

MEMBERS PRESENT: Mr. May, Chairman  
Mr. Coulter, Vice Chairman  
Mr. Bergevin  
Mr. Brady  
Mrs. Cafferata  
Mr. Craddock  
Mr. Marvel  
Mr. Price  
Mr. Rusk  
Mr. Stewart  
Mrs. Westall

The meeting was called to order at 3:00 p.m. Mr. May was in the Chair.

AB 99 Removes power of department of motor vehicles to designate certain county assessors as its agents.

For testimony on this measure, see the minutes of the meeting for February 10, 1981.

Chairman May asked for the recommendation of the subcommittee assigned to research this matter.

Mr. Marvel informed the committee that it was their recommendation that this measure receive no further consideration.

Mr. Craddock moved to indefinitely postpone AB 99.  
Seconded by Mrs. Cafferata.  
Motion carried unanimously. Messrs. Brady and Price were absent from the vote.

SJR 3 Proposes constitutional amendment to provide for exemption of certain food from sales and use tax.

For further testimony on this measure, see the minutes of the meeting for February 9, 1981.

Frank Daykin, Legislative Counsel, LCB, testified at the request of Mrs. Westall and submitted a proposed amendment. Attached as Exhibit I. The purpose of the amendment is to clarify which is the exemption and which are the exclusions. Secondly, it does not require the exclusion of tonics and vitamins. There is an exclusion in the sales and use tax law for medicines of all kinds.

In response to a question from Mr. May, Mr. Daykin stated that Question 9 (the Cavnar amendment) would exempt restaurant food from sales tax, whereas his proposed amendment would not. A further question on the Cavnar amendment was whether alcoholic beverages would be exempt from taxation. Mr. Daykin believed that it would not but to be certain, his proposal would spell that out.

Senator Keith Ashworth, Clark County, District #3 concurred with Mr. Daykin. He further commented that he had no problems with the proposed amendment.

Following a brief discussion, Mrs. Westall moved to report SJR 3 out of committee with an "amend and do pass" recommendation. Seconded by Mr. Rusk. Motion carried unanimously.

AB 121 Raises minimum income from land to qualify it as being in agricultural use for purpose of tax assessment.

Mr. Ray Knisley testified on this matter. He stated that he did not understand its purpose. It would be of no consequence to the large farms and ranches but it could do damage to the smaller operations. He felt that the present law in this regard was more than adequate.

Mr. Bergevin stated that inasmuch as no one was present to testify in support of this measure, there must not be a pressing need for it.

Mr. May concurred and further stated that notice of these bills are posted in advance of the meetings and if the sponsors of the measures don't wish to testify, then the bills should receive no further consideration.

Mr. Marvel moved to indefinitely postpone  
AB 121.

Mr. Craddock requested action be withheld  
as he was doing research in a similar area.  
Request denied.

Mr. Bergevin seconded the motion.

Motion carried; Mr. Craddock voting "No."

AB 122 Revises form used in declaration  
of value of real property at time  
of transfer of title and increases  
penalty for false statements of  
value.

Mr. May informed the committee that he had received a letter from Roy Nickson, Executive Director, Department of Taxation, requesting rescheduling of this matter. Mr. May stated that he would take testimony from those present at this time and also schedule the bill for rehearing on February 23, 1981, at 3:00 p.m.

Joe Melcher, Washoe County Recorder, testified in opposition to this measure. He also wished to express the opposition of Joan Swift, Clark County Recorder. Mr. Melcher understood the benefits of the bill from the standpoint of the assessor however there are a lot of problems related to it that would cause conflict for the recorder's office. In 1979 the recorder's office took over the responsibility for collecting and auditing this tax and this has become quite a lengthy and involved collection.

Pursuant to the declaration of value, under NRS 375.080 the Department of Taxation has the right to make rules and regulations and in doing so has created a declaration form. However, they neglected to provide for who was to pay for this and it has been added on to the budgets of the county recorders. As the rules and regulations are presently written, the use of this form is optional. Many of the smaller counties do not use it because the amount of tax collected is really minimal. Having the forms printed and going through the extra processing is very expensive and time consuming.

