

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

MEMBERS ABSENT: None

GUESTS PRESENT: Please see attached list

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

A.B. 59 Establishes standards for determining whether alcohol is used and taxed as beverage or as fuel.

For testimony on this measure, see the minutes of the meeting for February 3, 1981.

After consideration by the committee, it was decided to prescribe, by regulation, the requirements covered by this bill. In this regard and at the request of the committee, an amendment was submitted by Mr. Roy Nickson, Department of Taxation. (Attached as Exhibit I)

Mr. May informed the committee that he had discussed the amendment with Assemblyman Glover (prime introducer of the bill) and that Mr. Glover requested action be deferred so that he may obtain further testimony.

No action was taken pending notification by Mr. Glover that he is ready to proceed.

A.B. 116 Removes requirement to classify mobile homes for purposes of property tax assessment.

Mr. May reminded the committee that a sub-committee had been formed to study this subject and that hearings will be held in Las Vegas the latter part of the week. The fiscal note is attached as Exhibit II.

Action withheld pending the report of the sub-committee.

A.B. 125 Provides plan for deferral of property taxes against certain homeowners.

Dan Miles, Fiscal Analyst, submitted a fiscal note (attached as Exhibit III) for the committee's review.

Mr. Orvis Reil, representing NRTA/AARP, Nevada Joint State Legislative Committee, stated that he is not opposed to the bill but would like to point out some of the problems with it. He explained that two years ago a similar bill was introduced and at that time he presented information obtained from other states that had the same type laws, which indicated that few people took advantage of the tax deferral, partly due to pride and partly because they didn't want a lien on their property. Although there is a period of time in which the back taxes can be paid, it does become a lien and could become a "forced sale." That is one of the reasons surrounding states do not have this type of legislation.

Mr. Stewart pointed out that this is not a mandatory law but one that an individual could take advantage of if he so chooses.

Mr. Craddock explained that, as he understands this measure, the person would have the right to pick up the tax bill and would have first right-of-refusal on the property. He pointed out that the children of the individual involved would have the right to pick up the property in behalf of their parents.

Mr. Price advised the committee that a number of senior citizens had indicated their support for this measure. It was his opinion that this was good legislation in that the tax could be deferred and that the program was entirely elective. He stated that he supported the bill as a side benefit but not as a substitute for tax relief for senior citizens.

Mr. Reil concurred with Mr. Price's comments.

Assemblyman James W. Schofield, District #12, testified in support of this measure. He wished to emphasize that this program is not mandatory and could be left to the choice of the people involved. In that regard, he submitted a proposed amendment (attached as Exhibit IV) which would more clearly identify their intent that this be elective and not mandatory. Also attached (Exhibit V) is a memorandum from Andrew P. Grose, Research Director, LCB, indicating the experience of other states with this type of legislation. Mr. Schofield further commented, in response to Mr. Price's statement, that this was being offered only as a supplemental tax reform measure.

Mr. May advised Mr. Schofield that no action would be taken at this time and that the matter would be given to the sub-committee studying the tax package so that they would have a more complete picture of the total tax reforms being offered.

A.B. 134 Increases state license fee on gross revenue of gaming and prohibits local increases.

Mr. May stated that this measure would be included in the study being done by the sub-committee reviewing the overall tax package.

There was no one present to testify in support or opposition to this matter.

A.B. 135 Changes methods of calculating permissible expenditures by local governments and assessed value of certain property.

Assemblyman Louis W. Bergevin, District #39, testified in support of this measure. He explained that this bill was the result of an opinion by the Attorney General in connection with the expenditure of enterprise funds. These funds were being taken from the General Fund by local governments without regard to General Fund revenues. This bill will restrict the amount of money local governments may generate through users fees and other revenues not obtained from property or room taxes. Mr. Bergevin further stated that some local governments have used these enterprise funds to get around laws limiting the amount of money available for government services.

In response to a question from Mr. Stewart, Mr. Bergevin explained that this would not affect any enterprise funds that have been in effect the past years.

Mr. Price stated that spending caps were established as a means of controlling or limiting spending by local governments as a result of problems in California with Proposition 13. He also enlarged upon some areas of the enterprise funds, explaining that these usually come from airport authorities, justice court systems, etc., and that in his opinion, Clark County has shown considerable imagination in setting up these funds.

Mr. Patrick Pine, Clark County Lobbyist, testified that he was not in opposition to the bill but would like to make some recommendations. He advised the committee that the three main enterprise funds that Clark County has set up are all valid and the county has never violated the spending cap. He further testified that the county was \$7 million below its spending ceiling for 1980-1981. He requested that if the measure were approved, consideration be given to amending it so as to not reduce the spending ceiling in the total budget if the county agency generates enough revenue to pay for itself. He distributed a report entitled Two Possible Ways of Adjusting the Base for a New Enterprise Fund and a financial statement for the year ending June 30, 1980 prepared by the independent auditors for Clark County. (attached as Exhibit VI)

Discussion followed on various aspects of the bill. Mr. May advised the committee that no action would be taken at this time and that the bill would be rescheduled for further testimony.

