

The meeting of the Assembly Taxation Committee was called to order at 3:00 pm by Chairman Paul May with the following members present:

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

Mr. Brady, Absent/ Excused

Guest list is attached.

Mr. May presented four BDR's for consideration and action.

They were:

BDR 32-524* - a motion was introduced by Mr. Marvel, seconded by Mr. Craddock that this bill be introduced by the Committee on Taxation and that it be referred back to this committee. Motion carried unanimously.

BDR C-1398** Mr. Price moved that this bill be introduced by the Taxation Committee with referral back to this committee; motion seconded by Mr. Craddock and carried unanimously.

BDR 32-1399† motion was made by Mr. Price, seconded by Mr. Marvel that this bill be a Taxation Committee introduction and that it be referred back to this committee. Motion carried unanimously

BDR 32-526†† to be introduced by the committee as moved by Mr. Craddock, seconded by Mr. Price and that it be referred back to this committee. Motion was carried unanimously.

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

This measure provides for establishing standards for determining whether alcohol is used and should be taxed as a beverage or as a fuel. The bill defines the standards to be used in making that determination as the regulations of the Bureau of Alcohol, Tobacco and Firearms of the United States Department of the Treasury and conforms Nevada law to these standards by amending NRS 365 (Motor Vehicle Fuel Taxes). and NRS 369 (Intoxicating Liquor Tax). Currently there is no law regulating the taxation of denatured alcohol used for fuel. Adoption of the federal regulations as standards would clarify the situation and might encourage production of alcohol fuel in Nevada.

*AB 122

† AB 120

**AJR 16

††AB 121

The Committee was advised that the objections Mrs. Westall had raised at the previous meeting had been withdrawn.

A motion was then introduced by Mr. Bergevin to recommend a "do pass" to the Assembly on A. B. 59; motion was seconded by Mr. Marvel and carried unanimously.

A.B. 79 - Increases sales tax and limits use of property tax to debt service.

Mr. Coulter, as introducer of this measure, distributed information identified as Exhibit I attached, consisting of memorandums from Fiscal Analyst Dan Miles (memorandums dated January 31, March 18 and September 2, 1980).

He explained that this bill proposes to increase the sales tax to 6 cents on the dollar and reduce the property taxes to debt service only. He said he requested the bill after the November election and feels there is a great deal of support from the other legislators. This proposal would allow property taxes for bond retirement only and fund schools out of the sales tax.

He advised the committee that this was an alternative to Question 6 and the basic idea had been briefly considered at the last session of the legislature.

This measure also calls for a special election in June of this year and if it passes, the bill would go into effect on July 1st. Additionally, it sets a ceiling on taxation at a \$2.00 limit; he added that we set by statute last session the tax rate of \$3.64 and the constitution calls for \$5.00. One of the great concerns with question 6 was critics saying that the legislature could change that tax rate any time it wants to. By putting it as part of the ballot question at a \$2.00 rate, or whatever is finally determined, that would essentially lock it in as effectively as any constitutional amendment would do.

He feels this would be a reasonable way to do as it is undesirable to have a legislature create a 6% sales tax and then, gradually, over the years see the property tax increase to the level that it is today. In his opinion, it is a good idea to set the tax rate well below the \$3.64.

Mr. Coulter briefly reviewed the analyses prepared and distributed and requested questions from the committee. There were several questions on various areas of the bill.

Mr. Darryl Cappuro, Executive Director of the Nevada Franchised Auto Dealers Association, addressed the committee and stated that he was neutral on this bill but realizes that we will be considering several bills that will be dealing in the area of property taxes, sales tax etc., and his comments today would extend to any of those particular bills regarding an increase in sales tax.

He reminded the committee that over a period of time, there have been proposals that have come from various individuals to exempt a portion of the cost of a new or used car on which there is a trade-in from the sales tax levy. The reason they have not supported them in the past is because you were not dealing with an increase in the sales tax and, therefore, it would have been a loss to the General Fund of the state of a fairly considerable sum of money. He suggested that if we are going to be considering a sales tax increase particularly one of the magnitude of 5 3/4 to 6%, he would ask that they consider the language that was in S. B. No. 64 of the last session.

