additional two cents per gallon may be imposed if approved by the voters but, to date, no county has imposed this tax which must be approved by the voters.

Counties with a regional streets and highways commission have the option of imposing an additional one or two cents per gallon motor vehicle fuel tax.

Mr. Marvel asked what is and would be the tax on gasohol and was advised that gasohol is considered a gasoline and would be subject to the same taxes as gasoline - it is not exempt in the state of Nevada; it would be fully taxed as gasoline.

Mr. May stated, as a point of information that the authority to impose an additional two cents, if approved by the voters has been discussed by various cities and counties over the years and will probably be the subject of discussion by this committee per the Governor's message.

Mr. Price asked how the optional one or two cents per gallon motor vehicle fuel tax would be distributed to those cities that did not participate in the regional streets and highways commission.

Mr. Nickson replied that to his knowledge there was no option for an individual political subdivision to withdraw from that commission; that once it is enacted by the county commissioners, the tax is imposed county-wide and the revenues go back to that regional highway commission. The tax is collected county-wide.

The question of whether the legislature can increase the motor vehicle fuel tax was asked by Mr. Coulter and considerable discussion followed on that issue. Mr. Nickson stated that he knew of no prohibition against the legislature amending either Chapter 365 or 373 on those taxes.

Mr. Darrell Capuro with the Nevada Motor Transport Association, stated that this question has been raised before and it was concluded that the counties have the right to have an initiative but the state could not have an initiative for a vote of the people, so therefore you couldn't do anything because the proposal was to raise the tax two cents and that wasn't going to fly and also they could not submit it to the vote of the people because the state did not have the right to initiate a petition of that kind.

E. Cigarette Tax - A levy of ten cents per pack of twenty cigarettes or less and, for packages of over twenty cigarettes, ten cents per each additional twenty cigarettes or fraction thereof. Actual collections of the tax in FY 1979-80 were \$11,833,208; estimates for FY 1980-81 total \$12,000,000; projections for FY 1981-82 are \$13,375,000 and FY 1982-83, \$14,000,000.

Mr. Nickson advised the committee that the Supreme Court in June 1980 ruled in the case of the Coleville Tribes vs the State of Washington that a state does have the right to impose a cigarette tax on sales made on indian reservations to non-tribal members and that only tribal members, themselves, are exempt. In the case of Nevada law, it provides that such sale made to any person are to be tax exempt if the indian tribe has imposed a tax at least equal to the state tax of ten percent. With the exception of the Owahi tribes in the northern part of the state and our one exception down here - Lake Topaz - all the tribes have enacted that ten cents tax. As near as he can determine, they are accounting for approximately 30 to 33% of the total cigarette sales in the State of Nevada since they can sell at fifty cents a carton below that of the average retailer, normally about seventy-five cents.

Mr. Coulter asked if Nevada was having the same problem with counterfeiting and bootlegging that many states have had and Mr. Nickson said that he was not aware of any such problems. He added, however, that was one of the reasons they had gone to the "fuse on" stamps several years ago. He felt that one of the reasons we did not have that problem was that most of the neighboring states have a tax that is very similar to ours.

Mr. Barengo asked if, under the Supreme Court decision, we change the law that says, "only enrolled tribal members could purchase cigarettes tax free in the smoke shop" how much additional revenue would that be. Mr. Nickson replied that it would be at least thirty percent of \$11,000,000; he explained that you are talking about three or four million dollars that would go back to the cities of this state.

F. Intoxicating Liquor Tax - The actual tax collected in FY 1979-80 was \$10,909,237. The estimate for FY 1980-81 is \$11,500,000 with projections for FY 1981-82 at \$12,000,000 and FY 1982-83 at \$12,500,000.

Mr. Nickson advised the committee that the state has seen a relative decrease in the percentage of increase in this tax as a result of California's removal of the fair trade law. It appears, however, that we have reached a point where that is no longer impacting existing revenues and we are now showing healthy increases each month in this tax.

Mr. May reminded the members of the committee that the incorporated cities in the State of Nevada derive their revenue from three sources: a portion of the sales tax (one-half of one percent); from the liquor tax; and from the cigarette tax. Those three items make up the primary sources of revenue.

#### PROPERTY TAX:

1. Tax rate - NRS 361.453 limits the tax rate to \$3.64 per \$100.00 of the assessed value unless modified by the State Board of Examiners if the law directs them to adjust the rates. There were no questions on this area of the discussion.

Mr. Price asked that we review the information discussed previously on the "tax rate" pointing out that we talk about the \$3.64 per \$100 of assessed valuation and the assessed valuation is 35% of what the assessor has determined to be the true value of the property. One thing that was discussed during the "Question 6" situation is that the \$3.64 is equivalent to about 1.27 of the actual true value of the property, in other words the maximum property tax in dollars that the state allowed was only 1.27 of the approved value of property. It was almost identical to the taxes that were being paid in California after Proposition 13 - in other word, the tax structure under S.B. 204 brought the taxes down to be as low, or in many cases lower than the actual tax dollars that people were paying for homes that were the same value over in California after Proposition 13.

Mr. Brady then asked if it has been calculated that if all the counties were to reassess every year, not every five years, how much money per year that would bring in. Mr. Nickson stated that the estimates that he has made if all property were to be factored up to the January 1980 level, the current assessment roll is based on the January 1980 values, it would increase the values state-wide from \$8-billion to well in excess of \$10-billion. About a 22% increase.

Mr. Price explained that if we reassessed every year, we would be able to reduce the property taxes even more, so that even if a person's property was worth more, the tax rate would be lowered down to a point where they would not physically have to pay more.

Mr. Rusk asked if Mr. Nickson's office had done some projections as to what we would have to start with on annual reassessment and that's to get everybody on an equal yearly basis which, if we started in 1978 as the base year, what is the calculation for the overall increase.

Mr. Nickson explained that the figures he has calculated indicate what the properties would be worth if they were all factored up to the January 1980 level; the Governor's proposal indicates that once that is accomplished then every year all property would be continually factored up to four-fifths of the county that was not physically reappraised each year to increase that valuation base.

Mr. Rusk asked if it would be possible to get from Mr. Nickson base year figures if you roll everybody up and back to that base year, starting with 1975 and work it up to 1980. This was approved as a committee request for the following figures: Take five base years starting in 1975 through 1980 as the base year so in 1978 you would be rolling up everybody that hasn't been reassessed before that up to 1978 and everybody that has been assessed after 1978 and roll them back to 1978 and take each year that way. (Exhibit VIII)

Mr. Nickson will provide that information.

2. Central Assessments and Valuations - brief review of this area

Mr. Bergevin pointed out that the tax on livestock is being phased out and that by the end of three years it will be completely phased out. Mr. Nickson agreed adding that it is presently being assessed at 14% of full cash value will be July 1, 1981, goes to 7% of full cash value in July 1, 1982 and completely phased out in 1983 for livestock used for business purposes.

There was no question on agricultural land, but the information was briefly reviewed by the committee.

The Tax Department also establishes the value of mobile homes each year.

Mr. Price explained that the actual effect of what the Commission did, substantially raised the taxes, or will raise the taxes, of mobile homes. So, even though Question 6 did not pass, if we don't do something here to take care of that there are going to be a lot of mobile home owners whose taxes are going to be raised substantially and it was based on the tax mandate that we passed back in 1975 or 1977 that the commission started working on it, but when Question 6 started gaining popularity that they backed off. After the last election, they implemented what they were authorized to do statutorily so we have a lot of mobile home owners who need help.

Mr. May advised the committee that he plans a subcommittee to study that area and if anyone is interested in working on that, please contact him.

Mr. Stewart asked Mr. Nickson if, under the new proposal, will they still pay a sales tax and was advised that they would as that is part of the referendum law under Chapter 372 on the sales tax so they will be paying a sales tax as if it were personal property and then it would be assessed as if it were real property.

There was no discussion on the bank share however it was pointed out that the total bank share values ( at 35% of full cash) in FY 1979-80 were \$60,848,935 and for FY 1980-81 - \$61,545,954.

3. Net Proceeds of mines and Operating Mine Assessments - Brief discussion followed on this area of taxation, however Mr. May advised that this would be the subject of a sub-committee which would take a close look at this revenue source. He asked for anyone that was interested in this subject to serve on the sub-committee and Mr. Marvel volunteered as one member.

The remainder of the report was gone over briefly with Mr. May commenting that sub-committee would be formed to review specific areas, i.e., senior citizens tax relief, Laetril and Gerovital, as it is effected by the holding company, preservation of certain railroad lines.

Mr. Nickson distributed copies of several related documents (attached hereto as EXHIBITS II and III).

AGENDA ITEM 1:

Mr. May made available a "Glossary of Terms" for the convenience of the committee members dealing with taxes and related matters.

Suggested standing rules of the Assembly Taxation Committee were submitted by Mr. May and were adopted upon motion by Mr. Craddock, seconded by Mr. Price and unanimously adopted. (Attached EXHIBIT VI)

AGENDA ITEM #2: Consideration of bills for possible committee introduction

Mr. Bergevin submitted five proposed bills under BDR #'s: 43-147;<sup>\*</sup> 32-148;<sup>+</sup> 32-149;<sup>+</sup> 32-150<sup>++</sup> and 32-151<sup>^</sup>. He explained these were from the Department of Taxation and were primarily "housekeeping" bills that will require statutory changes.

Mr. May expressed his personal philosophy on introduction of bills by a committee. He stated that in no way when a bill is introduced if the name on a bill happens to be the Committee on Taxation that in no way implies that any individual member need feel any responsibility to that bill other than allowing it to be referred to this Committee for further analysis. Once it is here it will be reviewed thoroughly and at that point each and everyone of you, individually can say how you feel about it and if it turns out that you don't like it, the bill goes no further and it's referred to this Committee and that's the end of it.

(Committee Minutes)

Next item for discussion was a memo from Mr. Paul May to all members of the Assembly dated January 26, 1981 and attached hereto. Subject: Executive Branch Tax Proposal. The memo was read by Mr. May; there were no objections to the memo or the proposal and will, therefore be distributed. (attached as EXHIBIT VII.)

AGENDA ITEM 3(B)- Commissioner of Insurance (Department of Commerce) - Speaking in behalf of this Division were Messers. Don Heath and James Wadhams.

This distributed written testimony (identified as Exhibit IV and attached hereto). Discussion centered around various aspects of the report.

Mr. May pointed out to the committee that this is a hidden tax and yet generates a great amount of money. When you pay any insurance premium, you pay as a part of that premium a two cent premium tax that is collected and hidden and very few people are even aware of that tax. He then turned the meeting over to Mr. Wadhams.

Mr. Wadhams pointed out that this tax is built into every insurance premium that is paid in the State and asked Mr. Heath to elaborate on the report.

At the conclusion of the briefing Mr. May advised the committee that there had been some suggestion that this tax be increased; it was his feeling that this might best be handled through a sub-committee.

Mr. May thanked Messrs. Heath and Wadhams for their presentation.

AGENDA ITEM C - Nevada Tax Payer's Association, Ernest Newton, Executive Vice President, testified in support of Governor List's proposed tax package. For his comments, see attached EXHIBIT V.

Mr. May stated that he had not realized that for the sales tax increase to become available to local governments, school districts and counties, it would have to be in place and be collected on or about April 1 of this year.

Mr. Newton said the tax rates would have to be put into effect during March and be operating by April 1. If not, local governments would not benefit until November, there would be a gap between loss of property taxes and gains from high sales taxes. In order to avoid an impossible cash flow problem, it is essential that some of these decisions be made no later than February 28.