S.B. 16     Allows credit for personal property tax paid in another state on certain property.

There being no one present to testify on this measure, Mr. May suggested no action be taken until the prime introducer, Senator Glaser or his representative could be present.

Mr. Coulter assumed the Chair at this time as Mr. May was called out of the meeting.

A.B. 47     Provides for payment of use tax, personal property tax and registration of aircraft.

For further testimony on this measure, see the minutes of the meeting for February 2, and February 10, 1981.

As requested, Mr. Roy Nickson, Department of Taxation, distributed to the committee a proposed amendment. Attached hereto as Exhibit VII. Mr. Nickson explained that the purpose of the bill is to facilitate the collection of taxes now being avoided by aircraft owners. This does not create a new tax on aircraft, as has been suggested by some individuals.

Speaking in opposition to this measure were: Mr. Wiley Pearce, Carson Squadron Civil Air Patrol; Mr. R. M. Hutchins, an aircraft owner; Mrs. Heidi Manfroi, Carson Pilots Association; and Mr. C. C. Moran, Carson City Pilots Association.

Mr. Pearce pointed out that this bill would be cumbersome and expensive to enforce. He felt requiring the fixed-base operators to enforce this would, in essence, make informers out of them.

Mr. Hutchins testified that a bill of this kind would discourage new industry from coming into Nevada. Most aircraft owners use their planes as part of their business and he felt that that was a direct benefit that Nevada has over other states. He further testified that he has been attempting to attract new industry to Nevada and he feels the state should be more concerned with providing a wider tax base. For the benefit of the committee, he read a letter dated in 1944 from the State Highway Department encouraging businesses to come to Nevada, and which specifically points out the state's lack of taxes. He urged the committee to consider eliminating the personal property tax on aircraft as he feels that would encourage new industry. He added that aircraft is presently taxed by the federal government and according to an opinion from the U.S. Supreme Court, it is illegal for two different governmental agencies to tax and license the same vehicle.

Mr. May pointed out to the committee and Mr. Hutchins that under the Nevada Constitution, Article 10 sets forth the provision that all property, both real and personal, shall be taxed at a uniform rate and consequently, a tax must be placed on aircraft as well as all other property within the state.

Mr. Hutchins responded that under the Freeport law, there are some areas where taxes are not paid. He called attention to NRS 361.160 wherein it specifically talks about aircraft and the exclusion of certain taxes. He warned the committee that if Nevada continues on its present course of new and increased taxes, people will look elsewhere for their business and personal enterprises.

Mrs. Manfroi reminded the members that aircraft owners pay a considerable amount of taxes. For example, they pay the assessor for registration fees as well as paying 11¢ per gallon of gasoline in Ormsby County. The city gets 3¢ out of the 11¢ and the remaining 8¢ goes into the General Fund.

Mr. Moran testified that according to the 1979 segregation of the tax roll, there are 931 private aircraft registered in the state and they all pay personal property tax. The cost of administering the provisions of this bill would be very high.

Mr. Rusk questioned the purpose of this measure. He was unclear as to what problem this was trying to reach. If the intent was to insure that all people were paying their taxes equally, he asked if any of those testifying could suggest an alternative to what is in the bill.

Mr. Moran responded that the Department of Taxation receives title reports from the F.A.A. on any aircraft sold in Nevada. He suggested some sort of follow-up could be taken from that report.

Following a brief discussion, Mr. Rusk moved that AB 47 be indefinitely postponed.  
Seconded by Mr. Price.  
The vote was as follows:

AYE: Mrs. Cafferata	NAY: Mr. Bergevin
Mr. Coulter	Mr. Craddock
Mr. May	Mr. Marvel
Mr. Price	
Mr. Rusk	ABSENT: Mr. Brady
Mrs. Westall	Mr. Stewart

Mr. May wished to express his appreciation to those who testified today. He felt that they represented the true spirit of the State of Nevada.

Mr. May presented the following for committee introduction:

BDR 32-948\* Revises method of reappraising certain property and changes fiscal year for which property taxes are due.

Mr. Bergevin moved for committee introduction.  
Seconded by Mr. Marvel.  
Motion carried unanimously.

There being no further business, the meeting was adjourned.

