

Date: February 24, 1981

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The meeting was called to order by Acting Chairman Steve Coulter at 3:00 pm with the following members present:

PRESENT: Mr. Bergevin
Mr. Brady
Mrs. Cafferata
Mr. Craddock
Mr. Marvel
Mr. Price
Mr. Rusk
Mr. Stewart
Mrs. Westall

Mr. Coulter explained that Mr. May was not available at this time and had asked that the committee proceed with the points of discussion to determine which direction we are going to take in the tax relief effort. That is, whether we are going to go with the Governor's tax package or alternatives to all or any part thereof. He stated that Mr. May had asked that we discuss these points and take a straw vote on each item. (Exhibit I)

Item # 1 - Mr. Bergevin initiated the discussion by pointing out that there are presently two bills in this committee that do basically the same thing. He told the committee that he feels this is a good approach. He has tried to come up with some alternatives but has not been able to find anything that would be better. If the shift could be made without a lot of administrative detail, the premise that we have to go on is good. It would mandate that we find a way of making up the funding that would be lost shifting the ad valorem to the sales tax.

Mr. Marvel's suggestion was that we pursue a combination of items #1, 4 and 9 was concurred in by Mr. Coulter and Mr. Bergevin. Mr. Bergevin pointed out that those three items would have to be considered together.

Mr. Stewart agreed with the need to substantially reduce property taxes but added that we should look at limiting the tremendous growth in property tax, by virtue of inflation, resulting in the increased value of properties. He doesn't feel it is necessary to reduce property taxes to the extent the Governor suggested, but we should consider leaving the tax level at some place in between what the Governor suggested and what we have now, with some increase in sales tax. That would be the appropriate way to go.

Mr. Craddock explained his feelings on the tax problem by stating he feels there is a need or philosophy involved where certain services are required for the protection of property and people. We have set up a situation in Nevada where there is no way to make a cost identification comparison in any of the services that we have. We have traditionally lived with a substantial property base tax. He suggested that if we are looking for a cosmetic approach to get by an enraged and ill-informed public, we should shift to sales tax but if we are looking for a long-range program that has proven to work and work solidly, then let's stick

with the property tax base concept. If the people were aware of what was happening and looked at the long range program, he is convinced that we would have a minimum change in the S.B. 204 concept. There are a lot of people who will benefit by this type of property tax shift but we also create many problems. Some of the people that will benefit will be the Los Angeles Water and Power, who happen to be the 10th largest tax payer in the State of Nevada, as well as railroad interests through out the state which will benefit. We have a senior citizens tax program predicated on the return of a portion of the ad valorem tax that the senior citizens pay which he feels is questionably constitutional, but it would be more questionable if we continue this kind of rebate but finance it out of the sales tax. When we get to the point where sales tax is looked to as the major means of support of the government of the State of Nevada we will have detracted from the people's feel for their own government and in the circumstances doesn't blame them for not trusting the legislators as they sit here today. We have not set up a system that the average taxpayer can understand.

He emphasized that he does not like any part of the proposed shift of the tax program and suggested we look further into Item # 4; stick with the concept of two years ago, repair some of of the problems with the intent of that bill and go with it. If necessary, we could appropriate a couple of million dollars to educate the people on this.

Mr. Brady stated he appreciates some of the comments of Mr. Craddock but he does disagree with him in some areas. He agrees it is nice to be able to help when you have ways such as shifting the tax burden, but he feel the area of the senior citizens tax problem is very important and is a problem in his district and probably in all districts. He feels what we are trying to do now will be removing the tax on food and with a minimal tax on homes we are addressing the issue of the senior citizen. He endorses the proposed shifting of the tax base.

Mr. Rusk advised the committee that during the last elective process, he was well informed on what the citizens thought regarding those of us who put together the last tax package; it was the first tax package in the history of the Nevada Legislature-that is an informed tax package regarding property taxation. Mr. Craddock is right in saying that we came up with a tax package that was so complex that it was hard for people to understand. The one thing his constituency totally comprehends was the end result. We all recognized that we had a 30% reduction that everybody subscribed to and enjoyed, then about 20% of Washoe County was reassessed under the new program for the new year and they averaged an increase of 250%. Those of his constituency that were affected said, "Mr. Legislator what did you try to do that was so good with the tax reform" and he had a heck of a time defending what we did. We missed a very important point and that was we were unable to cap off or control new assessments on the annual basis.