Mr. Rusk felt that as a practical matter, making such a decision by February 28 would be, in effect, deciding the entire tax package.

Mr. Newton disagreed, saying that the initial decision to be made is whether or not to accept the increase in the sales tax. The other areas of concern, such as allocation of the sales tax-generated money as far as the various levels of government are concerned, could be made at a later date.

Mr. Rusk questioned why any representative would go along with

Date: January 26, 1981

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approving the sales tax increase, and thereby committing to the tax package to that extent, without already knowing how local governments in the respective counties would be able to pick up the shortage, if any.

Mr. Bergevin responded that he did not believe that the total tax package would have to be in place at that date. If you operate on the premise that this is the direction to be taken for this kind of property tax relief and that the increase in the county school relief tax is a necessity, then the tax increase should be put in place so that the mechanics involved in the actual collection of the tax can be handled by the Department of Taxation.

Mr. May stated he had anticipated at least two months where the property tax would run coincidentally with the increase in the sales tax, and that under the present property tax law, which will run to July 1 of this year, there is one quarter of taxes due the first Monday in March. That is the last property tax payment on the present \$3.74 rate. April 1, 1981 is when a quarter of property tax must be replaced with a quarter of sales tax. He added that property taxes are paid a year in arrears; a payment July 1st is for the previous year.

Mr. Price suggested that could be taken care of by a change of dates so that the tax collection would be for the current fiscal year.

Mr. Newton informed the Committee that the sales tax increase is designed to be an exact wash out of the property taxes being removed. If the income from sales taxes is reduced in any amount or for any period of time that revenue will be permanently lost.

Mr. Bergevin felt it was not possible to have meaningful property tax relief without somehow replacing the funds being lost. It is not feasible to reduce property taxes and in removing that revenue, expect the local communities to continue to operate properly.

Mr. Price felt that, to a certain extent, that was incorrect. It was his opinion that there were a number of programs which could be examined. For example, short-term tax relief programs could be replaced with long-term programs, with a primary emphasis on homes.

No action was taken on this proposal at this time

There being no further business, the meeting was adjourned.

Respectfully submitted:

*Nycki Kinsley*

NYKKI KINSLEY  
Secretary

(Two pages follow signature page)



Per the request of the Committee, the Department of Taxation submitted their assessment of the impact on statewide assessed values if all property were to be given a specific base year for appraisal.

The report is attached as Exhibit VIII.

Pursuant to questions asked by members of the committee, the Department of Motor Vehicles has submitted a memorandum which more fully explains the department's functions in collections of taxes and fees.

The memorandum is attached as Exhibit IX.

ASSEMBLY

AGENDA FOR COMMITTEE ON.....TAXATION.....

Date...MON...JAN.26...1981...Time...3:00 P.M....Room...240.....

Bills or Resolutions  
to be considered

Subject

Counsel  
requested\*

1. ORGANIZATION MEETING AND ADOPTION OF COMMITTEE STANDING RULES
2. CONSIDERATION OF BILLS FOR POSSIBLE COMMITTEE INTRODUCTION
3. REFRESHER COURSE IN MATTERS OF INTEREST TO THE COMMITTEE:
  - A. DEPARTMENT OF TAXATION - ROY NICKSON
  - B. COMMISSIONER OF INSURANCE (DEPARTMENT OF COMMERCE)
  - C. NEVADA TAX PAYERS ASSOCIATION - ERNEST NEWTON

\*Please do not ask for counsel unless necessary.



PLEASE PRINT!

Date: Jan. 26, 1981

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
MARIE C. FEENEY	CLARK County ASSESSOR.			
Jim Howard	Senators			
John Boardman	New. Mtr. Trans. Assoc			
John Hawkins	Ver. School Board.			
MARVIN LOUWIT	CITY OF LAS VEGAS			
LINDA W HEATH	NOV 20 & TRANS. DIVISION			
GP FIDUCIARY	NEW LEAGUE OF CITIES			
Joe Cantor	City of North Las Vegas			
Angie E. Caputo	Nevada Motor League & Assoc.			
Quake King	Sen. Sel.			
Shelley Chase	ASSEMBLY MEMBERS LEGISLATIVE			
Jim Matthews	Committee on Dis.			
Mitchell Landberg	AP			
McLain	Rep. Matthews			
Sue Maxwell	Appeal			
Patrick Price	Clark County			

## Department of Taxation

Capitol Complex

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ROBERT LIST, Governor

ROY E. NICKSON, Executive Director

DEPARTMENT OF TAXATION

The Department of Taxation, composed of 130 employees and headed by the bipartisan seven member Nevada Tax Commission administers and collects the following taxes:

1. Sales and Use Tax (Chapter 372, NRS)
2. Local School Support Tax (Chapter 374, NRS)
3. City-County Relief Tax (Chapter 377, NRS)
4. Motor Vehicle Fuel Tax & County Motor Vehicle Fuel Tax (Chapters 365 & 373, NRS)
5. Cigarette Tax (Chapter 370, NRS)
6. Intoxicating Liquor Tax (Chapter 369, NRS)

In addition, the Department exercises general supervision and control over the property tax (Chapter 361 & 361A, NRS), and has the original power of appraisal and assessment for inter-state and inter-county business properties (railroads, airlines, utilities, etc.) and for livestock. The Department also classifies and establishes the value of all agricultural land and mobile homes; determines the value of banks and bank shares (Chapter 367, NRS) and net proceeds of mines and appraises and assesses all property owned by operating mines (Chapter 362, NRS). The Department also adopts regulations for Real Property Transfer Tax collected by County Recorders (Chapter 375, NRS).

The Department is also charged by statute with the administration of the Senior Citizens Property Tax Assistance Act (Chapter 361, NRS); review of local government budgets and approval/disapproval of local government plans for short term financing (Chapter 354, NRS) and certification of combined tax rates for local governments (Chapter 361, NRS); notification of corrective action required by general improvement districts (Chapter 318, NRS) and consent by the State to the acquisition by the United States of America of any land or water right or interest therein (Chapter 328, NRS).

Specific information regarding the taxes enumerated is furnished:

a. Sales and Use Tax:

A two percent levy on the sale or use of tangible personal property in the State. The rate of the tax and the exemptions thereto are referendum law and are not subject to legislative amendment or repeal. Changes to these provisions of the law can only be made as a result of a vote of the people at a general or special statewide election. The administrative provisions of the act were removed from the referendum law by a vote of the electorate on June 5, 1979 and may be amended or repealed by legislative action. These provisions include the method and time of reporting, security deposits required, auditing, penalties, interest charges on delinquent taxes and the like.

The tax generated \$122,315,810 in fiscal year 1979-80 and is expected to generate \$125,000,000 in FY 1980-81. All revenues go directly to the State General Fund for appropriation by the legislature and account for some 40+% of the total general fund. Major exemptions to the tax are: food for home preparation and home consumption; prescription medicines; motor vehicle fuels; proceeds of mines; animal life for human consumption and feed therefore; seeds and annual plants producing food for human consumption and fertilizer for the land used to produce food for human consumption; newspapers; gas; electricity; water and domestic fuels. Tax is paid quarterly by all retailers unless the Tax Commission determines that a monthly remittance is necessary to protect the interest of the State. Retailers are authorized to deduct two percent of the tax due as an allowance for collecting the tax.

Estimated revenues for the new biennium are \$137,500,000 in FY 1981-82 and \$151,250,000 in FY 1982-83.

b. Local School Support Tax:

A one percent levy enacted by the 1967 session of the Legislature with the revenues returned to the school districts in the county of origin. One percent of the revenues are deposited in the State General Fund to cover administrative costs. All taxes collected from out-of-state businesses are deposited to the credit of the State Distributive School Fund. The imposition and collection of the tax and the exemptions thereto are identical to that of the Sales and Use Tax.

Revenues in fiscal year 1979-80 were \$61,600,061 and are estimated to be \$62,500,000 in 1980-81. The retailers are allowed to deduct one-half of one percent of the allowance for collecting the tax.

Projected receipts for fiscal year 1981-82 are \$68,750,000 and for fiscal year 1982-83, \$74,625,000.

c. City-County Relief Tax:

This one-half of one percent tax was enacted by the 1969 session of the Legislature and is a local option tax imposed by the boards of county commissioners. If a county has an incorporated city or cities the tax cannot be imposed unless the city or cities unanimously petition the board of county commissioners for such action. The tax is now imposed in all counties except Esmeralda and Eureka. The imposition and collection of the tax and the exemptions thereto are identical to the Sales and Use Tax. One percent of the tax collected is deposited in the State General Fund for reimbursement of administrative expense. The remaining 99% (including that collected from out-of-state businesses) is remitted on the basis of origin as follows:

- a. No incorporated city - entire amount to county.
- b. One incorporated city - apportioned between the city and the county based on proportion of respective population.
- c. Two or more incorporated cities - apportioned between the cities in proportion to their respective population.

Population figures used are those determined in the last preceding National census. Tax collections in fiscal year 1979-80 were \$30,332,337. Estimates for fiscal year 1980-81 are \$31,250,000. Retailers are authorized to deduct one-half of one percent of the tax due as an allowance for collection of the tax.

Projections for fiscal year 1981-82 are \$34,375,000 and for fiscal year 1982-83, \$37,812,500.

d. Motor Vehicle Fuel Tax:

This tax is imposed on the sale of gasoline (including aviation gasoline). Specifically excluded from the tax are jet aircraft fuel, diesel motor fuel, kerosene, gas oil, fuel oil and liquified petroleum gas. The levy is per gallon and the statewide tax is 6 cents per gallon. Counties with a regional street and highways commission have the option of imposing an additional one or two cents per gallon motor vehicle fuel tax. An additional 2 cents per gallon may be imposed if approved by the voters. Counties NOT imposing an option tax are Elko, Esmeralda, Eureka, Lincoln, Lyon, Mineral, Storey and White Pine. Pershing County imposes a one cent optional tax and Carson City, Churchill, Clark, Douglas, Humboldt, Lander, Nye and Washoe Counties each impose a two cent optional tax.

Distribution of the State 6 cent tax is as follows:

- a. 4-1/2 cents to the State Highway Fund.
- b. 1/2 cent to counties based on a formula that allocates 1/4 proportionate to the total area; 1/4 proportionate to total population; 1/4 proportionate to road and street mileage and 1/4 to miles traveled on roads and streets. Formula computations are made annually.
- c. One cent to county based on origin and apportioned between counties, incorporated cities and towns with town boards.
- d. Fuels used in water craft as determined by legislative formula have their revenues distributed 30 percent to the Department of Fish and Game and 70% the State Parks.
- e. Revenues from fuels used in aircraft are distributed as follows: \$30,000.00 to the Civil Air Patrol fund and the balance remitted to the counties in proportion to the origin of the tax.

The optional county tax is remitted to counties, and subject to restrictions in NRS 373.150.1, a share of this tax is allocated to cities and towns in proportion of assessed value to total county assessed value.