There are 36 states that either allow the credit on a trade-in with respect to automobiles, and perhaps other merchants, or that have no sales tax at all. He is suggesting that if you were dealing with A. B. 79 it would require a section at the end that says, "the amount of taxes imposed by this chapter (Chapter 397) on the gross sales receipts from sales and the storage, use or other consumption of automobiles, farm tractors, farm equipment and major household appliances must be reduced by an amount equal to the product of the rate of such taxes, multiplied by the amount allowed by the seller against the purchase price and exchanged for the used vehicle, equipment or appliance of the purchaser if such a used item was so exchanged."

He added that the automobile business was not in a healthy condition at this time, either the manufacturers, or the retail new and used car dealers. If you were to impose an added sales tax burden, you would be, in effect, adding another \$200 to 400.00 to the cost of an automobile, which would make the market suffer even more.

Mr. May explained that it was his intention to take no action on this bill at this time as he anticipates several bills on this particular subject, including one from the Executive Department that will be considered further as a total tax package.

There was no action taken.

A.B. 97 - Increases assistance to elderly for property taxes.

Mr. May advised the committee that he did not anticipate taking any action on this measure pending compilation of some figures that would show what would occur if some of these measures were passed into law. He asked if there was anyone present that wanted to testify either in support or in opposition to this bill.

Mr. Coulter, sponsor of the bill, testified that this bill would keep senior citizen's property tax and renter rebates in line with inflation and proposed lower property taxes that would affect their present allowances. This bill would raise from \$11,000 to \$13,000 the maximum amount a senior citizen could earn and still qualify for a property tax rebate. It would also raise from 17 to 25 the percentage of total rent deemed to constitute accrued property tax. It still maintains a \$500.00 ceiling on the amount of

money that can be rebated back.

He distributed Exhibit II showing figures of the projected tax benefits to the senior citizens. There were several questions of a general nature from members of the committee.

Testifying in support of the bill was Mr. Orvis E. Rell, representing the Retired Teachers and the A.A.R.P. Joint League of Cities Committee. He stated that this bill really gives the benefit that is needed to people living on lower incomes. He brought up the fact, however, that as long as you are addressing the area of rebate as a means of this benefit going back to the lower income senior citizens, there is a problem - that is the veterans.

The manner in which their pension is handled is a definite area of concern. Mr. May advised Mr. Rell that his testimony on this date should be limited to the senior citizens tax issue. Mr. Rell testified that this does involve the senior citizens because the way the veterans' pension is written, every time an elderly person that is a veterans gets a rebate - if he accepts the rebate - his federal pension goes down. He suggested that if we could come up with some other procedure other than saying it is a "rebate" we would solve their problems. They actually gain nothing by taking the rebate.

Mr. May suggested that this subject be addressed by the sub-committee that will be studying that area. The members should check with the U.S. Code and see if there is anything that can be done.

Mr. James Lien, Metro Police Department Business Manger spoke in opposition to the bill. He asked that the committee look at two specific items in this proposal that has not been addressed today and they are: the 25% rent. He was not certain how the 25% figure was derived but he has a great deal of difficulty with it. He feels that when he was with the Department a few years ago and they developed 17% that they were skirting rather high at that point in time. With the reduction in property taxes that have been made from the \$5.00 rate to the \$3.64 rate, particularly, they are finding that the 25% of rent being taxed is not a very believable figure. He gave a brief example of that issue and suggested that, in his opinion, there is a need for further analysis of that percentage.

Secondly, he asked how you arrive at 'brackets' - how do you determine what the figure should be. There have been some studies done by the Legislative Counsel Bureau which would tie those brackets to the social security or pension benefit increases that have been made. In doing that, a top would come out somewhere around 13.7%. He suggested we ask for some data from the research bureau as to those particular types of increases so we can keep up with the increases but yet not cause an impact of losing money in the process, as has been indicated.

The \$500.00 that has been addressed, he feels, is an

adequate figure at this time because there are so few people that reach it. The question about whether to increase the other property from \$30,000 assessed value to \$50,000 evaluation is something we should look at, also. \$50,000 assessed valuation would indicate owning property of \$143,000; is that what we are looking for, or are we looking for something less than that?

He pointed out that it is just a question of just what we want to do - how much property can a senior own without having any detrimental effects on his rebate under this program.

There were no questions by the committee and Mr. May extended his thanks to all those testifying on the bill. There was no action taken at this time.

S.J.R. 3 - Proposes constitutional amendment to provide for exemption of certain food from sales and use tax.

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

Mr. Bergevin requested information on this proposal inasmuch as this question was on the ballot two years ago and was voted in by the people.