He reminded the committee that Question 6 was going to a second vote and a lot of people felt there were too many inequities with it so they gave us a second chance. They did away with Proposition 6 but they expect the legislature to correct the inequities in the legislative tax package and make sure we come up with a reformed package that will help, not only for six months but for year-in and year-out. We then put ourselves in a position, with the Governor taking the lead, to defeat #6 and let us do it right this time. We are now charged with that responsibility and he feels the correct way to go would be to cap off the increases. Proposition 6 said, you couldn't have an increase of more than 2% per year-he feels 5% would be more reasonable. He urged that we come up with a radical tax reform that works; he feels the shift from ad valorem to sales tax would be fitting and we can make it work. We have to be prepared to handle the short-fall that would be created by the shift from the ad valorem taxes to make certain no one is going to be hurt and that we keep this state at a healthy funded level. He supports Item # 1 and he doesn't see any strong alternatives that have been laid out to us- the alternative was initiated in the last legislature and it didn't work. He feels this proposal could work to the benefit of the people of the state.

Mr. Craddock again spoke on the issue stating that Mr. Rusk has brought up some good points. He agreed that our package may have been difficult to understand but it is certainly not difficult to understand how it would have made the change had the assessors in Washoe County not followed the procedure in reappraising property that they did. An across-the-board-reduction could have been made in keeping with # 204. State government has been guilty of doing two things as far as taxation on property concerned by setting up a maximum that local governments must live with and the second is when the political subdivisions on the local level got out of hand they raised the taxes higher than the legislature allowed. That has happened on a number of occasions. The local political subdivision are the ones that raised the taxes - not the state legislature. The people that have watched the taxes raise are just as much at fault as the people they elected and this has brought about the dramatic increases now. He understands the increases are due in part to inflation.

Mr. Coulter asked if it would be fair to say that inflation has changed the role of property taxes in the country. Property in the Reno area, for example, in three or four years has doubled, tripled and quadrupled in value and the tax percentage stays the same; he feels that changes the whole perspective on property tax. Inflation is a long-term thing and the question then comes down to should one-half of the people in the valley support most of the services of local government. Non-property owners will also enjoy roads, fire and police protection. Should that percentage of the population pay the majority of the taxes for everyone else. There should be a broader tax base right along with the sales tax; sales tax is optional. If people don't want to pay sales tax, they limit the expenditure. He then called attention to a map that had been prepared indicating the sales tax rates in surrounding states.

Mrs. Westall agreed with the point Mr. Coulter made regarding the fact that the sales tax is optional - you don't have tax on food, but you would pay a sales tax on any and all other items purchased.

Mr. Bergevin commented on the question of unconstitutionality of the question of senior citizens relief program. This is presently being financed by the sales and gaming taxes and is an appropriation from the state not from each individual county. He doesn't feel there is any question of unconstitutionality with the program. As far as the Los Angeles Water and Power Company, he asked how many dollars in service the company requires from the State of Nevada each year. The money they are paying is a plus to the state and a subsidy to every non-property owner that lives in the state. He added he doesn't believe they are going to be getting a windfall; they will get a proportionate tax relief in comparison to the investment they have-thats equity.

Mr. Stewart stated he agrees with Mr. Rusk that tremendous increases in property taxes have to be addressed by this legislature. He doesn't believe however that taking control of those increases before we have a radical change in our methods of taxation is the answer-he doesn't believe it has to go that far. He agreed with Mr. Bardy on the issue of Senior Citizens tax reform but he feels there are other measures, contained in bills already introduced, that will allow them rebates so they will not be taxed out of their homes. In his opinion, the tax shift is not for the benefit of the senior citizens. It is for the benefit of large land owners and those who have money invested in large parcels of land for investment. We should retain a program that has worked well, make some adjustments to it and try to work out the problems rather than amending the law and accepting something we have had no experience with.

Mr. Craddock pointed out that one of the things we are looking at is long range vs short term problems. He added that we have a disproportionate amount of senior citizens living in Nevada and as that ratio increases, it throws an increasing burden on the youth of the state. He suggested that if we want to keep the young people coming into Nevada we should give more tax breaks to that age bracket. He points out the purchasing problem of the younger families trying to get started and suggested they are the ones that need to be looked at.