Mr. Melcher stated that their biggest problem with AB 122 is on page 2, lines 11 through 18, the elimination of the escrow holder as a responsible party. At present, escrow holders bring in the majority of documents. The recorder's office holds them responsible (in signature) and then they can use their files to make an audit and for follow-up. Mr. Melcher felt that if the recorder had to rely strictly on whoever signs the declaration it could become an almost impossible situation. Documents come from all over the country and there would be no way of checking on them. Additionally many people use escrow holders because they do not understand the values. Eliminating these holders would almost certainly necessitate the recorder to interview each person individually.

In conclusion, Mr. Melcher suggested that the assessors go through the tax commission and perhaps improve on the rules and regulations rather than make changes statutorily. If the statutes proved unworkable, it would take another 2 years in order to correct the situation.

Patrick Cline, representing Clark County, concurred in Mr. Melcher's comments. He felt that the confusion that Mr. Melcher was alluding to was the exclusion of liens and encumbrances from the calculation of tax, particularly on exchange of properties of like values.

Mr. May stated that AB 122 would be rescheduled for hearing on February 23, 1981. No action was taken at this time.

SJR 6 of the  
60th Session

Proposes to amend Nevada  
Constitution to allow im-  
position of estate tax not  
greater than credit allow-  
able under federal law.

Senator Norman D. Glaser, Northern Nevada District, and Senator William J. Raggio, District #1, testified in support of this measure. Senator Glaser referred the committee to the background paper done on this subject by the Research Division of the Legislative Counsel Bureau (Estate Taxes 81-3).

Senator Raggio wished to stress that this was a "pick-up" tax only. The state of Nevada would only be picking up that portion of the federally allowable estate tax and that it would in no way increase the estate tax presently paid out. He urged the committee to pass this measure out and let the people of the state of Nevada vote on it.

Senator Keith Ashworth, District #3, testified in opposition to this bill. He felt that this was one of the most unfair taxes in the United States. He further commented that it is important that Nevada be able to continue advertising itself as an "income" and "inheritance" tax-free state.

Mr. Ray Knisley testified in opposition to this measure. He stated that when an inheritance tax is due and falls a little delinquent, the property can be seized within 90 days and sold at public auction. It is particularly hard on businessmen or ranchers who are operating a little short and on widows with children.

Mr. Knisley further commented that the remark had been made that this would not cost the individual anything. He disagreed saying that it would cost a great deal in accounting and legal fees. In states with similar provisions, when they move in, they freeze bank accounts and safety deposit boxes and families are left in a terrible fix. They have a great deal of difficulty getting money for even living expenses.

According to the latter part of the amendment, the lien attaches no sooner than the time from when the tax is due and payable. Mr. Knisley stated that the lien attaches at the instant of death. It becomes a lien, amount undetermined. From that time on, the estate of the decedent is liened for the entire tax. He urged the committee to defeat this amendment.

Jack Kenny, representing Citizens for Private Enterprise, wished to go on record in opposition to this measure.

Mr. McCoy Jone, a private citizen, informed the committee that he had moved to Nevada primarily for its lack of taxes and urged the committee to defeat this measure.

Maria Quesada and Ben Quesada testified in opposition to this measure. They informed the committee that they had decided to establish residency in Nevada because of its lack of estate and income taxes. Mrs. Quesada stated that her husband had died in 1973 in California and that it had taken the state of California 5 years to decide on the amount of estate taxes to be paid. It took the federal government 1 year. Even then, California assessed the tax at 5 times the amount of the federal government. The Quesadas urged the defeat of this measure.

No action was taken at this time.

Mr. May announced that there would be a short recess and upon reconvening, there would be a progress report on the proposed tax package.

The meeting was resumed at 4:55 p.m. All members were present and Mr. May was in the Chair.

Mr. Ray Knisley had been appointed co-ordinator of the project and he introduced the following members and briefly stated their qualifications:

- Mr. Ed Greer, Financial Director, Clark County School Board;
- Mr. Marvin Leavitt, Finance Director, City of Las Vegas;
- Mr. Jim Lien, he is familiar with the various types of budgets in the counties, their records and the filing system of the Tax Commission; and
- Mr. Dave Henry, he is familiar with the needs of the big counties and also serves as leader of this task force.