Mr. May explained that this resolution is an alternative proposal to the "Cavnar petition"; he added that the vote by the people was the result of an initiative petition and was not a constitutional amendment. This resolution would result in an amendment.

Senator Getto, principle introducer of the resolution, was present to answer any questions the committee might have. He explained that the reason for the resolution was to offer the voters a substitute to question 9. Question 9 has a flaw in it to the effect that if the question passes, the state will lose approximately \$20-million on prepared foods. There has also been a question that this could apply as well to liquor. For that reason, he has proposed this resolution as a substitute to question 9.

Mr. May stated that the way he understands the problem with question 9 is that, inadvertently, it removes the tax from restaurant food which would create a financial problem. Senator Getto explained that his resolution would keep the tax on all prepared foods.

Mr. Bergevin stated that he understands the loss would be close to \$40-million in the biennium and he requested some explanation on the definition of what types of food would and should be exempt, i.e., restaurant, fast foods, prepared foods from grocery stores etc.

Mr. Ernest Newton, from the Nevada Taxpayers Association was asked for his opinion and stated that he feels this language was taken directly from the regulations that were adopted by the sales tax division specifically defining foods that were prepared for immediate consumption. A great many of those foods that are sold

in grocery stores, and that's the hazard in question 9 because some prepared foods prepared for immediate consumption are taxable even though they are sold in a grocery store and sales tax is collected on those items because they are ready to eat.

Mr. Newton added that, in his opinion, this resolution is an enormous improvement over question 9.

Mr. May suggested that this resolution be submitted to a sub-committee and asked for volunteers to review this for one week; volunteering were Mr. Rusk and Mrs. Westall.

S.J.R. 19 of the 60th Session - Proposes constitutional amendment to permit exemption from property tax for conservation of energy by using non-fossil resources.

For complete review of this resolution, see attached Exhibit III prepared by Fiscal Analyst Dan Miles.

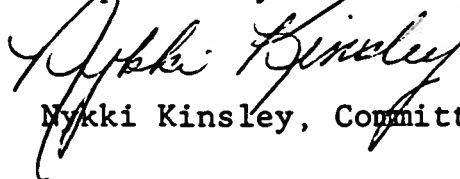
Speaking in behalf of the measure was Mr. Noel Clark, Director of the Nevada Department of Energy. He explained that this has been before the legislature in two consecutive sessions prior but this measure has some language changes from the last session and will require passage and approval this session prior to becoming a constitutional amendment. He feels it is in the best public interest to pass this legislation. It gives the necessary flexibility to the legislature to establish within certain guidelines the necessary laws for giving consideration to tax breaks for renewable resources. His department supports the bill and urges passage without any amendments.

Mr. May asked Mr. Clark if he would give the committee a definition of "fossil sources" and was advised that fossil sources of energy in this respect deals with oil, gas, coal and any fuels of a like nature.

After a brief discussion, a motion was introduced by Mr Craddock, seconded by Mrs. Westall to pass this resolution out of committee with a recommendation of "do pass". The motion carried unanimously.

There being no further business, the meeting was adjourned.

Respectfully submitted,



Nykki Kinsley, Committee Secretary

ASSEMBLY

AGENDA FOR COMMITTEE ON TAXATION

Date MON., FEB. 9, 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. 79- Increases sales tax and limits use of property tax to debt service. (BDR 32-592)
- A.B. 97- Increases assistance to elderly for property taxes. (BDR 32-521)
- 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. 19 of the 60th Session -
Proposes constitutional amendment to permit exemption from property tax for conservation of energy by using nonfossil resources. (BDR C-2052)

*Please do not ask for counsel unless necessary.

PLEASE PRINT!

Date: Feb 9, 1981

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
STEVEN WILLIAMS	NEVADA BELL			
<i>Orville E. ...</i>				
<i>Frank A. Borges</i>	<i>Frank A. Borges of ...</i>			
<i>Mano S. ...</i>	<i>Public Real Estate ...</i>			
DARYL E. CAPURRO	Nevada Transported Auto Dealer	-	-	AB 79
<i>Robert R. ...</i>	<i>General Trust</i>	✓		AB 79
Bill Cozart	...			
SHARON CLEARY	...			
PAT BATES	Council on Substance Abuse			
Jim			
...	...			
John H. ...	New School ...			
GEORGE TACETTI	NEVADA BELL			
CHRIS BRODERICK	Las Vegas Review Journal			
Walt &			SJR 19
PATRICK PINE	Clark County			
T. Tanhovich	Head of DOT ramp	NO		

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ANDREW P. GROSE, Research Director (702) 885-5637

January 31, 1980

MEMORANDUM

TO: Assemblyman Steve Coulter
FROM: Dan Miles, Deputy Fiscal Analyst
SUBJECT: Replacing Property Tax with Sales Tax

In response to your request, I have prepared the following comments on the concept of replacing the local property tax in whole or in part with an additional sales tax. These comments are not the result of any comprehensive study, but rather are only a collection of thoughts quickly gathered on the subject.