Collections of the tax in fiscal year 1979-80 were \$37,185,402. Estimates for fiscal year 1980-81 are \$38,500,000. Dealers are authorized to deduct two percent of the tax due to compensate for losses due to evaporation, spillage, etc., and as an allowance for collecting the tax. Projections for fiscal year 1981-82 are \$39,000,000 and for fiscal year 1982-83, \$39,250,000.



e. Cigarette Tax:

A levy of 10 cents per pack of 20 cigarettes or less and, for packages of over 20 cigarettes, 10 cents per each additional 20 cigarettes or fraction thereof. Cigarettes are defined as all rolled tobacco or substitutes therefore, wrapped in paper or any substitute other than tobacco. Thus, cigars and pipe tobaccos are excluded from the tax. The dealers (wholesalers) are allowed a discount of 4% of the tax due as an allowance for affixing cigarette revenue stamps or metered machine impressions to the cigarette packages. All packages are required to have such stamp or meter insignia. The stamps are procured at a cost of \$77,500 per year by the Department of Taxation and furnished gratis to the dealers (wholesalers) upon payment of the tax. Total revenue (less a sum determined by legislative appropriation each biennium to reimburse the State for administrative costs - \$121,526 during the current year) are distributed to the cities and counties. In counties having a population of over 5,000, if there are no incorporated cities, the entire amount goes to the county; if one incorporated city is in the county, the tax is divided between the city and the county based on a population ratio and if two or more incorporated cities, the entire amount is apportioned among the cities based on population. In counties with less than 5,000 population, an unincorporated town or towns share in the distribution as though they were incorporated cities. Actual collections of the tax in fiscal year 1979-80 were \$11,833,208. Estimates for fiscal year 1980-81 total \$12,000,000. Projections for fiscal year 1981-82 are \$13,375,000 and for fiscal year 1982-83, \$14,000,000.

f. Intoxicating Liquor Tax:

Levies in effect are:

- a. On liquor containing more than 22% of alcohol by volume - \$1.90 per wine gallon.
- b. On liquor containing more than 14% and up to 22% of alcohol by volume - 50 cents per wine gallon.
- c. On liquor containing 1/2 of 1% up to 14% of alcohol by volume - 30 cents per wine gallon.
- d. On malt beverage liquors - 6 cents per gallon.

Taxes are imposed on the importer and are due on or before the 20th day of the following month. If paid on or before the 15th day of the following month a discount of 3% is allowed to the taxpayer. All revenues except 5/19 of the amounts collected from the tax on liquor containing more than 22% of alcohol by volume are placed in the State General Fund. The 5/19 amount is apportioned to the counties and the cities on the following basis:

1. If no incorporated city, the entire amount to the county.
2. If one incorporated city within a county, apportioned between the city and the county on a population basis.
3. If two or more incorporated cities within a county, the entire amount is apportioned among the cities in proportion to relative population.

The actual tax collected in fiscal year 1979-80 was \$10,909,237. The estimate for fiscal year 1980-81 is \$11,500,000. Projections for fiscal year 1981-82 are \$12,000,000 and for fiscal year 1982-83 \$12,500,000.

#### Property Tax

Article 10 of the Constitution limits the ad valorem (according to value) property tax levied to not more than 5 cents on \$1.00 of assessed valuation. NRS 361.225 specifies that all property subject to taxation shall be assessed at 35% of its full cash value. This ratio is, of course, set by the Legislature and is subject to revision. Full cash value is defined in NRS 361.025 as "the amount at which the property would be appraised if taken in payment of a just debt due from a solvent debtor."

##### a. Tax Rate:

NRS 361.453 further limits the tax rate to \$3.64 per \$100.00 of assessed value unless modified by the State Board of Examiners if the law directs them to adjust the rates.

The maximum tax rate for fiscal year 1980-81 was \$3.74 with school districts authorized a maximum levy of 60 cents plus their debt service. The average levy statewide was \$3.2639. The state imposes no levy and all revenues from the property tax are retained by the local governments. The school districts received 30% of the total; counties 40%; cities 18% and towns and special districts 12%. The total estimated ad valorem revenues for fiscal year 1980-81 are \$225,028,854 on an assessed valuation of \$6,894,753,571.00. The statewide assessed value for 1981 is estimated at \$8,470,115,000, an increase of 22.8%. Individual counties show a growth of from 9% in Mineral and White Pine to 94.1% in Douglas.

b. Assessment of Property:

1. County Assessment:

The county assessors are required by NRS 361.260 to annually ascertain by diligent inquiry and examination all real and personal property in his county and determine the full cash value of all such property and then assess the same at 35% of the full cash value. In addition, the assessor is to reappraise property using standards approved by the Department of Taxation at least once every five years. Property so reappraised is then accepted at that value for the intervening four years. Thus, at any given point in time, 80% of the property in the county is valued at an appraisal that was conducted from one to four years in the past. The assessors are to use the cost, market and income approach to value (NRS 361.227) and to give weight to each factor as, in his judgment, is proper. The cost approach considers an estimate of the value of the vacant land, plus replacement or reproduction costs of any improvements made minus any allowed depreciation. The market value approach considers comparable sales in the vicinity; the price at which the property was sold to the present owner and the value of the property for the use to which it was actually put during the fiscal year of assessment. The income approach is done by estimating value by capitalization of the fair economic income expectancy.

The majority of the county assessors utilize only the "comparable sales" authority in determining the value of residential properties. While this is a valid test of true worth, when it is coupled with a reappraisal done only every five years, the result is a drastic escalation of property taxes to the average homeowner - particularly in those sections of the state where rapid growth has combined with the constraints of natural resources to limit the availability of housing. As noted, authority does exist for the assessor to take into consideration and give weight to the cost approach and the other factors in the market approach to value.

2. Central Assessments and Valuations:

The Tax Commission establishes values for interstate and intercounty business operations. (NRS 361.320) These are the utility and transportation companies. The income and cost approach to value are utilized though the market approach can be considered in terms of the stock and debt values of such companies. At the request of the county assessor, the Commission will establish values for utility companies that operate entirely within a county.

The interstate and intercounty valuations established are then distributed on a "mile-unit" basis to the counties in which the company operates. The total mileage is determined and the values then proportioned to the counties on a ratio basis. A slight variation to this formula is utilized when 75% or more of the physical property of an electric company is devoted to use outside the State of Nevada. This formula allocates more of the valuation on a situs basis to the county in which the largest share of the physical plant is located.

The Commission, annually, establishes the value of all livestock. (NRS 361.325) Such valuations are determined through average market prices for the preceeding years.

Agricultural land is also classified based on productivity (tons of crop, animal unit months of forage, etc.) (NRS 361.325) This approach to value recognizes the importance of ranching and farming to the economy and the need to tax such land based on its actual use rather than market value. Owners of agricultural or open space land desiring to maintain values based on current use must comply with the provisions of NRS Chapter 361A, the so called "Greenbelt Law." The provisions of this chapter insure that speculators anticipating conversion of the land to some higher use, are not able to obtain windfall tax profits for the years that the land is kept in agricultural use pending conversion. The county assessors must make separate determinations on the value of such land based on the higher use. Tax values so established that exceed the agricultural assessments become a lien on the property for a period of not to exceed 7 years. If the property is converted to a higher use, the lien becomes due and payable.

The Commission also centrally establishes the value of mobile homes each year. (NRS 361.325) Through fiscal year 1981 depreciation schedules are determined and the values of such mobile homes decrease in the same manner, but not for the same periods, as values of motor vehicles. Due to the varying physical condition of identical mobile homes of the same vintage, certain inequities are created. The matter is also complicated by the incomplete listing by an objective organization of the current market value of all makes and manufacturers of mobile homes. Taxes on mobile homes, while considered as personal property, may be collected quarterly in the same manner as real property if the taxes exceed \$100.00 and the mobile home is located in a county with a population exceeding 100,000.

Commencing in fiscal year 1982 (July 1, 1982) the mobile homes will be classified according to size and condition and assessed on a price per square footage basis. County assessors will be required to make at least a cursory inspection to determine condition. Mobile homes purchased subsequent to July 1, 1979, which are permanently affixed to land also owned by the mobile homeowner are assessed and taxed as other real property.

The Department of Taxation, annually, determined the aggregate capital of each bank in the State and proportions such amount to the individual counties in which the banks or branches thereof are located. (NRS Chapter 367) From the full cash value of the bank shares, the value of the real property of the banks, as determined by the county assessors is deducted to insure that no dual taxation on the value of the bank shares occurs. Taxes are paid by the bank to the respective counties and the bank may elect not to recoup the bank shares tax from individual share holders. Total bank share values (at 35% of full cash) in fiscal year 1979-80 were \$60,848,935. For fiscal year 1980-81 - \$61,545,954.

#### Net Proceeds of Mines & Operating Mine Assessments

This has sometimes been called Nevada's only income tax. Under the authority of NRS Chapter 362, the Department of Taxation computes the gross yield of each operating mine once every year. From this figure, deductions for costs of extracting, transporting, reducing, refining and sale of the ore are made. Also allowed as deductions are the cost of maintenance and repairs of equipment and facilities, fire and industrial insurance, unemployment compensation, royalties and depreciation. Royalties are taxable to the person, corporation, association or partnership to which such royalties have been paid. The net proceeds figures determined by the Department are furnished to the counties in which the mines operate and the values certified by the Department are subject to the ad valorem tax at the tax rate as other property. Counties are authorized to deposit 3% of the amount collected directly to the county general fund as a commission. The balance is then distributed based on the existing tax rates for the area in which the mine is located.

Patented mines are assessed at not less than \$500.00 by the county assessors. However, if a minimum of \$100.00 worth of development work has been performed on the mine, the assessment is stricken from the rolls.

The Department is required to appraise and assess all of the physical facilities, including machinery and equipment, of each operating mine in the State and to furnish such values to the county assessor for placement on the tax rolls.

The total assessed value of Net Proceeds of Mines for fiscal year 1979-80 was \$80,690,289. The next certification will be made prior to May 15, 1981.

#### Senior Citizens' Property Tax Assistance

NRS 361.800 - 361.877, Senior citizens (those over 62 years of age) are granted credits (for those owning real property or mobile homes) or refunds (to home or mobile home renters) on property taxes that would normally be due or based on a percentage of the rental price (17%) that has been determined as an approximate contribution toward property taxes. Eligible applicants must have had an annual household income of not more than \$11,000. The percentage of credit or refund is based on income and ranges from 10% for those in the \$10,000 to \$11,000 annual income bracket to 90% for those in the 0 to \$2,999.00 annual income bracket. The amount of the credit or refund cannot exceed the amount of the property tax (or rent equivalent) or \$500.00 whichever is less. Income is adjusted gross income as shown on Federal Income Tax forms plus tax free interest, untaxed pensions and annuities, veterans compensation, life insurance proceeds, social security, etc.

Credits are issued by June 30th for application on the new fiscal years tax bill and refunds paid not later than August 15th.

Actual credit and refunds issued in fiscal year 1979-80 were \$1,261,630. The appropriation for fiscal year 1980-81 is \$1,815,000.

The county is reimbursed for all such credits by the Department from a legislative appropriation for this purpose. The Department is authorized to spend up to \$20,000 of the appropriation for auditing of claims.

#### Property Tax Allowance for Residential Heating and Cooling Systems (NRS 361.795)

Encourages the development of alternate energy sources for heating and cooling of residential properties. Provides for an allowance of up to \$2,000 for the installation and actual use of solar or wind energy, geothermal resources, solid waste conversion to energy and water power for the stated purposes. The allowance is granted based on the variance between the tax on the property as assessed without the alternate energy source and as assessed with the alternate energy source. The State reimburses the county for any loss in tax dollars as a result of this provision of the law.

Property Tax Allowance for Preservation of Certain  
Railroad Lines (NRS 361.797)

Authorizes an allowance equal to the taxes against any and all property (trackage and other operating rail properties of a line of railroad) for the physical preservation of certain lines of railroad while service on such lines is discontinued. No claims have been submitted to date and no legislative appropriation was made in the current biennium for such an allowance.