Mr. Knisley further stated that this task force had been appointed by Senator Gibson following the defeat of Question 6. Senator Gibson had requested that Mr. Knisley gather a group of knowledgeable people a start producing a tax plan.

Dave Henry presented to the committee the concept for the comprehensive tax package. Attached as Exhibit II.

Jim Lien presented to the committee an outline of the research data. Attached as Exhibit III.

No action was taken at this time.

There being no further business, the meeting was adjourned.

Respectfully submitted,

*Cheri Kinsley*

Cheri Kinsley, Acting Secretary  
Assembly Taxation Committee

ASSEMBLY

AGENDA FOR COMMITTEE ON Taxation

Date Mon., Feb. 16, 1981 Time 3:00 pm Room 240

Bills or Resolutions to be considered	Subject	Counsel requested*
A.B. 99 -	Removes power of department of motor vehicles to designate certain county assessors as its agents. (BDR 43-522)	
A.B. 121-	Raises minimum income from land to qualify it as being in agricultural use for purpose of tax assessment. (BDR 32-526)	
A.B. 122 -	Revises form used in declaration of value of real property at time of transfer of title and increases penalty for false statements of value. (BDR 32-524)	
S.J.R. 3-	Proposes constitutional amendment to provide for exemption of certain food from sales and use tax. (BDR C-409)	
S.J.R. 6 of the 60th Session -	Proposes to amend Nevada constitution to allow imposition of estate tax not greater than credit allowable under federal law. (BDR C-724)	

Progress report on Executive tax proposal.

ALL MEETINGS OF THE ASSEMBLY TAXATION COMMITTEE WILL BEGIN PROMPTLY AT 3:00 PM. PLEASE ARRANGE YOUR SCHEDULES ACCORDINGLY.

\*Please do not ask for counsel unless necessary.



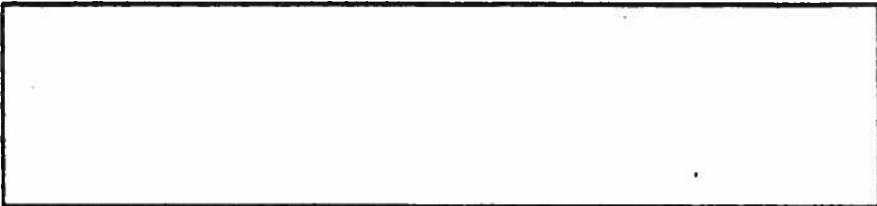




1981 REGULAR SESSION (61st)

ASSEMBLY ACTION	SENATE ACTION	Assembly	AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to Senate	
Lost <input type="checkbox"/>	Lost <input type="checkbox"/>	Joint	
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>	Bill No. ....	Resolution No. 3
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>	BDR. C-409	
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>	Proposed by Committee on Taxation	
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>		
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>		
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>		

Amendment N<sup>o</sup> 53



Amend the resolution, page 1, by deleting lines 4 through 11 and inserting:

"Sec. 3. The legislature shall provide by law for:

1. The exemption of food for human consumption from any tax upon the sale, storage, use or consumption of tangible personal property; and

2. These commodities to be excluded from any such exemption:

(a) Prepared food intended for immediate consumption.

(b) Alcoholic beverages."

COMPREHENSIVE TAX PACKAGE - JOINT COMMITTEES

CONCEPT

Conceptually fiscal budgets will be structured

- (a) debt service is an ad valorem responsibility;
- (b) operation and maintenance are a sales tax responsibility and
- (c) capital project reserves, and related construction costs are ad valorem responsibilities above debt service with either voter approval or  
*Interim Finance Committee*  
Legislative Commission authorization within some kind of legislative constraint on amount.

Conceptually, in local entities where maximum operation and maintenance plus existing debt cannot be supported by the basic revenues above, then such entities should have access to balance their respective budgets outside of the above constraints.

Part One

A. Property Tax Revisions

The revenue side of the budget structure of local governments would be modified as follows:

★

1. Retirement of existing <sup>annual obligation</sup> G.O. bonds and existing short term debt plus any future voter approved debt or Tax Commission approved (emergency loan) short term debt would be covered by ad valorem tax levies.