Respectfully submitted,

\*AB 180

*Nykki Kinsley*  
Nykki Kinsley, Secretary  
Assembly Taxation Committee

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ASSEMBLY

AGENDA FOR COMMITTEE ON Taxation

Date: Tues., Feb. 17, 1981 Time: 3:00 pm Room: 240

Bills or Resolutions  
to be considered

Subject

Counsel  
requested\*

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

- A.B. 59 - Establishes standards for determining whether alcohol is used and taxed as beverage or as fuel. (BDR 32-456)
- A.B. 116- Removes requirement to classify mobile homes for purposes of property tax assessment. (BDR 32-851)
- A.B. 125 - Provides plan for deferral of property taxes against certain homeowners. (BDR 32-596)
- A.B. 134 - Increases state license fee on gross revenue of gaming and prohibits local increases. (BDR 41-1348)
- A.B. 135 - Changes methods of calculating permissible expenditures by local governments and assessed value of certain property (BDR 31-343)
- S.B. 16- Allows credit for personal property tax paid in another state on certain property. (BDR 32-470)

\*Please do not ask for counsel unless necessary.

GUEST LIST

PLEASE PRINT!

Date: Feb 17, 1981

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PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
Heidi M...	...		✓	AB 47
WILEY PEARCE	...		✓	AB 47
William Machabee	...			AB 47
Wayne ...	...			AB 116
ORVIS E. KOIL	...			
Joe Cathcart	...			
GP Etcheberry	...			
Shelley Chanc	...			
DANON	...			
CHRIS ...	...			
Larry Ryckman	...			
Ray Pinc	...			AB 135
R. M. ...	...		✓	AB 47
Jim Schiefel	...	✓		AB 115
Calvin ...	...			
William ...	...			
C. L. MOTTAN	...			AB 47
Jack G. Warnocke	...			





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

February 17, 1981

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

Dear Assemblyman May:

As requested, I have reviewed AB 59 and to achieve the objective you desire, I recommend the Committee consider amending the substantive language as follows:

"The department may prescribe by regulation the requirements of this state for determining whether alcohol is produced for use in or as a motor vehicle fuel or for use in or as a liquor. The department may consider rules promulgated by the Bureau of Alcohol, Tobacco and Firearms of the United States Department of the Treasury in the adoption of such regulations."

This wording could apply to both Chapters 365 and 369 of NRS.

Highest personal regards.

Very respectfully,

A handwritten signature in cursive script, appearing to read "Roy E. Nickson".

Roy E. Nickson  
Executive Director

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FISCAL NOTE

BDR 32-851  
A.B. 116  
S.B.

• STATE AGENCY ESTIMATES Date Prepared 2-13-81

Agency Submitting Department of Taxation

Revenue and/or Expense Items	Fiscal Year 1980-81	Fiscal Year 1981-82	Fiscal Year 1982-83	Continuing
	-0-	-0-	-0-	-0-
Total	-0-	-0-	-0-	-0-

Explanation (Use Continuation Sheets If Required)

Amendments to NRS 361.325 which eliminates provisions for classifying mobile homes on the basis of their service lives has no fiscal impact on the county assessors or the Department of Taxation. Costs of appraisal under the proposed bill will remain the same.

Local Government Impact YES  NO   
(Attach Explanation)

Signature \_\_\_\_\_

Title Executive Director

• DEPARTMENT OF ADMINISTRATION COMMENTS Date \_\_\_\_\_

Signature \_\_\_\_\_

Title \_\_\_\_\_

• LOCAL GOVERNMENT FISCAL IMPACT (Legislative Counsel Bureau Use Only) Date \_\_\_\_\_

Signature \_\_\_\_\_

Title \_\_\_\_\_

Exhibit II



FISCAL NOTE

BDR 32-596  
 A.B. 125  
 S.B. \_\_\_\_\_

• STATE AGENCY ESTIMATES

Date Prepared 2-13-81

Agency Submitting Department of Taxation

<u>Revenue and/or Expense Items</u>	<u>Fiscal Year 1980-81</u>	<u>Fiscal Year 1981-82</u>	<u>Fiscal Year 1982-83</u>	<u>+10% Continuing</u>
<u>Deferral tax expense only</u>	<u>-0-</u>	<u>-0-</u>	<u>\$800,000</u>	<u>\$880,000</u>
<u>Existing allowance program</u>	<u>1,375,377</u> (actual)	<u>1,512,915</u>	<u>1,664,206</u>	<u>1,830,626</u>
<b>Total</b>	<u>1,375,377</u>	<u>1,512,915</u>	<u>2,464,206</u>	<u>2,710,626</u>

Explanation (Use Continuation Sheets If Required)

Assumptions

No homeowner in allowance program would switch to deferral because they are not paying in excess of 7% of their income in taxes.  
 The average tax in Nevada is 7% of the average income in Nevada.  
 It would benefit those persons who are living in expensive properties with low incomes. A number of older persons are so situated who are living in transition areas. This number is estimated at 1500 persons statewide who will claim the maximum \$700 deferral each year.  
 It is estimated that the deferral allocation will be self funding in 5 years.  
 The present cost of the allowance program is estimated to remain the same with an estimated annual increase of 10%.