Local Government Budgets and Finances

Under the authority of NRS Chapter 354 and 318, the Department exercises general supervision of the State's interest in the financial affairs of local governments. Each local government (counties, cities, school districts, improvement districts, etc.) authorized to levy a property tax is required to submit a tentative budget, a final budget, quarterly reports and annual audits to the Department of Taxation. The Department is required to review the tentative budgets for compliance with law and regulation and to furnish certificates of compliance or non-compliance to the governing body of the local government.

After submission of the final budgets, the Nevada Tax Commission certifies the combined tax rates to the Boards of County Commissioners. If the local governments exceed the statutory maximum tax rate and, if the affected local governments are unable to resolve their differences, the Tax Commission must lower the tax rates to achieve compliance with law. The lowering of tax rates in such instances does not apply to school district rates.

The Department, upon hearing the advice and recommendations of the Local Government Advisory Committee (NRS 354.594) establishes regulations, procedures and report forms for the financial documents prepared by the local governments.

The Department must approve or disapprove all requests for "Short Term Financing" by local governments. These are usually emergency financial situations that have developed after approval of the final budgets. After review of the circumstances and of the ability of the local government to repay the loan, notes or bonds, the Director of the Department issues formal approval or disapproval. (NRS 354.430 - 354.460)

If a local government is found to be in financial difficulty through defaults on bond redemption, inability to meet a payroll or in the opinion of the independent auditor, the Department is required to hold hearings on the problems and the corrective action proposed by the local government. Based on the evidence obtained at such hearings, and after approval by the state board of finance, the Department may order financing plans, may withhold state and local tax distribution pending submission of a plan for corrective action and take certain other specific actions to insure that the adverse condition is corrected. (NRS 354.650 - 354.720)

In the case of general improvement districts, the Department is required to inform the board of county commissioners of any mismanagement or non-compliance with statute on the part of the district. The board of county commissioners then holds the hearings and takes appropriate action. (NRS 318.515)

#### Revenue Sharing Entitlements

The Department entered into an agreement with the Office of Revenue Sharing, Department of Treasury, to selectively review working papers pertaining to local government audits for adequacy and professionalism. The Department of Taxation is also required to file all non-compliance audits with the Office of Revenue Sharing and to submit to that organization audits of one-third of the entities receiving revenue sharing and anti-recession funds each year.

#### Amygdalin (Laetrile) and Procaine Hydrochloride with Preservatives and Stabilizers (Gerovital H3)

NRS 585.495 imposes a gross receipts tax on the manufacturers of Laetrile and Gerovital H3 at the rate of 10%. Payments are due quarterly in January, April, July and October for the preceding calendar quarters. No exemptions or collection allowances are permitted to reduce the gross receipts. In fiscal year 1979-80 \$64,488 was collected from this revenue source. All revenues go to the State General Fund.

#### Other Responsibilities of the Department

State Board of Equalization: Hears appeals from actions of the county boards of equalization and from centrally assessed taxpayers and renders decisions.

#### Relations with the Federal Government:

The Nevada Tax Commission has authority to consent for the State or to deny such consent in instances where the Federal Government desires to obtain State or privately owned land or water rights or any interest therein. (NRS 329.030)

The Nevada Tax Commission is the sole bargaining agency in matters of taxation between the State, its political subdivision and the Federal Government. (NRS 329.080)

#### Certification of Appraisers:

The Department issues appraisers certificates, after applicants have passed the necessary examinations, to all appraisers for property tax purposes employed by or contracted with the State and political busdivisions thereof. This responsibility is done with the advice of the 6 member Appraiser Certification Board.



STATE OF NEVADA  
Department of Taxation


Capitol Complex  
CARSON CITY, NEVADA 89710  
Telephone (702) 885-4892  
In-State Toll Free 800-992-0900



ROBERT LIST, Governor

ROY E. NICKSON, Executive Director

January 26, 1981

To: All Legislators  
From: Roy E. Nickson, Executive Director   
Subject: Governor List's Tax Relief/Reform Program

1. Enclosed is a summary of the salient points of Governor List's Tax Relief/Reform Program as announced during his State of The State message. Specific bills covering implementation of the program will be introduced in the near future.

REN:rms  
Enclosure

GOVERNOR LIST'S TAX RELIEF/REFORM PROGRAM

I. Property Tax Revisions

A. Levy:

The property tax levy would be limited to the following:

- (1) Retirement of all existing general obligation bonds and short term debt plus any future voter approved debt.
- (2) Support of the County School District in an amount not to exceed 50 cents per \$100.00 of assessed value. The actual levy to be determined by the current legislative formula considering enrollment changes and 80% of the change in the CPI (Cost Price Index).
- (3) Operation and maintenance of General and Special Districts created to serve the needs of a specific geographic or economic segment of the population. These include General Improvement Districts, Sewer or Sanitary Districts, Television Districts, Cemetery Districts, Mosquito Abatement Districts, etc.

The operation and maintenance expenses of counties, cities, towns, fire districts and library districts would not be funded by property taxes.

B. Assessment:

To insure equality in taxation among all property owners, County Assessors will be required to factor up the values of all property not physically reappraised in 1980 to the January 1980 market value. The factors to be utilized will be determined either by the Department of Taxation or by the County Assessors as monitored by the Department. The updating of values is to be accomplished by June 1, 1981. Special sessions of the County Board and State Boards of Equalization to hear protests on the factored valuations will convene commencing in June of 1981. While assessed values will, in all probability, increase for 4/5th of the property owners thus reappraised, the increased assessment base will automatically reduce tax rate levies and provide equity in taxation.

In future years, County Assessors will continue to physically reappraise at least 1/5th of all property and will update all remaining properties by a factoring method approved by the Department of Taxation. The Division of Assessment Standards will be required to monitor the assessor's work to insure that proper valuations are established and that all assessments are made at 35% of full cash value as required by law.

C. Impact:

The actions outlined would have a significant impact on all property owners. Ad valorem tax collections in FY 81-82 would be reduced between 65 and 75% statewide. Savings for individual property owners would vary based on the year of last reappraisal of their property by the County Assessor. Individuals whose properties were reappraised in 1979 and 1978 would receive the largest tax dollar reductions. Individuals whose properties were last reappraised in 1975 or 1976 would receive the lowest reductions. However, even in those instances where the property was last reappraised in 1980 from 1975 values, savings over the actual dollars paid this fiscal year will range from 30% in the unincorporated areas of Clark County to 100% in Washoe County. Homeowners whose property was reappraised in 1979 will normally receive tax reductions of over 300% in Las Vegas and almost 400% in Reno.

II. Net Proceeds Of Mines Tax:

The net proceeds of mines tax would be divorced from the local property tax levy and would be collected at the State level at a rate of not to exceed \$5.00 per \$100.00 of certified value. A constitutional amendment will be proposed to provide that the net proceeds tax will be subject to such separate treatment with a ratification provision to insure the legality of this proposal pending final adoption of the amendment by the electorate. A portion of the revenues from this tax will be

rebated to the County and School District of origin on the basis of what the estimated collections from this source would have been in FY 81-82, if no change in the current provisions of the law had been made. The balance of revenues will be established in a separate account under the control of the Legislature's Interim Finance Committee and will be dedicated to the relief of local governments in financial distress.

III. Special Gaming Fee:

A new and separate gaming fee will be established for Class I establishments. The fee schedule is to be established based on the equivalent of \$2.64 per \$100.00 of assessed valuation. The Gaming Control Board will provide County Treasurers with a listing of all affected establishments and the County Assessor will provide the County Treasurer with the amount of the assessed value of those establishments for determination of the exact amount of the fee. When received, the fees will be apportioned among the taxing jurisdictions in which the establishment is located based on a formula related to the jurisdiction's revenue raising ceiling. School Districts will not participate in the distribution.

IV. Sales Tax Offsets For Reductions In Property Tax Revenues:

A. City-County Relief Tax:

The rate of this tax, where enacted by the County, will increase from 1/2 of 1% to 2.45%. The revenues, subject to certain restrictions, will be apportioned among Counties, Cities, Towns, Fire and Library Districts to provide funds for operation and maintenance that were formerly derived from property taxes. School Districts and General and Special Improvement Districts will not share in the distribution of these revenues.

B. Local School Support Tax:

The rate of this tax will increase from 1 cent to 1.3 cents statewide. Revenues will be distributed to the School District in the County of origin or, in the case of out-of-state collections, will flow directly to the State Distributive School Fund. The Local School Support Tax is a direct offset from the present State guarantee to individual School Districts. The increase is needed to ease the pressure on the State General Fund for support of the State Distributive School Fund as a result of the reduction in the local ad valorem levy for School Districts.

V. Local Government Revenue & Expenditure Restrictions:

A. Other Than School Districts:

To insure efficiency and economy in local government operations, the fiscal year 78-79 ad valorem revenue dollars, excluding debt service, will be established as a base for

determining the level of future dollar utilization. To determine the FY 81-82 dollar authorization, the base will be increased at 10% per year compounded. This "cap" will be reduced by revenues received from the new net proceeds of mines and gaming fees and by the increase in the City-County Relief Tax. If the amounts generated from these sources are in excess of the "cap," the surplus funds will be impounded at the local level and will be required to be utilized to further reduce ad valorem taxes for debt service in the subsequent fiscal year. If no debt exists, the funds thus generated will be limited to use for capital projects, land acquisitions or other purposes specified by the Legislature.

B. School Districts:

School Districts will continue to be placed under the current revenue and expenditure restrictions enacted by the 60th Session of the Legislature. The amount of the ad valorem levy will be, as now, based on enrollment changes and 80% of the average change in the CPI over the past 60 months. The State will continue to fund the equivalent of \$1.00 in ad valorem revenues.

C. Voter Override:

To insure that services desired by citizens of individual political subdivisions are not unduly restricted, the ceilings established may be overridden by a vote of the electorate. Such vote would authorize the reverting into the ad valorem tax for

operations and maintenance by Counties, Cities, Towns, Fire and Library Districts up to the maximum available under the \$3.64 ceiling.

VI. Constitutional Amendment:

A proposed constitutional amendment would provide for:

(a) The classification of properties for ad valorem tax purposes. The Legislature could thus establish residential properties in a separate classification from all commercial, industrial, agricultural and vacant land and provide for assessment of the residential properties at a lower rate.

(b) The taxation of the net proceeds of mines at a rate of not to exceed \$5.00 per \$100.00 of certified value and collected at the State level. This will confirm the action proposed in the tax package.

(c) A ratification of any legislative action taken in anticipation of voter approval of the amendment.

Advantages: The classification system will insure that commercial and industrial properties other than the gaming and mining industry do not receive windfalls from the reduced property tax program and pay their fair share of government expenses. Residential properties, whose value normally escalates at a higher rate, would continue to bear a reduced property tax burden. The amendment also recognizes that the extraction of



non-renewable mineral resources is a depletion of State values and the taxes on the mining industry should be collected at the State rather than the local level.

VII. Relief To Non-Property Owners:

Recognizing the need to insure that tenants share in the tax relief/reform proposals, the reenactment of the mandatory pass through of property tax savings from landlords to tenants is essential. Rents are normally determined by local market conditions, expenses of operation, and required rates of return on investment. As a result, rents should reflect the reduction of property taxes without specific action. However, it is felt that a guarantee to renters is still needed to ensure that they will receive benefits to offset the increase in the sales tax. The property tax reductions to utility companies (electric, gas and water) will result in mandating decreases in expenses to rate payers through the action of the Public Service Commission. Since the vast majority of tenants bear the utility costs independent from rental charges, they will receive the benefits of the lowering of property taxes to these commercial enterprises.