Rate Required

All local governments combined expect to levy property taxes in the amount of \$176,425,762 in the current fiscal year 1979-80. This is the anticipated levy against all types of property including real, personal, utilities, railroads and net proceeds of mines. It includes required levies for debt service.

Based on sales tax returns for the first six months of fiscal year 1979-80 and projected income to the end of the year, ~~each 1 cent of sales tax is worth approximately \$60,500,000 statewide.~~ It would, therefore, require about 3 cents additional sales tax to replace the entire \$176,425,762 ($\$176,425,762 \div \$60,500,000 = 2.92$). The sales tax would then be composed of:

2	Cent	<u>State Tax</u>
1	Cent	<u>School Tax</u>
1/2	Cent	<u>Local Option Tax</u>
3	Cent	<u>Replacement Tax</u>
<u>6 1/2</u>	Cent	<u>Total Tax</u>

The above sales tax projection does not include any taxes on food. If the tax on food were reestablished permanently, an additional \$13 million to \$15 million would be available to replace the property tax requiring an additional tax of only 2.6 cents or a total 6.1 cents.

Debt Service

Attached is Frank Daykin's response to the question of how the replacement tax would affect existing debt secured by property taxes. In fiscal year 1978-79, local governments' property taxes for debt service totaled approximately \$31 million. If this amount is representative of local governments' annual debt service requirement and such amount were not to be replaced, the required sales tax rate could be reduced by approximately 1/2 cent.

Other Factors

A large number of other factors enter into consideration of any change in taxing structures. The following areas come to mind:

1. Taxable sales in the various localities of the state do not correlate well with property tax levies in the same areas. That is, a 3 cent sales tax in most localities would not equal the property tax for the same area. For example, Clark County entities (includes counties, cities, towns, school and special districts) levy 55.04 percent of the total state property tax but currently have only about 53.13 percent of total taxable sales. Eureka County entities levy .42 percent of the property tax but have only .06 percent of taxable sales.

Currently, many special districts such as unincorporated towns, improvement districts, fire districts, TV districts and water conservancy districts levy property taxes. A method would have to be developed to insure replacement sales taxes to these entities. Creation of new districts may be impacted under a sales tax structure since a new entity might force a reduction in sales tax funding for other local entities.

These problems lead to the question of whether the replacement tax could be a local option tax or whether it would have to be a state tax distributed by some formula taking all factors into consideration.

2. As estimated, a 3 cent tax would be sufficient to replace the entire property tax. This estimate was made on fiscal year 1979-80 data. Over the last 5 years, however, the average annual increase in the property tax has been \$21 million while the average increase of a 3 cent sales tax would have been only \$18.5 million. Although sales taxes have been increasing

rapidly, dollar gains have not been as great as those in property taxes. Consequently, a 3 cent additional tax may be sufficient in 1980 but, in 1985, a higher rate might be required to totally offset would-be property taxes.

3. Replacing property taxes with a sales tax would cause significant shifts in the tax burden. The incidence of property tax is primarily on all real property owners while the sales tax is on retail sales only. Large segments of the business community who normally do not pay sales taxes would be relieved of much of their overall state tax liability. A few businesses that may fall into this favored category are railroads, utility companies, wholesalers, warehouses, motels and hotels, ranches, professional businesses, and many more.

As you can see, the above comments really raise questions rather than provide answers and this list is not exhaustive. The comments do reinforce the need for comprehensive and accurate analysis of the concept before taking any action.

Of course, there are a number of middle courses or combinations of increased sales taxes and reduced property taxes that could be pursued. Each one presenting different problems and questions and impacting various taxpaying groups differently.

If you would like additional information or would like to discuss this matter further, please let me know.