Local Government Impact YES  NO   
 (Attach Explanation)

Signature *Ray S. Zuber*  
 Title Executive Director

• DEPARTMENT OF ADMINISTRATION COMMENTS

Date \_\_\_\_\_

Signature \_\_\_\_\_

Title \_\_\_\_\_

• LOCAL GOVERNMENT FISCAL IMPACT  
 (Legislative Counsel Bureau Use Only)

Date \_\_\_\_\_

Signature \_\_\_\_\_

Title \_\_\_\_\_

1981 REGULAR SESSION (61st)

ASSEMBLY ACTION		SENATE ACTION		Assembly	AMENDMENT BLANK
Adopted	<input type="checkbox"/>	Adopted	<input type="checkbox"/>	AMENDMENTS to	Assembly
Lost	<input type="checkbox"/>	Lost	<input type="checkbox"/>	Bill No.	<del>John</del>
Date:		Date:		125	<del>Resolution No.</del>
Initial:		Initial:		BDR	32-596
Concurred in	<input type="checkbox"/>	Concurred in	<input type="checkbox"/>	Proposed by	Mr. Schofield
Not concurred in	<input type="checkbox"/>	Not concurred in	<input type="checkbox"/>		
Date:		Date:			
Initial:		Initial:			

Amendment No 67



Amend sec. 4, page 1, line 19, by deleting "7 percent" and inserting "5 percent".

Amend sec. 5, page 2, lines 4 and 5, by deleting "tax receiver" and inserting "assessor".

Amend sec. 5, page 2, line 12, by deleting "tax receiver" and inserting "assessor".

Amend sec. 6, page 2, line 16, by deleting "tax receiver" and inserting "assessor".

Amend sec. 7, page 2, line 22, by deleting "tax receiver" and inserting "assessor".

Amend sec. 8, page 2, line 46, by deleting "tax receiver" and inserting "assessor".

Amend sec. 8, page 2, line 49, by deleting "tax receiver" and inserting "assessor".

Amend sec. 13, page 4, by deleting lines 20 through 24 and inserting:

" \$0	---	[\$2,999]	<u>\$5,000</u>	90	
[3,000]	<u>5,000</u>	---	[4,999]	<u>8,000</u>	75
[5,000]	<u>8,000</u>	---	[6,999]	<u>10,000</u>	50
[7,000]	<u>10,000</u>	---	[9,999]	<u>12,000</u>	25
[10,000]	<u>12,000</u>	---	[11,000]	<u>13,000</u>	10.

Amend sec. 15, pages 4 and 5, by deleting lines 34 through 49 on page 4 and lines 1 through 3 on page 5 and inserting:

"Sec. 15. (Deleted by amendment.)"

Amend sec. 16, page 5, by deleting lines 4 through 35 and inserting:

"(Sec. 16. (Deleted by amendment.)"

Amend sec. 17, page 5, lines 45 and 46, by deleting "tax receiver" and inserting "assessor".

Amend sec. 18, page 5, line 49, by deleting "tax receiver" and inserting "assessor".

To: E & E  
LCB File  
Journal  
Engrossment  
Bill

Drafted by DS:ml Date 2-17-81

Amend sec. 18, page 6, line 2, by deleting "\$30,000." and inserting "[~~\$30,000.~~] \$50,000."

Amend sec. 22, page 6, line 47, by deleting the brackets.

Amend sec. 22, page 6, line 49, by deleting the brackets.

Amend sec. 22, page 7, line 1, by deleting the brackets.

Amend sec. 23, page 7, line 6, by deleting "tax receiver" and inserting "assessor".

Amend sec. 24, page 7, line 14, by deleting "tax receiver" and inserting "assessor".

Amend sec. 26, page 7, line 31, by deleting the brackets.

Amend sec. 26, page 7, lines 38 and 39, by deleting "tax receiver" and inserting "assessor".

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710



ARTHUR J. PALMER, Director  
(702) 885-5627

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KEITH ASHWORTH, Senator, Chairman  
Arthur J. Palmer, Director, Secretary

INTERIM FINANCE COMMITTEE (702) 885-5640

DONALD R. MELLO, Assemblyman, Chairman  
Ronald W. Sparks, Senate Fiscal Analyst  
William A. Bible, Assembly Fiscal Analyst

FRANK W. DAYKIN, Legislative Counsel (702) 885-5627  
JOHN R. CROSSLEY, Legislative Auditor (702) 885-5620  
ANDREW P. GROSE, Research Director (702) 885-5637

February 16, 1981

M E M O R A N D U M

TO: Assemblyman Jim Schofield  
FROM: Andrew P. Grose, Research Director  
SUBJECT: Property Tax Deferral (Ref: A.B. 125)

You asked about the experience in other states that have a property tax deferral tax.