VIII. Summary And Examples:

- (a) Property Tax: Reduced between 65 and 75%.
- (b) Sales Taxes: Increased to a maximum of 5-3/4% but with groceries and prescription drugs to remain permanently

exempt so that the increase will have the least effect on citizens on fixed incomes and in the lower economic brackets.

(c) Estimated Total Savings For Homeowners: For a family of 4 earning \$20,000 per year and residing in a home valued at \$80,000 a comparison of tax burden is:

	<u>Current</u>		<u>Proposed</u>	<u>Variance/Savings</u>
Property taxes at \$3.64	\$1,019.00	at \$1.00	\$280.00	\$739.00
*Sales tax at 3-1/2%	136.00	at 5-3/4%	224.00	(88.00)
	<hr/>		<hr/>	<hr/>
Total tax	\$1,155.00		\$504.00	\$651.00 or 56%

\*Based on IRS Tax Tables for 1980

Depending on the year of last reappraisal of a property, actual savings will vary. However, in all except the rarest of instances, tax savings of from 20% to 300% will result.

SENIOR CITIZENS PROGRAM  
FISCAL YEAR 1980 - 1981  
TOTAL REFUNDS

COUNTY	HOMEOWNERS	MOBILE HOMEOWNERS	MOBILE HOME RENTERS	RENTERS	NONELIGIBLE	TOTALS	PERCENT OF TOTAL REFUNDED
Churchill	165 \$ 14,222	18 \$ 689	59 \$ 4,218	78 \$ 9,552	8	328 \$ 28,681	2.1%
Clark	1,910 314,269	277 18,652	1,407 159,126	2,382 354,508	346	6,322 846,555	61.6%
Douglas	99 13,220	43 1,491	9 550	8 1,969	24	183 17,230	1.3
Elko	131 13,704	23 1,008	14 961	26 3,656	14	208 19,329	1.4
Esmeralda	3 130	1 11	---	---	---	4 141	---
Eureka	8 178	---	1 55	---	-0-	9 233	---
Humboldt	59 6,382	2 39	13 737	8 975	6	88 8,133	.5
Lander	20 954	5 147	5 237	4 401	3	37 1,739	.1
Lincoln	74 6,314	9 334	3 77	12 1,207	1	99 7,932	.6
Lyon	142 11,950	128 5,441	35 2,770	27 3,824	27	359 23,985	1.7
Mineral	99 6,590	30 1,216	7 455	9 999	11	156 9,260	.7
Nye	41 2,260	36 1,894	7 444	5 748	3	92 5,346	.4
Carson City	189 25,656	73 3,250	170 16,459	119 20,901	43	594 66,266	4.8
Pershing	39 2,061	9 421	11 734	9 1,172	1	69 4,388	.3
Storey	7 158	9 447	3 305	1 183	-0-	20 1,093	.1
Washoe	1,016 153,255	163 6,826	361 45,478	779 116,013	180	2,499 321,572	23.4
White Pine	198 11,995	5 140	2 81	14 1,278	8	227 13,494	1.0
<b>TOTALS</b>	<b>4,200 \$ 583,298</b>	<b>831 \$ 42,006</b>	<b>2,107 \$ 232,687</b>	<b>3,481 \$ 517,386</b>	<b>675</b>	<b>11,294 \$ 1,375,377</b>	<b>100.0%</b>

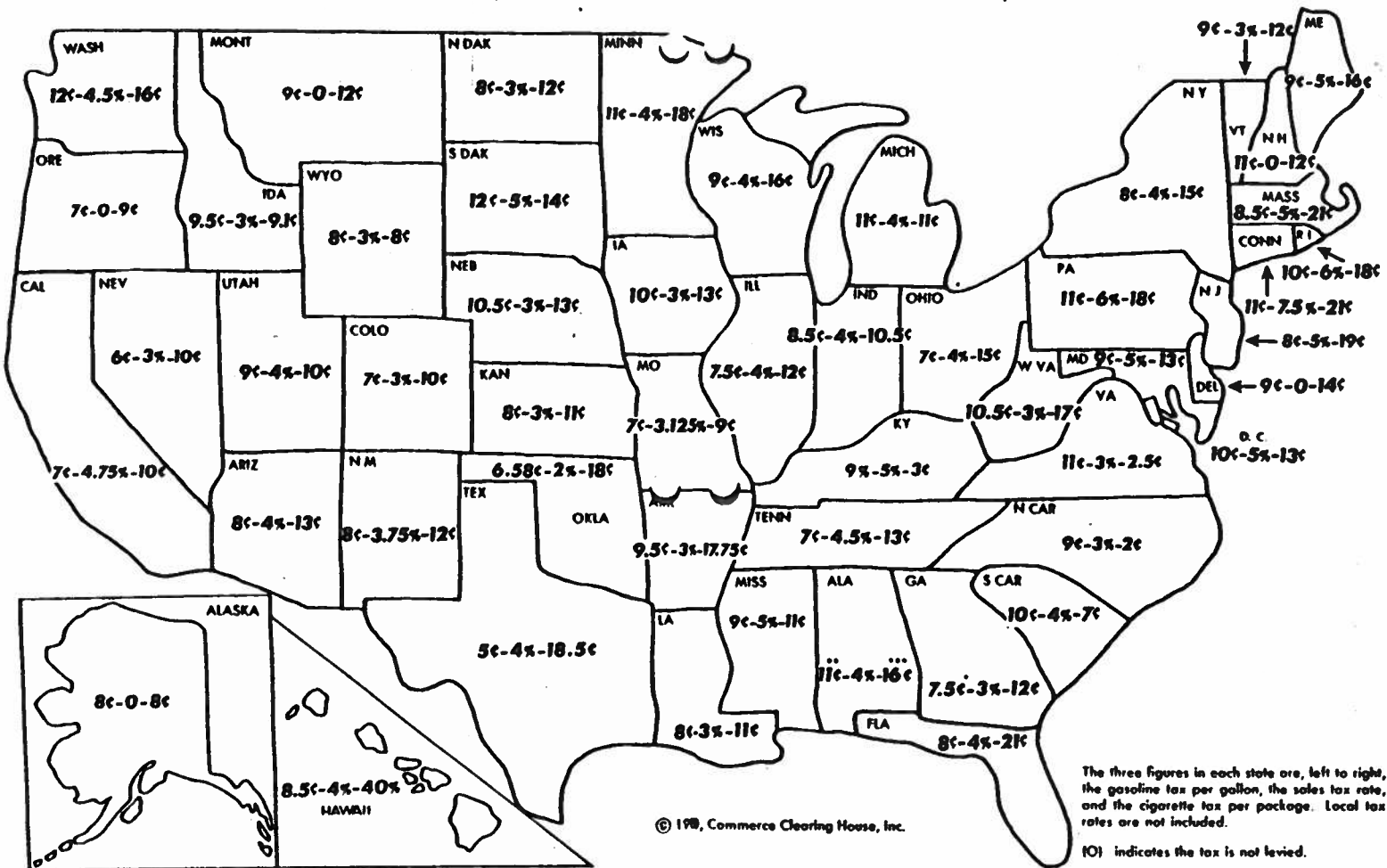
6,197 Average Income  
356 Average Tax  
130 Average Refund

8,689 Processed by the Department  
2,605 Processed by the Counties

SENIOR CITIZENS PROGRAM  
STATE TOTALS  
ELIGIBLE  
1980 - 1981

	0 - 2,999	3 - 4,999	5 - 6,999	7 - 9,999	10 - 11,000	TOTALS
<b>MAXIMUM REFUNDS</b>						
<b>NUMBER &amp; AMOUNT</b>						
Homeowners	11	10	9	-0-	-0-	30
Mobile Homeowners	-0-	-0-	-0-	-0-	-0-	-0-
Mobile Home Renters	1	-0-	-0-	-0-	-0-	1
Renters	3	10	-0-	-0-	-0-	13
	15	20	9	-0-	-0-	44
<b>TOTALS</b>	<b>\$ 7,500</b>	<b>\$ 10,000</b>	<b>\$ 4,500</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ 22,000</b>
<b>TAX</b>						
Homeowners	\$ 38,885	\$ 217,765	\$ 279,984	\$ 793,284	\$ 466,664	\$ 1,796,582
Mobile Homeowners	3,360	11,705	21,090	63,680	37,380	137,215
Mobile Home Renters	12,298	109,164	114,882	276,300	132,300	644,944
Renters	48,290	344,924	201,780	358,032	248,340	1,201,366
<b>TOTALS</b>	<b>\$ 102,833</b>	<b>\$ 683,558</b>	<b>\$ 617,736</b>	<b>\$ 1,491,296</b>	<b>\$ 884,684</b>	<b>\$ 3,780,107</b>
<b>REFUNDS</b>						
Homeowners	\$ 34,997	\$ 163,324	\$ 139,992	\$ 198,321	\$ 46,664	\$ 583,298
Mobile Homeowners	3,024	8,779	10,545	15,920	3,738	42,006
Mobile Home Renters	11,068	81,873	57,441	69,075	13,230	232,687
Renters	43,461	258,693	100,890	89,508	24,834	517,386
<b>TOTALS</b>	<b>\$ 92,550</b>	<b>\$ 512,669</b>	<b>\$ 308,868</b>	<b>\$ 372,824</b>	<b>\$ 88,466</b>	<b>\$ 1,375,377</b>
<b>NUMBER OF CLAIMANTS</b>						
Homeowners	236	1,106	1,033	1,461	364	4,200
Mobile Homeowners	60	174	208	315	74	831
Mobile Home Renters	101	741	520	625	120	2,107
Renters	283	1,743	682	604	169	3,481
<b>TOTALS</b>	<b>680</b>	<b>3,764</b>	<b>2,443</b>	<b>3,005</b>	<b>727</b>	<b>10,619</b>

### STATE GASOLINE, SALES AND CIGARETTE TAX RATES AS OF JULY 1, 1980



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The three figures in each state are, left to right, the gasoline tax per gallon, the sales tax rate, and the cigarette tax per package. Local tax rates are not included.

(O) indicates the tax is not levied.

\* Plus additional tax of 3% of retail sales price, less the 7.5¢ tax.

\*\* Effective August 1, 1980 (7¢ until then).

\*\*\* Effective July 28, 1980 (12¢ until then).



STATE OF NEVADA  
DEPARTMENT OF COMMERCE  
INSURANCE DIVISION  
201 SOUTH FALL STREET  
CARSON CITY, NEVADA 89710

ROBERT LIST  
GOVERNOR

(702) 885-4270

DONALD W. HEATH, CLU  
COMMISSIONER OF INSURANCE

JAMES L. WADHAMS  
DIRECTOR

January 26, 1981

TO: JAMES L. WADHAMS, Director of Commerce  
FROM: PATSY REDMOND, Deputy  
SUBJECT: Premium Tax

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Pursuant to your request, I submit the following:

<u>YEAR</u>	<u>1974-75</u>	<u>1975-76</u>
Premium Tax	\$5,008,397	\$5,574,290
Retaliatory Tax	460,387	438,514

<u>YEAR</u>	<u>1976-77</u>	<u>1977-78</u>
Premium Tax	\$6,838,395	\$8,600,488
Retaliatory Tax	431,658	579,384

<u>YEAR</u>	<u>1978-79</u>	<u>1979-80</u>
Premium Tax	\$10,057,266	\$11,122,337
Retaliatory Tax	733,292	801,413

Essentially our retaliatory law states that if another state charges companies from Nevada doing business in that state more than Nevada charges companies from that state doing business in Nevada, then their law governs in Nevada. The idea of the law is to equalize premium tax being used. Nevada retaliates on all fees and taxes and that is where our retaliatory money comes from.