2. Schools to receive in addition to paragraph 1 a flat 50 cent ad valorem tax levy to be used for any purpose. *without or as 11d*

3. General improvement districts and other special districts serving a specific geographic area may be supported in whole or in part by ad valorem tax levies. This is subject to calculations.

4. It is projected that sales tax (CCRT and LSST) will support the balance of revenue requirements for operations and maintenance for counties, cities, towns, fire districts and library districts. The final list of entities receiving sales tax is subject to calculations.

B. Sales Tax Revisions in Amount

Legislation will mandate imposition by counties an increase of CCRT and will increase the LSST for schools as follows:

	<u>Existing</u>	<u>Revised Rates Effective</u> <u>4-1-81</u>
CCRT	.5%	2.5%
LSST	1%	1.5%
State Sales	2%	2% (no change)
Total	<hr/> 3.5%	<hr/> 6%

C. Sales Tax Distributions

Conceptually sales tax increases (CCRT and LSST) are necessary to reduce across-the-board ad valorem requirements at several levels of government.

1. The additional .5% direct to schools from LSST is envisioned as reducing the requirements for statewide school district funding from State sources in the State School Distributive Fund.
2. The additional 2% sales tax now going to all cities and some counties is envisioned as supplementing and balancing budgets caused by ad valorem tax rate reductions for counties, cities, towns, fire districts and library districts. The final list of entities receiving sales tax is subject to calculations.
3. Additionally, the concept here must include provisions for
  - (a) state level accrued fund excess to balance school budgets where the new reduced ad valorem and the new increased sales tax from the State School Distributive Fund are insufficient;

(b) recognition of authenticated "retail trade zones for metropolitan areas" and the degree that export of revenues from one region of the State to another is acceptable and justified.

4. The concept here requires a balancing feature of all revenue sources for local governments including an appeal procedure to State and the <sup>*Interim Finance Comm. Act*</sup> Legislative Commission where specific entities do not fit the conceptual definition outlined here. Also the accumulation of a contingency fund at State level should be considered for emergency circumstances of school districts.

## Part Two

### Assessment Procedure

There must be implemented prior to July 1, 1981 a property assessment reform if property owners and more specifically homeowners are to see any significant tax relief beginning next July. These emergency steps must be taken almost immediately.

A. By a factoring process bring up all property values not physically reappraised in 1980 to the January 1980 level. Factors to be used by each county assessor shall be approved by the Department of Taxation.

B. Provide for County and State Boards of Equalization to consider appeals on the factoring work. These Boards must conclude their work by June 30 so that tax bills can be sent out by July 31.

C. Taxes on the secured roll are for the current year by legislative declaration.

D. A review of constitutional provisions regarding major industries impacted by this plan shows that such industries cannot be singled out for special additional taxation provisions in most cases. However, should additional funds be required at the local level additional taxes or fees could be placed on such industries in some cases.

E. The local government imposed franchise tax fees that are passed through utilities directly to rate payers could be modified or removed. ~~If~~ *I would say forgo at the dollar amount presently received* If a change is contemplated then it must consider the impact on the revenue structure of entities imposing such fees.

## Part Three

### Local Government Revenue and Expenditure Provisions

#### A. Other Than Schools

(1) Revenue limitations by such local governments will be imposed beginning July 1, 1981. Existing expenditure controls in SB 204 should be terminated June 30, 1981. In order to determine the maximum revenues available for each entity other than schools calculations to determine this shall begin with total revenues available during FY 1978-79 as the base period excluding costs of existing debt service.

(2) The revenue maximum allowed for each such non-school entity may be increased up to a maximum not to exceed the base year plus a factored amount to be set forth herein for each ensuing fiscal year.

(3) The base year increased by a flat 10% per annum shall be the revenue maximum for all local government funds except funds and activities excluded by SB 116.