OTHER STATES

There are currently five states which have some form of tax deferral law: California, Colorado, Florida, Oregon and Virginia. Oregon passed its law in 1963, Virginia in 1971, California in 1977 and Colorado and Florida both in 1978.

GENERAL

Oregon and Virginia are the only states that have had deferral for any length of time. Oregon has had a statewide program. Virginia's is a local option. Looking at Oregon's experience, property tax deferral is a useful supplementary tax relief program. It has low appeal for most old people. People in Oregon familiar with the program reason that old people have a strong aversion to incurring liens on their property. It is based on three things: (1) bad memories of the Depression when people lost property for taxes; (2) a desire to leave an estate free and clear; and (3) fear of a major illness or other emergency for which money would have to be borrowed against the home. In all cases, at least through the 1970's, property tax deferral has not been the only tax relief available in the states with deferral. All have circuit breaker tax relief and Florida also has homestead exemptions as well as a circuit breaker. A circuit breaker, of course, is the same as Nevada's senior citizens' tax relief program. California's participation rate runs about 4 percent of the eligibles. In Oregon it is a little less than 2 percent.



In short, tax deferral is not the solution to property tax burdens on the elderly. It is an option that may be attractive to some senior citizens.

COMPARISON OF THE MAJOR COMPONENTS  
OF TAX DEFERRAL LAWS

1. Liens for Deferred Taxes

In Florida, the state holds an unqualified first lien.

In California and Oregon, the states' liens are subordinate to the first mortgage if that mortgage predated the tax lien. California also allows priority to home improvement loans.

In Colorado, the state's lien is for a set number of years after which the first mortgage takes priority. In Virginia, the tax lien has the priority up to a certain amount.

2. Who Bears the Cost for the Delay in Collecting Deferral Taxes?

California and Colorado reimburse local governments directly from their general funds with the liens then in favor of the state.

Oregon reimburses local governments from a special state investment fund with the deferred taxes eventually paid to that fund.

In Virginia, the local governments carry the costs of deferral. Local governments also decide if they want to allow deferral so the state doesn't mandate something it doesn't pay for.

Florida sells tax deferral certificates to the general investor. The investor receives the prevailing rate of Florida retirement system long term investments.

3. Eligibility Requirements

a. Taxpayer

In all of the deferral states except Florida, participants must be classified as elderly (either 65 or 62). In Florida, there is no age requirement. California and Virginia also have maximum income for eligibility. California's income requirement is designed to bring in most middle income taxpayers (about \$30,000).

b. Property

Colorado and Florida limit deferral to owner-occupied residences. Neither state specifies joint ownership criteria or multi-unit buildings. California and Oregon specifically include residences in multi-unit buildings. Oregon also specifies that where the home is part of a larger property, only the home portion is eligible. The rest of a farm would not be, for instance.

c. Equity Requirements

California and Florida require minimum equity in the property in order to claim a deferral. It is 20 percent in California and 30 percent in Florida. Florida also requires that the total liens not exceed 85 percent of the value of the property.

d. Income Property

Oregon allows a participant up to \$1,800 income and still have the right to claim a deferral. This would allow an elderly homeowner to rent a room, for instance.

4. Interest on Deferred Taxes

Virginia has no interest requirement but local ordinances can establish it. Oregon, California and Colorado are 6, 7 and 8 percent respectively. Florida varies the interest according to the long term fixed income portion yield of the Florida retirement system.

5. When Are Deferred Taxes Due?

In all states, the taxes are due when the owner sells, conveys or transfers ownership. The death of an owner also precipitates payment unless there is a surviving spouse. In California, failure to satisfy a prior lien will lead to demand for payment of the deferred tax lien too.

6. How Much of Taxes May Be Deferred?

Colorado and Oregon allow deferral of all property taxes. Both laws are silent on whether a person could defer just a portion. California allows for partial deferral. Virginia allows local governments the option of deciding on partial deferrals. Florida's deferral is limited to that amount of taxes that exceed 5 percent of the homeowner's income.

7. Surviving Spouse

Virginia is silent on this. The other states all allow a continuation of deferral to a surviving spouse.

8. Other Lien Holders

Tax deferral laws cause difficulties for others who have liens, particularly lending institutions which hold a first mortgage on a home. Oregon specifically prohibits any provision in a mortgage that would prevent the homeowner from deferring taxes. Oregon and California both subordinate their tax deferral liens to mortgages that predate deferral. Florida's lien is first but Florida requires 30 percent equity in a home before deferral can

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be used. In Virginia, the deferral lien is subordinate until it reaches 10 percent of the value of the property at which time it becomes first in priority.