Included in the total premium tax figures are those premium taxes which are collected through direct monitoring efforts of the Division. Following is a breakdown of these taxes:

*Exhibit IV*  
37

James L. Wadhams  
Re: Premium Tax  
January 26, 1981  
Page 2

SURPLUS LINES PREMIUM TAX

1979	\$8,819,057.00	\$176,381.00 (Approximate)
1978	6,736,950.00	131,213.51
1977	5,008,403.50	96,473.93
1976	2,356,318.50	47,126.37
1975	1,083,200.00	21,464.00
1974		9,906.66

INDEPENDENTLY PROCURED PREMIUM TAX

1979	\$2,503,254.00	\$ 50,065.08
1978	2,164,262.00	43,285.24
1977	2,106,222.50	42,124.45
1976	404,559.00	8,091.18



## BRIEF HISTORY OF PREMIUM TAX

States began taxing insurance companies in the early 1800's. New York first passed a series of laws applicable to all corporations not differentiating between insurance companies and general corporations. In 1824, however, New York passed a special statute assessing foreign fire insurance companies 10% of gross premiums collected within the state. This was the first attempt to tax insurance companies differently than other corporations.

This 10% gross premium tax was later reduced to 2% and was applied to other types of insurance companies as well. This tax was the basis of the taxation which remains today and is the chief method of taxing insurance companies in all states.

The premium tax imposed on insurance companies produces more revenue than is needed for regulatory costs even though initially the production of revenue was a secondary factor. Currently, in Nevada, the premium tax collected is more than twelve times the amount spent by the Insurance Division for regulatory activities.

Over the years several characteristics have developed regarding insurance tax methods.

One characteristic is the almost complete lack of uniformity among the states.

Another characteristic of insurance taxation is the tendency to differentiate between domestic and foreign insurers as to both the type of tax and the extent of its application.

In many states there are distinctions in the types of tax and rates applied to various types of insurers, such as life, fire, marine and casualty.

Also imposed in some states are special privilege fees imposed for specific purposes such as the fire marshals' tax.

STATE OF NEVADA  
DEPARTMENT OF COMMERCE  
INSURANCE DIVISION  
201 SOUTH FALL STREET  
CARSON CITY, NEVADA 89710

ROBERT LIST  
GOVERNOR

(702) 665-4270

DONALD W. HEATH, CLU  
COMMISSIONER OF INSURANCE

JAMES L. WACHAMS  
DIRECTOR

PREMIUM TAX SUMMARY

Percentage of premium tax paid by most foreign and alien insurers by state without regard to tax credits of January 1, 1980.

<u>STATE</u>	<u>PERCENTAGE</u>	<u>EXPLANATION</u>
Alabama		Based on % of admissible assets of the insurer invested in Alabama investments ranging from 2 to 4%.
Alaska	3%	
Arizona	2%	
Arkansas	2 1/2%	
California	2.35%	
Colorado	2 1/4%	
Connecticut	2%	
Delaware	1 3/4%	
District of Columbia	2%	
Florida	2 1/4%	
Hawaii	4.28+%	Life insurers 3.19+%
Idaho	3%	
Illinois	2%	
Indiana	2%	
Iowa	2%	
Kansas	2%	
Kentucky	2%	
Louisiana		(See attached)
Maine	1%-2%	Depending on line
Maryland	2%	
Massachusetts	2%-2.8%	Depending on line
Michigan	2%-3%	Depending on line
Minnesota	2%	
Mississippi	2%	Plus an additional 3% on certain types of companies
Missouri	2%	
Montana	2 3/4%	
Nebraska	2%	
Nevada	2%	
New Hampshire	2%	
New Jersey	2%	
New Mexico	2 1/2%	
North Carolina	2 1/2%	
North Dakota	2 1/2%	

Premium Tax Summary  
Page 2

<u>STATE</u>	<u>PERCENTAGE</u>	<u>EXPLANATION</u>
Ohio	2 1/2%	
Oklahoma	4%	
Oregon	2 1/4%	
Pennsylvania	2%	
Rhode Island	2%	
South Carolina	2%	
South Dakota	2 1/2%-4%	Whether foreign or alien
Tennessee	2%	
Texas		(See attached)
Utah	2 1/4%	
Vermont	2%	
Virginia	2 1/4%- 2 3/4%	Depending on line
Washington	2%	
West Virginia	3%	
Wisconsin		(See attached)
Wyoming	2 1/2%	
New York		(See attached)

The above figures are general in nature and do not include lines such as Workers' Compensation, Ocean Marine and special taxes such as the Fire Marshals' tax. The information was gathered from a publication by the New York State Insurance Department called Fees and Taxes Charged Insurance Companies.

*Exhibit D*

**NEVADA TAXPAYERS ASSOCIATION**  
P.O. BOX 633                      200 N. Fall Street                      CARSON CITY, NEVADA

(702) 882-2697

E. T. HERMANN, SPARKS  
PRESIDENT  
  
E. L. NEWTON, CARSON CITY  
EXECUTIVE VICE PRESIDENT

26 January 1981

Mr. Paul May, Chairman  
Members of the Assembly Taxation Committee  
Legislative Building, Capital Complex  
Carson City .

Ladies and Gentlemen:

The Board of Directors of Nevada Taxpayers Association is meeting this afternoon beginning at 3 o'clock. I am going to try to excuse myself from that meeting to discuss the problems of taxation with you at about the time Mr. Nickson finishes his presentation. However, to save time, I offer this written presentation for the members of the Committee and my personal discussion time can then be devoted to questions from the Committee.

I do not presume to speak as a "representative" of the taxpayers of Nevada. My statements present the considered opinion of 30 members of my Board of Directors who have spent the past two years (among other concerns) with the problem which we defined as "the demand of the voters that the taxes on property be drastically reduced and that some other resource be found or augmented to provide the funding necessary to carry on the essential functions of local governments."

We believe that the program outlined by Governor List in his message last Thursday, and the supporting evidence and legislative proposals offer a response to the demand of property taxpayers that is better than any other we have seen. That program has several elements as follows:

1. An increase in the sales tax levy from 3.5% to 5.75% (total of 3 levies).
2. Levy of an in-lieu permit fee measured by the net proceeds of mines.
3. Levy of an "over-ride" augmentation of the Quarterly Gaming Tax, equal to the industry-wide saving to gaming licensees induced by the reduction in property taxes.
4. Elimination of property taxes for the support of the operation and maintenance functions of cities, counties, towns and some special districts, and retaining a maximum of a 50 cent levy for the support of schools PLUS a levy sufficient to provide the required money to fund the payments on the voter-approved bonded debt of the various local governments.
5. Provide that sales tax revenues would be made available to local governments for the funding of operation and maintenance, in an amount limited to the amount received from property taxes in the 1979-80 fiscal year, augmented by 10% per year compounded.

6. Re-design the formulae for the distribution of cigaret, liquor, real estate transfer, CCRT, and other subventions from the state to local governments.
7. Maintain (with very slight modification) the expenditure "caps" and the renter pass through requirements contained in SB-204 of the 60th session.
8. Authorize the State Tax Commission (or some other authority) to equalize the distribution of sales tax revenues and revenues from No. 2 and 3, above, to be sure that every local government received money to effect the goal of No. 5, above.
9. Require that county assessors and county commissioners take whatever action is necessary (by the use of current appraisals or by a factoring process) to assure that all property tax assessments are equalized at values current as of Jan. 1, 1980 and that in the future valuations be up-dated annually.
10. That the "spending caps" contained in SB-204 of the 60th session, and the revenue "caps" proposed in Paragraph 5 above, may be augmented by a vote of the electors in the affected local government subdivision, with such time constraints as the voters approve.

#### TIMING IS IMPORTANT!

This is a frank shifting of taxation from taxes on property to taxes on sales of tangible personal property (excepting food and drugs), and a concurrent reduction in the total tax burden (measured in "real" terms per capita). This program will require that all levels of government (at least for the next two years) will face the the reality of economic decline in our state and nation. If the legislature believes that those economic problems will be reduced or solved short of two years, "trigger" mechanisms can be devised to allow reduction of the constraints of these proposals.

In order to avoid an impossible "cash flow" problem, it is essential that some of the decisions be made promptly (and in no event later than February 28). Particularly critical is the increase in the rate of taxation in the School Support tax and the City-County Relief tax. Unless those tax rate increases are in place and operating beginning April 1, local governments would have no revenue from those increased rates until November. If the new rates are in place April first, the first revenues would be available in August (at about the same time as replaced property taxes would have been available.)

We believe that there are enough experienced legislators serving in this session that the whole program could be considered and a decision reached by the end of March or earlier.

#### WHO GETS THE CREDIT?

It is probably inevitable that some legislators, elected officials and private citizens will claim all or a part of the credit for the development of this program. There is ample credit for everyone. We hope that the program can be

Members of the Assembly Taxation Committee  
January 26, 1981  
Page 3

looked upon as a cooperative effort for the benefit of the people of Nevada, and that we can avoid a squabble over who first thought of which part of it. Ultimately, the voters of Nevada can take credit for the election of officials of intelligence, dedication and integrity.

#### WHO WILL OPPOSE THE PROGRAM?

Some (perhaps most) of the opposition to the program will come from the county and city employees assigned as lobbyists for county and city governments. They recognize that adoption of this program will result in what they believe to be an inadequate increase in the total amount of tax money available for the financing of their operations at present levels (taking into account the ravages of rampant inflation.) As one legislator put it, "They are going to have to learn to live with less just like the rest of us."

There will be complaints that local government officials will face the difficult tasks of revising assessments of property, revising and adopting budgets, preparing tax bills, etc., but those problems can be overcome by a legislative revision of the "time table" for the accomplishment of those revisions. Measures for the revision of those time lines are already prepared and ready for consideration by the legislature. Since local governments would have almost no dependence on property taxes for their operation, a delay in the collection of property taxes for debt service and schools should not be intolerable.

There may be some resistance from the mining industry which will be paying additional sales taxes (deducted from the "net proceeds") and an in-lieu permit fee that will probably not be balanced by the reduction in property taxes. It is forecast that the "bottom line" for the mining industry will be a slight increase in taxes.

The gaming industry taxation program is designed to be a "wash" as far as the industry as a whole is concerned, but there may be some differences as between individual licensees when the total impact is calculated. Perhaps a way can be devised to minimize those differences.

#### THE BOTTOM LINE

The planned result is that government will be absorbing less of the taxpayers' resources than would have been the case if nothing were done. And the added total impact will be, to a greater extent, on sales tax payers (including some 25 million visitors to the state) and a massive reduction in the liability of people who pay taxes on real property. The program definitely makes good on the promise of opponents of Question 6 (in 1980) that there is a "better way" to achieve a reduction in property taxes.

I am glad to respond to any questions, either now or later. But I urge this committee, and the legislature, to get on with their work and get a program enacted with a minimum of delay.