Mr. Rusk pointed out that we are not "locked into the 65 to 70% reduction on property tax so perhaps we should look into a more balanced area with a little less property tax reduction and a little less sales tax increase.

Mr. Marvel reminded the committee that we have some pretty good alternatives in item 1,4 and 9 and perhaps we should concentrate on modifying them with what we have now. He feels we all received the message that there is going to have to be a shift in taxes and he suggested we start working on the three items as a combined package.

Mrs. Westall agreed with the comments made so far, pointing out that no matter what we do, we must look at the property that has not been reassessed. Those properties that have not been reappraised over the years must be brought up to an equal level with those that have- but first, we must have a base to start from.

Messrs. Coulter and Rusk pointed out that the area was addressed in the Governor's tax package adding that we have a base to work with if we roll everyone up to that base, every body would be equalized.

Mr. Price stated that he tends to think that the Governor's package has been an 'Over-kill' to the problem that we started out with. He feels the basic problem is the reappraisal of property and the fact that homeowners property is still going up and that's what we have to address. He feels that if we were to take a realistic and long-range approach, the only fair way of reducing the property tax to each and every citizen of Nevada and some citizens of other states that are property owners here, would be to come up with a plan to reduce homes and nothing else. The focus of our entire effort should be on homes. He suggested that we take a look at a constitutional amendment that would create a "Nevada Home Owners Tax Assistance Act" which would be equivalent to the Senior Citizens Tax Assistance Act", only we would get every homeowner into this act. We could set up a schedule of allowances starting from the most expensive homes and people in the higher income tax brackets and work down to where everyone would come out with a set amount of deduction. That would benefit those persons in the lower incomes. He pointed out that the outcome of another radical shift of taxes would be as hard to determine as the last one.

Mr. Brady stated he doesn't like the idea of senior citizens having to apply for rebates on their taxes. He finds that governments give the impression that they are giving something to their citizens when they actually are not. He favors the shifting of sales tax because seniors don't have to ask for a rebate; they are put in the same position or class as everyone else where taxes are low. In item 3, he doesn't like to see the government be put in a position of having to classify people on the difference between business or individual.

Mr. Craddock called attention to the map indicating the sales tax rate in surrounding states and asked the Fiscal Analyst, Don Miles if he could prepare a similar map showing the same geographic area listing the percentage of property value that's required annually for sales tax and comparing the property tax in adjacent states to see how we compare. He has the feeling that in practically all cases they are higher than the State of Nevada.

Mr. Price commented on the remarks made by Mr. Brady stating that in referring to a "preferential class of people" is a pretty broad class when you are talking about each and every homeowner. It is not like we are breaking out railroads or we're breaking out a casino or something like that, we are talking about all of us. When you give a break across-the-board to every prop

by cutting property taxes, the private individual gets a break on his house and the property it sits on, but the businessman gets the same break on his house as well as his business and a break in his investment and a break in everything else. He pointed out that with the tremendous loss in revenue if this goes through the school, services and local government as well will suffer considerable. He feels if we limited our attention to the homeowner that revenue loss would not be that critical. Considerable discussion followed regarding the problems surrounding the small businessman and the fact that some of the committee members felt they deserve a break as well as the local homeowner. Mr. Rusk advised the committee that he definitely supports an across-the-board decrease to give local, small businesses an opportunity to survive.

Mr. Marvel requested that we give some thought to Item #7 stating that in his opinion, we should confine ourselves to the sales tax and property tax and we can come up with a good tax package; he doesn't feel it necessary to look elsewhere for an adequate tax relief package. He added, however, that we shouldn't lock ourselves into a definite reduction-we should consider maybe a 75% reduction, 50, or 35%.

Mr. Bergevin stated he had some problems with the comments made earlier by Mr. Price. He feels that if we pass a differential tax base we would be doing the citizens of the State of Nevada a great disservice.

Mrs. Westall suggested we look at all areas-don't limit ourselves to looking at strictly the ad valorem and sales taxes but should look for potential increases in other areas.