In general, where there is no allowance for mortgage liens to have priority over tax deferral liens, lenders have serious problems with the secondary mortgage markets. These are the insurance companies, pension funds and federal entities such as the Federal National Mortgage Association (Fannie Mae) that buy up mortgages from the bank or savings and loan that makes the home loan in the first place. The unintended effect of this situation could make it more difficult for older people to secure a home loan. In fact, to the extent that local lenders cannot sell off mortgages for new capital, home loans in general can be adversely affected.

A related problem is the requirement of FHA and VA loans that 1/12th of the property taxes be paid into escrow each month. Both FHA and VA have allowed modified escrow provisions in Oregon since Oregon subordinated its lien to that of the mortgage holder. Where that is not the case, there will be problems with any lender, not just FHA and VA.

APG/llp

## A.B. 125

It may be worth reviewing A.B. 125 with each of the foregoing elements in mind.

### 1. Liens for Deferred Taxes

The bill is silent on this but NRS 360.480 says that a tax lien is not superior to a lien attached prior to it. A mortgage or deed of trust, according to the legislative counsel, is a lien from the moment it is executed so a lender would have priority over the state for tax deferral liens.

### 2. Who Bears the Cost for the Delay in Collecting Deferred Taxes?

Under A.B. 125, the state bears the cost. The state reimburses the local governments right away and waits for its money until such time as the deferred taxes plus interest is paid.

### 3. Eligibility Requirement

Under A.B. 125, a claimant must be 62 and his property taxes must exceed 7 percent of household income. "Household income" is not defined but this whole bill would be made a part of the Senior Citizens Tax Relief Act which includes a definition of household income.

Also, in section 4 of A.B. 125, a person is limited to using either tax deferral or senior citizens' tax relief, not both.

Under A.B. 125, there would be no equity requirement and there is no provision concerning rental of a portion of the property.

### 4. Interest on Deferred Taxes

A.B. 125 provides for 6 percent interest on deferred taxes.

5. When Are Deferred Taxes Due?

When the claimant dies or, if there are joint claimants, when they both die; when the property is sold or otherwise conveyed; or when the claimant ceases to occupy the property as his principal dwelling. The bill does allow the transfer of a deferral to another residence within three months of sale or conveyance of the original dwelling.

6. How Much of Taxes May Be Deferred?

That portion of taxes that exceeds 7 percent of household income. Taxes up to that figure would have to be paid.

7. Surviving Spouse

The surviving spouse or other joint owner may continue to defer taxes.

8. Other Lien Holders

Because of NRS 360.480 already cited, all lien holders who are prior in time to the tax deferral lien are superior to the tax deferral lien holder. NRS 360.480 is a very generous provision at the expense of government in Nevada. In most states, tax liens have priority. If we ever see the day where real estate prices decline, government could stand to lose a great deal of money as a result of NRS 360.480.

CONCLUSION

The fiscal note has not been done yet. Based on Oregon's experience, and the maximum annual tax deferral, the cost could be about \$588,000 the first year, and each year thereafter, with some growth due to population. As a practical matter, very few people are going to receive the maximum \$700 deferral just as very few receive the maximum \$500

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allowance under senior citizens' tax relief. Also, the cost to the state is a transitional one. The money will be repaid plus 6 percent interest. In the long term, the program will not cost anything except the investment return lost by virtue of the low 6 percent interest.

APG/llp

EXHIBIT VI (a)

TWO POSSIBLE WAYS OF ADJUSTING THE BASE  
FOR A NEW ENTERPRISE FUND

EXAMPLE: GOLF COURSE

	1978-79 AS PART OF <u>"AGGREGATE OF FUNDS"</u>	1979-80 AS <u>"ENTERPRISE FUND"</u>	1980-81 AS <u>"ENTERPRISE FUND"</u>
<u>REVENUE</u>			
GREEN FEES	135,047 (AUDITED)	172,998 (AUDITED)	215,000 (EST.)
CONTRIBUTED FROM OTHER SOURCES	<u>159,989</u>	<u>260,000</u>	<u>98,000</u>
TOTAL	295,036	432,998	313,000
<u>EXPENDITURES</u>			
SALARIES & WAGES	189,290	241,433 (AUDITED)	178,666 (EST.)
SUPPLIES, SERVICES, CAPITAL OUTLAY	105,746	117,072	124,944
DEPRECIATION	<u>-0-</u>	<u>14,191</u>	<u>9,000</u>
TOTAL	295,036	372,696	312,610

IF BASE IS ADJUSTED FOR TOTAL FUND THE BASE IS \$295,036

PERMISSIBLE TOTAL EXPENDITURES IN 1980-81 WOULD BE \$397,654

IF BASE IS ADJUSTED FOR TAX SUPPORT ONLY, THE BASE IS \$159,989

PERMISSIBLE CONTRIBUTION FROM OUTSIDE IS LIMITED TO \$215,636

SEE EXHIBIT VI (b)