Very truly yours,

*E. L. Newton*

Executive vice president

ELN/fsc

STANDING RULES OF THE ASSEMBLY TAXATION COMMITTEE  
SIXTY-FIRST SESSION, 1981

1. The order of business under which this committee shall be organized is as follows:
  - a) Constitution of the State of Nevada
  - b) Nevada Revised Statutes
  - c) Standing rules of the Nevada Assembly
  - d) Standing rules of the Assembly Taxation Committee
  - e) Mason's Manual of Parliamentary Procedure
2. A minimum of six (6) members of the committee will constitute a quorum.
3. Motions may be moved, seconded and passed by voice vote by a majority of those present except a definite action on a bill or resolution will require a majority of the entire committee.
4. A two-thirds majority (7) of all the committee is required to reconsider action on a bill or resolution.
5. Committee introduction requires concurrence of two-third (7) of the committee and does not imply committment to support favorable passage.
6. All questions concerning committee procedure will be directed through the chairman.
7. Attendance will be taken at each meeting.
8. The secretary pf the committee shall call the roll at the beginning of each meeting, noting members present, absent, and/or late. Absences excused will be so recorded.
9. Subcommittees may be formed at the discretion of the chairman.
10. Minority committee reports may be made as per Mason's Manual, section 677.
11. All definite actions of the committee will require roll call vote which shall be recorded by the secretary.
12. In the absence of or at the discretion of the chairman, the vice chairman shall conduct the meetings of the committee.
13. Any final voting action of the committee will not be made until all witnesses have been heard, questioned and dismissed. The chairman shall determine when a final action is to be taken.
14. All meetings of the Assembly Taxation Committee and/or subcommittees shall be open to the general public and to any and all members of the media.

*Exhibit VI*

PAUL W. MAY  
ASSEMBLYMAN  
DISTRICT 19, CLARK COUNTY  
3309 WRIGHT AVENUE  
NORTH LAS VEGAS, NEVADA 89030



COMMITTEES  
CHAIRMAN  
TAXATION  
MEMBER  
GOVERNMENT AFFAIRS  
LEGISLATIVE FUNCTIONS

# Nevada Legislature

SIXTY-FIRST SESSION

January 26, 1981

TO: ALL MEMBERS OF THE ASSEMBLY  
SUBJECT: EXECUTIVE BRANCH TAX PROPOSAL

If each member of the Assembly will furnish the Assembly Taxation Committee with three addresses of your own choosing of real property located within the geographical boundaries of your present assembly district, the Assembly Taxation Committee will provide you with one or more computer runs containing information as to how the examples would be actually affected by tax proposals the Committee is working with.

These properties may be SINGLE FAMILY HOMES, APARTMENT HOUSING OR RAW UNDEVELOPED LAND.

Mobile homes for the most part are considered personal property and will be the subject of different legislation.

Other types of real properties, i.e., hotels, motels, commercial building rentals, office buildings etc., would of course be affected, but for the sake of simplicity, please keep your submittals to the three types requested.

The Assembly Taxation Committee will need THE ACTUAL ADDRESSES AND NAME OF THE OWNER and, if applicable, the county assessor's tax parcel number.

HOWEVER, ALSO IDENTIFY THEM AS "A", "B" AND "C".

The Committee will furnish information compiled to you under the A, B and C headings; we will not release the names or addresses of the properties. These examples will not only give the Assembly Taxation Committee valued, important information, but will also allow us, as State Assemblymen, to see how tax proposals might affect property owners in the assembly districts we represent.

The Assembly Taxation Committee thanks you for your cooperation and requests that you submit this information as soon as possible. If you have any questions concerning this, please contact myself or any member of the Assembly Taxation Committee.

*Exhibit VII*

  
PAUL W. MAY, CHAIRMAN  
ASSEMBLY TAXATION COMMITTEE



## Department of Taxation

Capitol Complex

CARSON CITY, NEVADA 89710

Telephone (702) 885-4892

In-State Toll Free 800-992-0900



ROBERT LIST, Governor

ROY E. NICKSON, Executive Director

January 28, 1981

The Honorable Paul May  
 Chairman, Assembly Taxation Committee  
 Legislature Building  
 Carson City, Nevada 89710

Dear Chairman May:

As requested, computations have been developed on the impact of assessing all property at a set prior point in time. The impact on statewide assessed values if all property were to be given a specific base year for appraisal is as follows:

<u>Base Year</u>	<u>Actual Value</u>	<u>Trended Value</u>	<u>Year To Year Variance</u>
1975	\$3,543,355,007	\$4,003,991,000	
1976	3,989,574,838	4,633,420,000	15.7%
1977	4,783,282,531	5,564,546,000	20%
1978	5,676,274,742	7,199,714,000	29.4%
1979	6,894,753,571	9,001,724,000	25%
1980	8,503,200,000	10,442,000,000	16%*

\*lower percentage attributed to massive reappraisals conducted in 1980.

The year to year variance in the trended values is an indication of the impact of inflation in the housing market and the inclusion of new construction in prior years figures.

One problem that should be considered is the affect that the establishment of a base year would have on centrally assessed properties (utility companies, railroads, airlines, etc.). These companies are appraised annually utilizing the cost, market and income approaches to value. If their values were to be factored back to some prior year, there would be great difficulty in determining the value of new construction that should be added to the value established in the base year. Adjustments to the income approach and market approach (stock and debt) to value to accurately reflect any additions to plant and equipment would be subjective in nature and subject to challenge.

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Exhibit VIII

Honorable Paul May  
January 28, 1981  
Page Two

Another area to be considered is the subjectivity involved in the factoring back of property values to a prior year. While tables from National appraisal firms are available, their application in reverse trending covering a period, as opposed to forward trending covering only the current market year, is difficult and a point of contention.

If I can provide additional information, please contact me. Copies of this letter for distribution to Committee members are enclosed.

Highest personal regards.

Very respectfully,



Roy E. Nickson  
Executive Director

REN:rms



DEPARTMENT OF MOTOR VEHICLES

555 WRIGHT WAY  
CARSON CITY, NEVADA 89711  
(702) 885-5380

February 2, 1981

M E M O R A N D U M

To: Mr. Paul May, Chairman, Assembly Taxation Committee  
From: Donna Sheehan, Assistant to the Director  
Subject: FOLLOW UP OF COMMITTEE MEMBERS' QUESTIONS REGARDING THE DEPARTMENT OF MOTOR VEHICLES.

During the special hearing on January 26, 1981, in which the Department of Motor Vehicles explained to your committee its functions in collection of taxes and fees, several questions were asked of which follow up information was required. I hope the following information provides the committee members with sufficient information to answer their questions.

In reference to the special fuel tax, it has been determined that the State of California collects nine cents per gallon on special fuel tax, which is collected at the pump. Additionally, the State of Utah collects a nine cent per gallon special fuel tax, which is assessed either at the pump or on an as used basis depending upon circumstances. I have enclosed a Tax Administrator's News pamphlet which I hope will assist you in answering questions concerning comparisons of special fuel tax rates.

Several questions were asked in reference to the Driver's License Division. The first of the questions related to the comparison of income versus expenditure for the Driver's License Division. I have provided below a breakdown of those figures showing actual receipts and expenditures from fiscal year 1976-80 and estimated receipts and expenditures for fiscal years 80-83.

ACTUAL RECEIPTS & EXPENDITURES

	<u>76/77</u>	<u>77/78</u>	<u>78/79</u>	<u>79/80</u>
Receipts	857,862	1,441,950	1,089,846	1,120,950
Expenditures	<u>1,004,996</u>	<u>1,294,514</u>	<u>1,274,836</u>	<u>1,618,486</u>
Difference	(147,134)	147,436	(184,990)	(497,536)

Exhibit IX

Subject: Follow up of Committee Members' Questions Regarding the Department of Motor Vehicles (Cont.)

PROJECTED RECEIPTS & EXPENDITURES

	<u>80/81</u>	<u>81/82</u>	<u>82/83</u>
Receipts	1,140,000	1,790,000	1,385,000
Expenditures	<u>1,588,976</u>	<u>2,003,132</u>	<u>1,914,130</u>
Difference	(448,976)	(213,132)	(529,130)

(Estimated Receipts are based upon collecting current fees as stated in NRS 483 and 486.)

The second information that I have provided you is both an alphabetical and numerical listing of National Driver's License Fees, throughout the United States. As you will note, on the numerical listing, Nevada currently is at the lower part of the list in comparison with other states. It should be noted, however, that legislation has been submitted (SB 80) which will increase the fees that we charge for original Driver's License to \$11.00 and for renewal Driver's License to \$9.00. These recommended fees would place us in the upper one-third to one-half in comparison with the other states. The figures that were used to calculate the National fee average, were determined by prorating all the fees based upon a four year term of license to make them consistent with Nevada's figures.

I hope the above information is sufficient for your needs. If you, or any of your committee members, have any further questions, please feel free to contact me.

DS/bu

# TAX ADMINISTRATORS NEWS

Issued monthly by  
 FEDERATION OF TAX ADMINISTRATORS  
 444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

Vol. 44 No. 2

February 1980

## STATE EXCISE TAX RATES COMPARED: 1970-1980

The tables on this page compare the distribution of tax rates for the three major state excises at the outset of 1970 and 1980. Less than a third of the states increased their sales tax rates during this period. In contrast, cigarette taxes and gasoline taxes were each increased by more than two-thirds of the states. The cigarette tax increases were concentrated in the early years of the decade. The gasoline tax increases have continued at a steady pace as the nation's energy difficulties have continued to grow. Yet neither cigarette nor gasoline tax rates have kept pace with the general inflation or with the increased prices of the respective products.

**SALES TAX:** During the 1960s, 11 states enacted general sales taxes, raising the number of states with such taxes to 45. Ten years later, the number remains 45. As the 1970s ended, 15 states had higher sales tax rates than they had on January 1, 1970, while two states (New Mexico and North Dakota) had lower rates. The most common rates are 3¢ and 4¢, each imposed by 15 states. The median rate was 3¢ in 1970 and 4¢ in 1980. The highest rate was 6 percent in 1970 and 7 percent in 1980. The lowest rate remained 2 percent. No rate increases were enacted in 1978 or 1979.

Sales tax exemptions for food were adopted in ten states and the District of Columbia, bringing to 26 the number of sales tax jurisdictions that exempt food. In addition, Illinois reduced its tax rate on food by 1 percent.

DISTRIBUTION OF STATE EXCISE TAX RATES  
 Selected Taxes  
 1970-1980 (as of January 1)

Rate (Percent)	Sales Tax Number of States	
	1980	1970
7	1	0
6	2	1
5	6	5
4.75	1	0
4.5	2	1
4	15	14
3.75	1	0
3.125	1	0
3	15	20
2.5	0	1
2.0	1	3
Total	45	45

Rate (Cents per Gallon)	Gasoline Tax Number of States	
	1980	1970
12	1	0
11	4	0
10.5	2	0
10	3	0
9.5	2	0
9	12	2
8.5	2	1
8	10	8
7.5	2	2
7	9	30
6.5	1	3
6	1	1
5	1	3
Total	50	50

Rate (Cents per Pack)	Cigarette Tax Number of States	
	1980	1970
21	3	0
19	1	0
18.5	1	0
18	4	0
17.75	1	0
17	1	0
16	3	1
15.5	0	1
15	2	1
14	3	2
13	4	5
12.25	0	1
12	8	8
11	4	3
10.5	1	0
10	5	5
9.1	1	0
9	2	2
8	2	9
7	1	4
6	0	3
5	0	1
4	0	1
3	1	0
2.5	1	2
2	1	1
Total	50	50

(Prepared by FTA)

**GASOLINE TAX:** On January 1, 1970, the highest state gasoline tax rate was 9¢ per gallon, imposed by two states. As of January 1, 1980, 12 states have 9¢ rates and 12 more states have rates higher than 9¢. The median rate has increased from 7¢ to 8.5¢. The lowest rate remains 5¢ per gallon, but the number of states levying that rate has been reduced from three to one. Rates were increased in 35 states. In 15 states, there were two or more gasoline tax rate increases during the 1970s. Nine of the increases became effective in 1979, more than in any other year of the decade.