(4) The revenue structure for entities of general government other than schools shall have additional restrictions:



(a) All licenses, permits and fees charged for a regulatory or control purpose of local government shall not exceed in the aggregate the direct cost for such control activities plus a 12% overhead allowance for indirect related expenses. When the revenues for such activities exceed or are contemplated to exceed this amount the fee structure supporting such activities shall be reduced on an across-the-board basis until revenues reach the amount allowed herein.

(b) No surplus revenue from licenses, permits and fees may be used for any other purpose than the regulatory process. A reduction in the fee structure shall be made when surpluses accrue above the allowed maximum.

(c) Ending fund balances shall be controlled in accordance with SB 116.

(d) Enterprise funds will be redefined and allowed for only and the purposes as defined in the original Budget Act legislation.

(e) Internal Service Funds shall be restricted for only those purposes allowed and in accordance with regulations to the Nevada Tax Commission.

(f) The Nevada Tax Commission shall employ at State expense outside certified public accountants to audit all local governments. The audit reports shall be presented to local government board and copies of such audits shall be furnished to the Nevada Tax Commission.

B. Schools

School Districts will continue to be placed under the current revenue and expenditure restrictions enacted by the 60th Session of the Legislature. However, the 50 cent tax rate allowed for school operations would not be capped and existing legislation to the contrary (i.e. the escalation clause at the end of SB 204) to this provision would be stricken from the statute. This concept must be reviewed to insure the integrity of the School Distributive Fund and local budgets.

## Part Four

### Appeal Procedure for Supplemental Spending by Local Governments

A. It is not possible to anticipate all contingencies and impacts on funding requirements of local governments of Nevada. Therefore a general appeal procedure whereby local governments can secure approval for supplemental funding. Upon approval revenue restrictions set forth herein could be lifted.

It is contemplated here that such approvals will be granted by the Legislative Commission upon petition of the entity and a final analysis by the Nevada Tax Commission for other than schools and fiscal analysis by the State Board of Education for all school districts.

B. As an alternative to the above appeal procedure an entity may be permitted to secure additional ad valorem revenues by receiving a majority vote of the electorate to increase the tax levy above the statutory maximum as set forth herein.

2/11/81

OUTLINE OF RESEARCH DATA

Exhibit A - *3rd from worksheet to  
a chart*

History of Annual Resources for Local Governments:

For 5 years 1976-77 to 1980-81  
actual for 4 years estimated for 1 year

<u>Opening Balance</u>	<u>Non Ad Valorem</u>	<u>Ad Valorem Revenues</u>	<u>Total Revenue</u>	<u>Ending Balance</u>
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Source: Actual budget documents

Exhibit B : *down*

History and Projections of Sales Tax Collections by County  
(cash method - May 1 to April 30)

For 3 years actual, 1 year estimated, 1 year projected  
1977-78 to 1981-82

State Sales  
Tax 2%

LSST 1%

CCRT 1/2%

Source: Sales tax monthly  
statistical report  
TX-03-410

Exhibit C - Capital, Mandy, 4/5/79

History of Assessed Valuations Including Net Proceeds of Mines and Tax Rates by Each Local government.

For 5 years actual 1976-77 to 1980-81

Net Proceeds of Mines  
Ad Valorem

Total Assessed  
Valuation

Tax Rate

Source: (a) Annual segregation  
(b) Net Proceeds of Mines  
Certification by Tax  
Commission;  
(c) Red Book for local  
govt. by Tax Commission

Exhibit D - 4/5/79

History of Debt Service Funds and Tax Rates.

3 years actual, 1 year estimated, 1977-78 to 1980-81

Opening  
Balance

Non Ad  
Valorem  
Revenue

Ad Valorem  
Revenue

Tax Rate

Total  
Resources

Actual  
Expend.

Ending  
Balance/  
Reserves

Source: Actual budgets and Tax  
Commission Red Book for  
local governments.

Exhibit E *due*

History of Annual Resources for School Districts.

1976-77 to 1980-81  
Form to follow Exhibit A

Source: State Superintendent of  
Schools records.

Exhibit F

Enumeration of Funds Receiving Ad Valorem Revenues and  
Controlled for Revenue Purposes.

(Budget Schedule A sheets for each Local Government  
and Controlled Funds identified by a mark thereon.)

1980-81