At the conclusion of the discussion, the following motions were made; Motion was made by Mrs. Caffarata, seconded by Mr. Craddock that we take a straw vote on question # 1. Mr. Price stated he was going to vote "no" on this item and wanted to explain his vote. Item # 1 was amended to read, "Make the major shift from ad valorem taxes to sales tax revenue for local government", which would be moving in the direction of the Governor's plan. Mr. Price feels we should direct our attention toward a major reduction of property taxes even if those taxes are reduced by steps over a period of time, or whatever type of mechanism we find without going to a major increase in some other tax.

There were 7 voting "aye" and 3 "Nay" with one absent. Voting "nay" were Messrs. Craddock, Price and Stewart. Motion carried. Item # 9 was taken into consideration upon a motion by Mr. Rusk and seconded by Mr. Marvel, and amended to read, "Mandate annual assessments of property in each county."

Mr. Stewart stated he was uncertain on how to vote on this. He is definitely in favor of annual assessments even though we can not be aware of all the implications involved at this time and wants the opportunity to look at this area and give it further thought.

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Mr. Price pointed out that his committee had discussed annual assessments of property last session and he doesn't have any problems with moving in the direction contained in # 9, but there are some things that must be included if that's the way we are going to go. For instance, it is obvious that, on a fixed tax rate, annual assessments will greatly increase the tax dollar the home owners pay. That can be offset by reducing the tax rate accordingly and he assumes that it is the committee's intent that if we go to annual reassessments we would mandate or insist, through the spending caps, that the tax rates be lowered. The other problem with annual assessments is that people do not appreciate getting a 20% increase in their taxes each year any more than they appreciate getting a 100% increase every five years.

Mr. Coulter suggested that if we moved away from comparable sales in the neighborhood as a basis for making annual assessments, that might help.

Mr. Rusk explained that, in his opinion, Mr. Price made the best argument to support the Governor's tax package heard yet because that is exactly what they are trying to accomplish on the annual reassessment is to make certain we don't have those 20% increases yearly. That would be a mute point if we reduce taxes 75%; the increases would be very minimal. The number two thing he heard from his constituency next to the 300% increases in taxation was the lack of equalization such as they had in Washoe county; the assessor reassessed some areas two or three times within five years and other areas not once in five years or better on a seven year cycle. This annual reassessment wipes out that problem completely. As to the ability of the assessor in Washoe county to do this effectively he's been on a 5-year program for 7 years to get all of the parcels in Washoe County, some 80,000 in number, on a computer. Once that work is done, it would be a fairly easy process, particularly if the limitation was such that it would be a factor that could be cranked in as to how much the increase would be each year. He added that, contrary to some of the comments that have been made today, you don't necessarily end up with a windfall of additional revenue because of annual reassessment. If it's done on a controlled basis you have a leveling effect for everybody to get an equal amount of increase each year.

Mr. Price pointed out that we should not assume that simply because we are going to reduce property taxes, whether it is 50% or 75% or whatever, that is going to be the end of people's complaints about property taxes,.

Mr. Rusk pointed out that people, generally, never complain about anything other than the quantitative increases. He feels there is not the problem with the gradual year-in and year-out increases that has been the problem but the 'catching up' increase that is now being done by the assessors. If we can hold down those increases to the area of 5 or 10%, he doesn't think we will have this problem with the average tax payer; if we go back into the 20% or more a year then we will be in trouble because our tax package did not speak to the issue.

Mr. Craddock explained that as inflation continues, more

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money will be required to pay for government services. When we start looking at where the services go, and when we come down to the amount of taxation required to provide the services, it comes from the people in one form or another because that's the only place it can come from. It can't come from the utility companies because these companies pass their costs straight through to their customers. There's no such thing as a business paying taxes because they can't survive; they pass them on. We are now looking at where the people get the most for their money, and how they make a logical dollar value comparison. When the rate goes up, the percentage goes down.

Vote on the motion was nine voting 'aye'; voting 'nay' was Mr. Craddock with one absent not voting.

Item # 3 was considered next. Mr. Rusk introduced a motion to eliminate item # 3 from consideration; seconded by Mr. Bergevin and carried with a vote of 7 'aye', voting 'Nay' were Mrs. Westall and Mr. Price. Absent and not voting were Messrs. May and Stewart. Motion carried.