*Exhibit VI*



EXHIBIT VI (b)  
 ASSUMED PROBLEM WITH BASE ADJUSTMENT  
 IF AB 135 ADOPTED AS IS

	<u>1978-79 HYPOTHETICAL FUND IN "AGGREGATE"</u>	<u>1979-80 FUND BECOMES AN ENTERPRISE ACTIVITY</u>	<u>1980-81 FUND REMAINS AN ENTERPRISE ACTIVITY</u>
<u>REVENUE</u>			
USER FEES	250,000	500,000	600,000
CONTRIBUTED	<u>150,000</u>	<u>-0-</u>	<u>-0-</u>
TOTAL	400,000	500,000	600,000
<u>EXPENDITURES</u>	400,000	500,000	600,000

IF TOTAL FUND WERE "CAPPED"

BASE = 400,000      1980-81 CAP = 539,107

THEREFORE, EVEN THOUGH NO TAX SUPPORT IS CONTRIBUTED TO THE FUND, THE ABOVE INTERPRETATION BY THE DIRECTOR WOULD RESTRICT THE FUND EXPENDITURES IN 1980-81.

EXHIBIT VI (c)

STATEMENT BY INDEPENDENT AUDITORS



**FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1980**

**Main Hurdman & Cranstoun**

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### GENERAL FIXED ASSETS

The General Fixed Assets of the County are accounted for in a separate set of accounts. These assets are recorded at cost, and include capital expenditures for land, buildings, improvements other than buildings, improvements other than buildings, equipment and construction work in progress. This group of accounts exclude the assets of enterprise and internal service activities, and expenditures for Public Works projects such as streets, sewers, bridges and etc. As of June 30, 1980, General Fixed Assets totalled \$109,152,399, an increase of \$27,033,047 over the prior year. The increase was primarily due to the construction of buildings, i.e., AWT Plant, Juvenile Home and Administrative Building. Depreciation of General Fixed Assets is not recorded in the accounts of General Governmental Funds.

### ENTERPRISE FUNDS

The County, this past year, initiated several enterprise funds to account for operations that are financed and operated in a manner similar to private business. The expenses of providing services are recovered predominantly through user charges. The new enterprises, established this past year were Building and Zoning, Constable and the Winterwood Golf Course. The Winterwood Golf Course was the only enterprise activity that was not entirely self-supporting this past year.

The most important and largest enterprise that the County operates is that of the McCarran Airport. The Airport, again, showed a substantial increase in activity and financial operations this past year. An average of 63 more flights landed daily with an increase of 862,000 more passengers enplaned or deplaned during the Fiscal Year.

Comparative financial data for McCarran Airport the past two years is presented as follows:

	<u>1979</u>	<u>1980</u>
Gross Income	19,700,969	24,358,683
Net Income	9,389,699	13,791,393
Income available for Debt Service	7,736,215	8,800,582
Coverage (Income available for Debt Service Divided by the Average Annual Debt Service)	2.54	2.90

During the year, the Airport retired \$925,000 of regular maturity revenue bonds and \$275,000 of General Obligation Bonds. The required bond reserves totalled \$4,354,701, which exceeded the requirements set forth by the bond covenants.



• LOCAL GOVERNMENT FISCAL IMPACT  
(Legislative Counsel Bureau Use Only)

Date: February 6, 1981

Our survey of the County Assessors in the state indicates that the number of mobile homes and slide-in campers purchased in another state and brought into Nevada by people who relocate is very small. This is especially true of mobile homes due to the high cost of set-up and transportation. Carson City, for example, reported that they had only 2 mobile homes in the last 5 years that would qualify. Mineral County said that there were only 10 to 15 mobile homes and campers combined coming in from out-of-state each year.

A summary of responses received to date is below:

Carson City-----Effect not significant.

Clark County-----Less than \$10,000/year tax loss.

Churchill County----\$1,500/year tax loss.

Douglas County-----Effect not significant.

Humboldt County-----Effect not significant.

Lincoln County-----Effect not significant at present time. However, if MX construction begins the effect could become significant.

Nye County-----\$9,000 to \$12,000/year tax loss.

Mineral County-----Effect not significant.

Signature E. A. Scher

Title Deputy Fiscal Analyst

## 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

February 3, 1981

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

Dear Chairman May:

As requested, additional information regarding Assembly Bill 47 relating to the registration of aircraft is submitted. For clarification, it is emphasized that no new tax on aircraft is proposed. The purpose of the bill is to facilitate the collection of taxes now being evaded, albeit in most instances an inadvertent evasion rather than deliberate. Ancillary statutes that are pertinent include:

## (1) NRS 361.030. Personal property defined:

"(k) All property of whatever kind or nature, except vehicles as defined in NRS 371.020, not included in the term "real estate" as that term is defined in NRS 361.035."

## (2) NRS 361.045. Taxable property:

"Except as otherwise provided by law, all property of every kind and nature whatever within this state shall be subject to taxation."