DM:ym
attachment

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January 30, 1980

RECEIVED
LEGISLATIVE COUNSEL BUREAU

JAN 30 1980

OFFICE OF FISCAL ANALYSIS

Mr. Dan Miles
Deputy Fiscal Analyst
Legislative Counsel Bureau

Dear Dan:

In response to your two questions on the payment of general obligations of local governments:

1. For the retirement of existing debt, property taxes cannot be replaced by sales taxes or any other excise without the consent of the bondholders (unanimous, unless for a particular issue the indenture provides for a trustee who can act on behalf of the bondholders). Section 10 of Article I of the United States Constitution forbids a state to "pass any * * * Law impairing the Obligation of Contracts * * *." Until 1965, it was customary for each general obligation of a local government to be funded separately, with its own tax levy and special fund for the payment of interest and principal. Chapter 305, Statutes of Nevada 1965, not since amended (NRS 350.202-350.208), authorized any local government to impose a single tax levy and establish a single fund for the payment of interest and principal. The Local Government Securities Law, enacted in 1967 and not since amended in this regard, defines a general obligation as one payable from property taxes (NRS 350.580 and 350.-560). A general obligation may be additionally secured by a pledge of revenues (NRS 350.580), but an obligation payable solely from pledged revenues is a special obligation (NRS 350.-582). Pledged revenues may include excise taxes, such as the sales tax (NRS 350.550). Therefore, any debt incurred as a general obligation carries with it the duty to levy a property tax sufficient for the payment of interest and principal, either as a separate levy or as part of a consolidated levy under NRS 350.202 et seq. This is an obligation of the contract which the legislature cannot impair.

Mr. Dan Miles
January 30, 1980
Page 2

2. For the securing of debt to be incurred after the effective date of an amendatory act, the legislature could provide that sales taxes be used. This would mean amending NRS 350.550 and 350.560 and carefully examining the rest of the Local Government Securities Law for other provisions based on repayment from property taxes. The practical problem is persuading purchasers of bonds that sales taxes are as good a security as property taxes. I would anticipate some difficulty in that, and therefore higher rates of interest, at least in the beginning.

Very truly yours,



Frank W. Daykin
Legislative Counsel

FWD:cb

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September 2, 1980

MEMORANDUM

TO: Assemblyman Steve Coulter

FROM: Dan Miles, Deputy Fiscal Analyst
Fiscal Analysis Division *D.M.*

SUBJECT: Replacing Property Tax With Sales Tax

The following information is in response to your request to update our estimate of the additional sales tax required to replace the property tax based on final sales tax data for Fiscal Year 1979-80.

Rate Required to Replace Total Property Tax

All local governments combined levied property taxes in the amount of \$176,425,762 for Fiscal Year 1979-80 (This is after property tax relief granted in the 1979 Legislative Session and includes required levies for debt service).

Actual accrued sales tax returns for the same fiscal year were a disappointing \$120,867,820 or only 2.1% greater than the previous year before food tax was removed. Each one cent of sales tax was worth about \$60,400,000. It would, therefore, require about 3¢ additional sales tax to replace all property taxes based on FY 1979-80 data (\$176,425,762 divided by \$60,400,000 = 2.92 cents). The Sales Tax would then look like this:

2	cent State Tax
1	cent School Tax
1/2	cent Local Option Tax
3	cent Replacement Tax
<u>6 1/2</u>	<u>cents Total Tax</u>

Note: These are basically the same figures reported to you earlier.

Assemblyman Steve Coulter
September 2, 1980
Page 2

Rate Required to Replace All Property Tax Less Debt

Assuming all property taxes except those required for debt service were to be replaced, we get the following calculation:

Total Property Tax	\$176,425,762
Less: Debt Service	(37,196,741)
Net Property Tax	\$139,229,021 Divided by \$60,400,000 = 2.3¢

Based on FY 1979-80 data, it would have taken 2.3¢ to replace those property taxes.

Rate Required in the Future

Total Property Tax collections anticipated by local governments for FY 1980-81 are \$225,028,854, a 27.6% increase over the previous year. (3.9% of that increase is due to the de-trigger of S.B. 204 and 23.7% is due to increased assessed values and higher tax rates) In order for a 3 cent tax to be sufficient to replace total property taxes in FY 1980-81, taxable sales must increase approximately 24.2%. We do not anticipate a sales tax increase that great. The tax rate required to replace all or part of the property tax will depend on which year one chooses to make the calculations as changes in each tax, property and sales, affect the outcome of any analysis.