Prior to the vote, Mr. Price explained his reason for voting against this item. He pointed out that we have seen fit, through constitutional amendment, to make a special class for the preservation of greenbelt and ranching lands. He has heard some explain that the tax assessors had been doing that for years before it was constitutional. Then when the constitutional question came up, they found they had been classifying that property improperly so we then made it legal. The bottom line is that we have made a special constitutional provision for that, then again, in 1979, we changed the constitution to allow us to make certain exceptions on property tax and we have been phasing out inventory tax which we, as the legislature, decided was an unfair tax. Therefore, he has a problem trying to figure out why the average homeowner can't get a break. He does support a constitutional amendment as suggested in item # 3.

Mr. Craddock disagreed with the statements made by Mr. Price suggesting that we should look at the greenbelt provisions and the results of what has happened there before we lend too much credence to a constitutional amendment for the sake of breaking out any kind of property. He feels the people that pay taxes should be unified and that includes the people under the greenbelt.

Mr. Brady spoke in behalf of the businessman who doesn't often get his say. He explained they pay a lot of taxes that the individual doesn't pay on a home; they have to match dollars on social security, NIC, they pay corporate taxes, unemployment taxes and in the gaming industry you have the gross revenue taxes and entertainment taxes etc. The homeowner in Nevada is only as healthy as the business industry is and we should keep this in mind before we decide to let the businessman foot the bill. The statement that the businessman simply passes his increases along to the customer is not true.

Mr. Price reminded the committee that we are not talking about increasing any taxes- we are talking about a reduction in taxes that would affect every person in Nevada, whether they are a

business man or not. Every person lives somewhere so you would be giving the benefit to everone.

Item 2 and 7 were brought up for discussion. Mr. Rusk stated he would like to look at the possibilities of the "windfall concept" in some of the areas mentioned, i.e., mining, utilities gaming, etc. He has been open-minded along that line in trading off some of the savings on property tax reduction that has been proposed and he would like to hear from those industries. He then moved that we look at some of these other areas as mentioned above.

Mr. Rusk suggested we combine the two items (2 and 7) into one motion therefore the motion was to delete number 2 and amend # 7 to read as follows: "Look for potential increases in other areas as needed". The motion was seconded by Mr. Brady and carried unanimously. There being no further business the meeting was adjourned.

Respectfully submitted,

Nykki Kinsley
Nykki Kinsley, Committee Secretary

ASSEMBLY

AGENDA FOR COMMITTEE ON.....Taxation.....

Date Tues. Feb. 24, 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.

Committee discussion of approaches and steps neces-
sary to immediately begin to develop tax program for the 61st
Session of the Nevada Legislature.

There will be no public testimony at this meeting
although any and all guests are welcome.

GUEST LIST

PLEASE PRINT!

Date: Oct 24, 1977

| PLEASE PRINT YOUR NAME | PLEASE PRINT WHO YOU REPRESENT | I WISH TO SPEAK | | |
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FINAL ACTION ON
POINTS FOR DISCUSSION OF ASSEMBLY TAXATION COMMITTEE'S
MEETING, TUESDAY FEBRUARY 24, 1981- 3:00 PM

1. ~~SHALL WE~~ ^{major} Make the ~~basic~~ shift from ad valorem taxes to Passed sales tax revenue for local government. ~~or shall we pursue~~
~~an alternative~~
2. Shall we find ways to recapture some of the "windfall" Delete falling to mining, gaming, utilities, large land owners and others with large real estate investments during this Session.
3. Shall we pursue a constitutional amendment to split the tax Delete rolls.
4. Shall we keep most of the provisions of S.B. 204 of the Passed 60th Session, i.e., CPI - sliding tax rate, etc.
5. Shall we define enterprise funds and allow or disallow Passed them. Shall we cap spending of income, or both, of local governments.
6. Shall we restructure the sources of ad valorem revenues for Not debt retirement only or shall we add special general districts Discussed and school funding.
7. ~~Do we concern ourselves only with state tax and ad valorem taxes~~ Passed ^{potential} ~~or~~ Look for/increases in other areas as needed.
8. Do we mandate pass-through savings to consumers of utilities Not etc., receiving windfall tax relief. Discussed
9. ~~SHALL WE recommend~~ Passed Mandate annual assessments of property in each county.

Ed. L. L. I.