## (3) NRS 361.260. Method of assessing property for taxation:

"Between July 1 and December 15 in each year, the county assessor, except when otherwise required by special enactment, shall ascertain by diligent inquiry and examination all real and personal property in his county subject to taxation . . ."

(4) NRS 361.505.1

"Each county assessor, when he assessed the property of any person or persons, company or corporation liable to taxation who does not own real estate within the county of sufficient value, in the county assessor's judgment, to pay the taxes on both his or their real and personal property, shall proceed immediately to collect the taxes on the personal property so assessed, except as to mobile homes as provided in subsection 3 of NRS 361.483. The county assessor shall prorate the tax on personal property into or entering the state or county for the first time during the fiscal year by reducing the tax one-twelfth for each full month which has elapsed since the beginning of the fiscal year. The person paying such taxes shall not be thereby deprived of his right to have such assessment equalized, and if, upon such equalization, the value is reduced, the taxes paid shall be refunded to such person from the county treasury, upon the order of the board of county commissioners, in proportion to the reduction of the value made.

(5) NRS 361.530. Commission on personal property collections by county assessor to be paid into county treasury.

"On all moneys collected from personal property tax by the several county assessors there shall be reserved and paid into the county treasury, for the benefit of the general fund of their respective counties, by the county assessor, a percentage commission of 6 percent on the gross amount of collections from personal property tax."

(6) NRS 372.185. Imposition and rate of use tax.

"An excise tax is hereby imposed on the storage, use or other consumption in this state of tangible personal property purchased from any retailer on or after July 1, 1955; for storage, use or other consumption in this state at the rate of 2 percent of the sales price of the property."

NRS 374.190 has the identical provision for the Local School Support Tax for property purchased after July 1, 1967.

Assemblyman Paul May  
February 3, 1981  
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(7) For mobile home (NRS 361.562) the purchaser must "within 30 days from the date of purchase: (a) pay to the county assessor all personal property taxes which the assessor is required to collect." NRS 361.563 specifies that "every person who brings into the State of Nevada any mobile home or slide in camper on which the personal property tax has not been paid in this state shall within 30 days from the date of entry comply with the provisions of NRS 361.562."

Thus, the intent of Section 2 of AB 47 was to insure that aircraft owners had the same burden as mobile homeowners in reporting to the assessor the ownership of an aircraft brought into the State of Nevada to insure that the appropriate taxes were paid. The collection of the use tax in addition to the property tax by the assessor has precedent in their collection of the use taxes on motor vehicles in all but Clark and Washoe Counties. The Department of Wildlife is also mandated by NRS 488.075.1(a) to require the owner of a motor boat to present proof of payment of sales and use taxes and personal property taxes prior to issuance of a certificate of ownership and state number.

In view of the testimony at the hearing on AB 47 on February 2, 1981, perhaps the following should be considered:

(1) Since the County receives a 6% commission on personal property taxes collected, no additional fee for registration of the aircraft may be appropriate.

(2) To insure that tourists and transients are not subject to the registration, the registration could be limited to Nevada residents.

(3) To clarify the 30 day requirement, the burden could be placed on the owner to report ownership to the assessor within that period similar to the requirement placed on mobile homeowners.

To achieve these objectives, you may desire to amend Section 2, Subsection 1 of AB 47 to read:

"(1) If the purchaser of an aircraft does not pay the personal property tax thereon, upon taking possession, he shall, within 30 days from the date of the purchase:

(a) Pay to the county assessor all personal property taxes which the assessor is required to collect against such aircraft; or



Assemblyman Paul May  
February 3, 1981  
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- (b) Satisfy the county assessor that he owns real estate within the county of sufficient value, in the county assessor's judgment, to pay the taxes on both his real and personal property.
- (2) The county assessor shall collect the tax required to be paid by subsection 1, in the manner prescribed by law for the collection of other personal property taxes.
- (3) Every resident of this State who brings into the State of Nevada any aircraft on which the personal property tax has not been paid in this State shall within 30 days from the date of entry comply with the provisions of subsection 1.
- (4) At the time of payment of the personal property tax, the owner shall also present proof of payment of Nevada sales or use tax as evidenced by proof of sale by a Nevada dealer or by a certificate of use tax paid issued by the Department of Taxation, or by proof of exemption from such taxes as provided in NRS 372.320.
- (5) If the Nevada sales and use tax has not previously been paid by the owner and the aircraft is not exempt under the provisions of NRS 372.320, the county assessor shall, as agent for the Department of Taxation, collect such tax and remit the same to the Department of Taxation."

Copies of this letter are furnished for Committee Members. When the information requested by Assemblyman Cafferata regarding the requirement for registration of aircraft is available it will be furnished.

Highest personal regards.

Very respectfully,

  
Roy E. Nickson  
Executive Director

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