If, for example, we estimate FY 1980-81 sales taxes and assume a more reasonable increase of 12%, it would require 3.32 cents to replace total property taxes and 2.76 cents to replace property taxes less debt service requirements.

Rates Required if Question 6 Passes

As I mentioned in my earlier correspondence, it is impossible to predict exactly how Question 6 will impact property taxes until the Legislature implements its provisions, should it be approved by the voters.

If your purpose is to maintain available revenues to local governments at approximate current levels, then the required replacement tax would be the same whether Question 6 passes or not.

Assemblyman Steve Coulter
September 2, 1980
Page 3

If you only intend to replace property taxes available to local governments after Question 6 passes, if it should, we believe less revenue would have to be replaced. According to the Fiscal Analysis Division's analysis of Question 6 dated February 21, 1980, in FY 1981-82 (the first year of Question 6) \$7.4 million less in property taxes would be levied under Question 6. Assuming annual 12% increases in Sales Tax means the replacement tax could be .1 cents less if Question 6 does pass. In FY 1982-83, based on the analysis the replacement tax could be nearly .3¢ less. All these estimates have been made with the existing tax relief provisions in place. If current tax relief were removed from these calculations, there would be substantially more property taxes to replace, requiring a substantially higher sales tax rate.

As I have pointed out in previous correspondence, these estimates are not the result of any comprehensive analysis and such an analysis should be conducted to more accurately assess the viability and impacts of such a change in the basic tax structure. If you should require any additional information, please let me know.

DM:ca

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March 18, 1980

MEMORANDUM

TO: Assemblyman Steve Coulter

FROM: Dan Miles, Deputy Fiscal Analyst
Fiscal Analysis Division *D.S.M.*

SUBJECT: Replacing Property Tax with Sales Tax

In reply to your inquiry of February 19, 1980, I have developed the following additional information relative to replacing part or all of the property tax with a sales tax. The responses are numbered to correspond with your questions. As I pointed out in my memo of January 31, 1980, these responses are not the result of any comprehensive analysis and such an analysis would be needed to accurately assess the viability and impacts of such a change in the basic tax structure.

1. Attached is a recent analysis of Question 6 prepared by the Fiscal Analysis Division. As the analysis explains, the real impact of Question 6 can only be determined after the Legislature implements the new constitutional provisions through the statutes and the courts decide any legal questions that arise. In the absence of Legislative implementation and judicial interpretation the analysis is based on a number of assumptions, any one of which could, if changed, effect the financial impact substantially.

The analysis predicts that Question 6 will reduce the property tax more than the existing tax package by fiscal 1981-82 and would have an even greater impact in later years. This means that under Question 6 local governments would have less property taxes to replace and would require a smaller sales tax rate than would be required if existing property taxes were replaced.

If, on the other hand, your purpose is to maintain available revenues to local governments at approximate current levels, then the required replacement tax based on 1979-80 data would still be 3 cents as estimated in my memo of January 31, 1980, even if Question 6 passes.

2. There aren't any major legal problems that we are currently aware of in reserving property taxes for debt retirement only. The Department of Taxation will be publishing the Green Book (a compilation of local government debt) in April, at which time figures will be available for all local government debt. I have, however, obtained from the Department the current property tax supported debt for certain Washoe and Clark entities.

	<u>1979-80 Outstanding Obligations</u>	<u>1979-80 Property Tax For Debt</u>	<u>1979-80 Debt Tax Rate</u>
Washoe County	\$ 3,767,850	\$ 2,321,368	\$.1458
Reno	15,638,000	1,611,076	.1900
Washoe Schools	44,341,000	4,313,398	.2709
Clark County	9,464,000	1,103,946	.0382
Las Vegas	4,875,000	1,094,830	.1304
Clark Schools	191,825,746	20,618,948	.7023

As I explained in my memo of January 31, 1980, if debt service property taxes were not to be replaced, using fiscal year 1978-79 data, the required sales tax rate could be reduced by approximately 1/2 cent. The results would be the same should Question 6 pass.

3. A replacement sales tax could be left to county option, however, many questions would arise such as:
- (a) Since cities, schools, towns, and special districts share the property tax, they might not be willing to let the county decide their option.
 - (b) Since a sales tax in many areas might not produce revenue equivalent to the lost property taxes, some form of equalization (formula) seems necessary.