During the decade, 15 states adopted legislation giving preferential treatment to gasoline by exempting it or by providing a lower rate for such fuel.

**CIGARETTE TAX:** Cigarette tax rates were increased by 37 states during the 1970s. More than half of the rate increases became effective in 1970 and 1971. In the remaining eight years of the decade, there were never more than four rate increases taking effect in a single year. In 1970, the highest tax rate was 16¢ per pack. On January 1, 1980, eleven states had cigarette tax rates above 16¢. The median tax rate increased from 10¢ to 12¢. The lowest cigarette tax rate remained 2¢ per pack. (Taxes on other tobacco products were levied by 20 states at the beginning and end of the decade. However, two of the 20 taxing these products in 1970 repealed their taxes in subsequent years while two other states began to tax tobacco products.)

# TAX ADMINISTRATORS NEWS

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Vol. 44 No. 8

August 1980

## 1980 MOTOR FUEL TAX LEGISLATION INCLUDES RATE INCREASES AND VARIABLE-RATE FUEL TAXES

Three types of motor fuel tax legislation have been prevalent in 1980: Seven states enacted legislation to raise the gasoline tax rate per gallon. Five states enacted variable rate fuel taxes or a retail sales tax on motor fuel. Eight states exempted gasohol or reduced the rate on this type of fuel.

**Rate increases.** As of mid-July, gasoline tax increases had been enacted in the following states: ALABAMA, from 8¢ to 11¢ per gallon, effective August 1 (on diesel fuel the rate was increased from 8¢ to 12¢); MINNESOTA, from 9¢ to 11¢, effective May 1; NEBRASKA, from 10.5¢ to 11.5¢ plus 2 percent of the cost of fuel, effective October 1; SOUTH CAROLINA, from 10¢ to 11¢, effective October 1; SOUTH DAKOTA, from 9¢ to 12¢, effective April 1 (LPG from 7¢ to 10¢, gasohol from 5¢ to 8¢); VIRGINIA, from 9¢ to 11¢, effective July 1; and WISCONSIN, from 7¢ to 9¢, effective May 1.

The INDIANA rate increased from 8¢ to 8.5¢ and the NEW MEXICO rate from 7¢ to 8¢ on July 1, as a result of variable rate fuel tax laws. The MASSACHUSETTS rate increased from 8.5¢ to 10¢ on August 1 as a result of its new variable rate law.

IOWA imposed a tax of 5¢ per gallon on gasohol, which had been exempt since 1978. MICHIGAN raised the diesel fuel tax rate to 11¢, which is the rate on gasoline.

shows that state gasoline tax rates range from 5¢ in Texas to 12¢ in Washington State. Seven states now have 11¢ rates, and South Carolina will have an 11¢ rate after October 1. The median rate is 9¢. There are 22 states that impose rates of 8¢, 8.5¢, or 9¢. Six states levy 7¢ rates, down from 30 states and the District of Columbia in 1970. Diesel fuel and liquefied petroleum gas are usually taxed at the same rate as gasoline. However, as shown in the table, some states tax special fuels at different rates. Of the six states not imposing tax on diesel fuel or LPG, five (Alabama, Montana, Vermont, Washington, and Wyoming) have special fees for vehicles using these fuels.

State	Gasoline	Diesel	LPG <sup>1/</sup>	Gasohol <sup>2/</sup>
Ala.	11	12	no tax	8
Alab.	8	no tax	no tax	8
Ark.	9	10.3	7.5	no tax
Cal.	9.5	10.3	7.5	no tax
Col.	7	7	6	7
Conn.	11	10	7	10
Del.	9	9	9	9
Fla.	8	8	8	8
Ga.	7.5	7.5	7.5	7.5
Ida.	8.5	8.5	8.5	8.5
Ill.	9.5	9.5	9.5	9.5
Ind.	7.5	7.5	7.5	7.5
Iowa	8.5	8.5	8.5	8.5
Kan.	10	11.5	no tax <sup>3/</sup>	10
Kent.	9	10	7	9
La.	9	9	9	9
Mad.	9	9	9	9
Main.	9	9	9	9
Mar.	10	10	10	10
Mich.	11	11	11	11
Minn.	11	11	11	11
Miss.	9	10	8	9
Mo.	7	7	7	7
Mont.	7	7	7	7
Neb.	10.5 <sup>4/</sup>	11	no tax	5.5
Nev.	6	6	6	6
N.H.	11	11	11	11
N.J.	9	9	9	9
N.M.	8	8	8	8
N.Y.	9	9	9	9
N.C.	9	10	9	9
N.D.	8	8	8	8
Ohio	8	8	8	8
Ore.	7	7	7	7
R.I.	8.5	8.5	8.5	8.5
S.C.	10	10	10	10
S.D.	12	12	12	12
Tenn.	9	9	9	9
Tex.	5	5	5	5
Verm.	9	9	9	9
Vt.	9	9	9	9
Wash.	11	11	11	11
W.V.	10.5	10.5	10.5	10.5
Wis.	9	9	9	9
Wyo.	8	8	8	8
D.C.	10	10	10	10

<sup>1/</sup> Rates are the same as gasoline tax rates except where indicated.  
<sup>2/</sup> No tax, effective January 1, 1981.  
<sup>3/</sup> 5¢ effective May 1, 1981.  
<sup>4/</sup> On October 1, 1980, the rate became 11.5¢ plus 2% of the cost of fuel.  
<sup>5/</sup> Effective January 1, 1981.  
 Rate becomes 11¢ on October 1, 1980.

**Variable rate laws.** Several states have enacted variable rate fuel tax laws in 1980, joining New Mexico and Washington State, which enacted such laws in previous years. The New Mexico law, enacted in 1979, relates the per gallon tax to the wholesale price of fuel. The rate may increase by only 1¢ each year and may not exceed 11¢. Washington State, which enacted its law in 1977, reached its maximum rate of 12¢ per gallon in 1979.

The INDIANA tax is 8 percent of the average retail price of fuels in the state (excluding the state sales and gasoline taxes). The rate is adjusted every July 1 and January 1, based on a survey of fuel prices. For purposes of the computations, the maximum retail price is \$1.50 in 1980, \$1.75 in 1981, and \$2.00 thereafter. (continued on page 94.)

**Current rates.** The table on this page

NATIONAL DRIVER'S LICENSE FEES

ALPHABETICAL LISTING

<u>STATE</u>	<u>ORIGINAL</u>	<u>PRORATED</u>	<u>RENEWAL</u>	<u>PRORATED</u>
Alabama	\$ 10.00	\$	\$ 10.00	\$
Alaska	5.00	4.00	5.00	4.00
Arizona	5.00	6.68	5.00	6.68
Arkansas	13.00		13.00	
California	3.25		3.25	
Colorado	5.50		5.50	
Connecticut	7.50		21.00	
Delaware	10.00		10.00	
Dist. of Columbia	12.00		12.00	
Florida	9.50		6.50	
Georgia	6.50		6.50	
Hawaii	4.00		4.00	
Idaho	7.00	9.33	7.00	9.33
Illinois	8.00	10.66	8.00	10.66
Indiana	6.00		6.00	
Iowa	10.00		10.00	
Kansas	6.00		6.00	
Kentucky	4.00	8.00	4.00	8.00
Louisiana	3.50	7.00	3.50	7.00
Maine	10.00		10.00	
Maryland	15.00		8.00	
Massachusetts	13.00		10.00	
Michigan	7.50		6.00	
Minnesota	10.50		10.50	
Mississippi	5.00	10.00	5.25	10.50
Missouri	3.00	4.00	3.00	4.00
Montana	8.00		8.00	
Nebraska	7.00		7.00	
Nevada	6.00		6.00	
New Hampshire	12.00		12.00	
New Jersey	8.00	16.00	8.00	16.00
New Mexico	5.25	10.50	5.25	10.50
New York	13.00		8.00	
North Carolina	4.00		4.00	
North Dakota	8.00		8.00	
Ohio	5.00		5.00	
Oklahoma	9.00	18.00	7.00	14.00
Oregon	9.00		9.00	
Pennsylvania	20.00		20.00	
Rhode Island	13.00	26.00	8.00	16.00
South Carolina	4.00		4.00	
South Dakota	6.00		6.00	
Tennessee	6.00	12.00	6.00	12.00
Texas	7.00		7.00	
Utah	5.00		5.00	
Vermont	18.00	36.00	8.00	16.00
Virginia	9.00		9.00	
Washington	10.00	20.00	7.00	14.00
West Virginia	5.00		5.00	
Wisconsin	8.50	17.00	4.00	8.00
Wyoming	2.50		2.50	

NATIONAL DRIVER'S LICENSE FEES

NUMERICAL LISTING

<u>STATE</u>	<u>ORIGINAL</u>	<u>PRORATED</u>	<u>RENEWAL</u>	<u>PRORATED</u>
Vermont	\$ 18.00	\$ 36.00	\$ 8.00	\$ 16.00
Rhode Island	13.00	26.00	8.00	16.00
Connecticut	7.50		21.00	
Pennsylvania	20.00		20.00	
Washington	10.00	20.00	7.00	14.00
Oklahoma	9.00	18.00	7.00	14.00
Wisconsin	8.50	17.00	4.00	8.00
New Jersey	8.00	16.00	8.00	16.00
Maryland	15.00		6.00	
Arkansas	13.00		13.00	
Massachusetts	13.00		10.00	
New York	13.00		8.00	
Dist. of Columbia	12.00		12.00	
New Hampshire	12.00		12.00	
Tennessee	6.00	12.00	6.00	12.00
Illinois	8.00	10.66	8.00	10.66
Minnesota	10.50		10.50	
Mississippi	5.00	10.00	5.25	10.50
New Mexico	5.25	10.50	5.25	10.50
Alabama	10.00		10.00	
Delaware	10.00		10.00	
Iowa	10.00		10.00	
Maine	10.00		10.00	
Florida	9.50		6.50	
Idaho	7.00	9.33	7.00	9.33
Oregon	9.00		9.00	
Virginia	9.00		9.00	
Kentucky	4.00	8.00	4.00	8.00
Montana	8.00		8.00	
North Dakota	8.00		8.00	
Michigan	7.50		6.00	
Louisiana	3.50	7.00	3.50	7.00
Nebraska	7.00		7.00	
Texas	7.00		7.00	
Arizona	5.00	6.68	5.00	6.68
Georgia	6.50		6.50	
Indiana	6.00		6.00	
Kansas	6.00		6.00	
Nevada	6.00		6.00	
South Dakota	6.00		6.00	
Colorado	5.50		5.50	
Ohio	5.00		5.00	
Utah	5.00		5.00	
West Virginia	5.00		5.00	
Alaska	5.00	4.00	5.00	4.00
Hawaii	4.00		4.00	
Missouri	3.00	4.00	3.00	4.00
North Carolina	4.00		4.00	
South Carolina	4.00		4.00	
California	3.25		3.25	
Wyoming	2.50		2.50	