- (c) Some local entities rely nearly 100% on property taxes. The sales tax option becomes more critical in these cases.
- (d) Since potential revenue from a replacement sales tax may not equal revenue lost from the lowering of property taxes in many areas, local option may require variable tax rates. This may complicate administration of the tax and confuse taxpayers.

The complexity in creating a state tax and apportioning it back to local governments, it seems to me, would be in developing a formula that treats different areas and types of local governments equitably. Once the formula is determined, administration should not be greatly affected since the state already collects the school support tax and city/county relief tax and distributes the revenues to the appropriate local government.

- 4. Please refer to the attached analysis of Question 6. As the summary (page 1) points out, it is not possible to predict with any certainty the impact of Question 6 on the various local governments. This is due to the great number of variables and assumptions involved in assessing the impact of Question 6 and the lack of basic data. Generally speaking, however, Question 6 would have a relatively greater impact on local governments that have the following characteristics:
 - (a) High current tax rate (near \$3.64).
 - (b) High ratio of real property to personal property and proceeds of mines.
 - (c) Tax assessments that were in arrears in 1975-76.
 - (d) High dependence on property tax relative to other available revenues.
- 5. In the opinion of Legislative Counsel, Question 6 does not permit raising all property assessments to the 1975-76 level. If this opinion is supported by legislative action and judicial interpretation, then properties last assessed in

Assemblyman Steve Coulter
March 18, 1980
Page 4

1972-73 would carry that value under Question 6 and properties assessed in 1975-76 or after would carry the 1975-76 values. The Legislature will have to decide how property that changed hands or was newly constructed after 1975-76 is to be assessed.

Please keep in mind that the estimated tax rate required in my memo of January 31, 1980 and the predicted impact of local debt service and Question 6 are based on 1978-79 and 1979-80 data and could change in future years dependent both on property tax increases and the performance of the sales tax. If you should like to discuss this matter further, please let me know.

DM:ca
attachment

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



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Arthur J. Palmer, Director, Secretary
INTERIM FINANCE COMMITTEE (702) 885-5640
DONALD R. MELLO, Assemblyman, Chairman
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ANDREW P. GROSE, Research Director (702) 885-5637

January 16, 1981
30,000

M E M O R A N D U M

AB 97

TO: Assemblyman Steve Coulter
FROM: Donald A. Rhodes, *Don* Chief Deputy Research
SUBJECT: Senior Citizens' Tax Relief Rebates

This is in response to your inquiry about rebates under Nevada's Senior Citizens' Property Tax Assistance Act.

As I understand your request, you want to know (1) the average total rebate, (2) the average rebate within each percent tax rebate category specified in NRS 361.833, and (3) the total number of rebate recipients in each percent tax rebate category.

Average Rebate

The average rebate "allowance" during this year (1980-81) is \$130.

Average Rebate Within Each Percentage Rebate Category

<u>Percent Tax</u>	<u>Average Rebate</u>
90	\$136
75	136
50	126
25	124
10	121

Average Number of Recipients In Each Percent Tax Rebate Category

<u>Percent Tax</u>	<u>Total Number Recipients</u>
90	680
75	3,764
50	2,443
25	3,005
10	727
Total	10,619

Exhibit II

There were 44 other recipients who received the maximum rebate of \$500 (15 in the 90 percent category, 20 in the 75 percent category and 9 in the 50 percent category).

I obtained this information from Leotta Kofford, Supervisor of the Senior Citizens' Program in the Department of Taxation (Phone: 4826).

DAR:jlc

Department of Taxation

Capitol Complex

CARSON CITY, NEVADA 89710

Telephone (702) 885-4892

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ROBERT LIST, Governor

ROY E. NICKSON, Executive Director

January 27, 1981

The Honorable Roger Bremner
 Chairman, Assembly Ways & Means Committee
 Legislature Building
 Carson City, Nevada 89710

Dear Chairman Bremner:

As requested, the estimates for the Senior Citizens Property Tax Assistance program for the coming biennium have been recalculated based on the anticipated reduction in ad valorem taxes proposed by Governor List. In developing the calculations the following assumptions have been made:

- (a) Rebates to renters will continue to be calculated at 17% of total rent per NRS 361.830.
- (b) 54.5% of the original appropriation was required to provide for rebates to renters.
- (c) The property tax reductions proposed would equate to an average reduction in credits granted to home and mobile home owners of 60%.

Based on the assumptions indicated the revised requirements are as follows:

	<u>FY 81-82</u>	<u>FY 82-83</u>
Renters	\$941,132	\$1,021,842
Homeowners	314,286	341,239
Personnel Expense	11,000	11,000
Data Processing	12,152	14,060
Total	<u>\$1,278,570</u>	<u>\$1,388,141</u>

Copies of this letter are provided for all Committee members.

If I can provide additional information, please contact me.

Highest personal regards.

Very respectfully,

Roy E. Nickson
 Executive Director

cc: Howard Barrett, Director

AN EQUAL OPPORTUNITY EMPLOYER

152

SUMMARY--Increases assistance to elderly for property taxes.
(BDR 32-521)

Fiscal Note: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to the property tax; increasing assistance to the elderly; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 361.830 is hereby amended to read as follows:

361.830 "Rent deemed to constitute accrued property tax" is [17] 25 percent of the total rent which a claimant has paid in cash.

Sec. 2. NRS 361.833 is hereby amended to read as follows:

361.833 1. A senior citizen whose home is placed upon the secured or unsecured tax roll, who has owned and maintained as his primary residence the home for at least 6 months immediately preceding the filing of his claim and whose household income is not over [\$11,000] \$13,000 is entitled to an allowance against the property tax accrued against his home to the extent determined by the percentage shown opposite his household income range on the schedule below:

INCOME RANGE If the Amount of Applicant's Household Income Is Over		But not Over	PERCENT TAX Percent of Claimant's Property Tax Accrued Allowable as Assistance Is
\$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

2. The amount of the allowance must not exceed the amount of the accrued property tax paid by the claimant or \$500, whichever is less.

Sec. 3. NRS 361.835 is hereby amended to read as follows:

361.835 A senior citizen who has rented and maintained his primary residence in a home or on a mobile home lot for at least 6 months of the preceding calendar year and whose household income is not over [\$11,000] \$13,000 is entitled to a refund as determined in accordance with the schedule in NRS 361.833, but only with respect to that portion of his rent which is rent deemed to constitute accrued property tax.

Sec. 4. NRS 361.845 is hereby amended to read as follows:

361.845 No claim [shall] may be accepted by the department if the claimant or the claimant's spouse owns real property in the State of Nevada, other than that claimed as a home, having an assessed value in excess of [\$30,000.] \$50,000.

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S.J.R. 19--60th Session
February 10, 1981

MEMORANDUM

TO: Assembly Taxation Committee

FROM: Fiscal Analysis Division

SUBJECT: S.J.R. 19, 60th Session--Proposes constitutional amendment to permit exemption from property tax for conservation of energy by using nonfossil resources.

S.J.R. 19 of the 60th Session proposes to amend the Nevada Constitution to allow the Legislature to exempt from property taxation property used for the conservation of energy using nonfossil resources. The constitutional change would not mandate any exemption, but would simply provide the Legislature the authority to exempt such property. This resolution, if approved, would be ready for voter consideration at the general election. If passed by the voters in 1982, the 62nd Legislature would be authorized to provide for exemptions by law. Solar collectors and associated equipment that are used for heating water is an example of the type of property that future Legislatures may exempt from taxation.

The 1977 Legislature passed A.J.R. 7 which was intended to amend the Nevada Constitution to provide authority for the same exemptions as are provided by S.J.R. 19. The 1977 resolution passed both houses during the 1977 session, but during the 1979 session an ambiguity in the language was discovered that could be interpreted to mean the opposite of the intent of the resolution. Acting on advice at that time that the best solution was to draft a new resolution, the 1979 Legislature replaced the 1977 resolution with S.J.R. 19.

DM:np

Department of Taxation

Capitol Complex

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ROBERT LIST, Governor

ROY E. NICKSON, Executive Director

February 11, 1981

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

Dear Assemblyman May:

Last week I furnished you and your Committee with estimates on sales and use tax revenues. The figures that I provided were based on the most current 12 months collections (December 1979 through November 1980 sales). However, I believe you and the Committee members may also be interested in projected revenue collections for the fiscal year of the coming biennium.

Thus as an addendum to the figures previously furnished, the following is submitted:

Sales & Use Taxes: (July 1981 - June 1982):

Statewide 1 cent =	\$70,550,000
Clark County 1 cent =	40,025,750
Washoe County 1 cent =	19,185,000
Balance of State 1 cent =	11,341,500

Highest personal regards.

Very respectfully,

A handwritten signature in dark ink, appearing to read "Roy E. Nickson".

Roy E. Nickson
 Executive Director