

MINUTES OF THE
MEETING OF THE
JOINT SENATE AND ASSEMBLY
COMMITTEES ON TAXATION

SIXTY-FIRST LEGISLATIVE SESSION
APRIL 13, 1981

The Joint Meeting of the Senate and Assembly Committees on Taxation was called to order by Senator Keith Ashworth, Chairman, at 1:20 p.m. in Room 240, Legislative Building, Carson City, Nevada. The purpose of the meeting was a work session to further develop the proposed tax plan.

COMMITTEE MEMBERS PRESENT:

Senator Keith Ashworth, Chairman
Senator Don Ashworth
Senator Virgil Getto
Senator James Kosinski
Senator Bill Raggio
Assemblyman Paul May, Chairman
Assemblyman Steven Coulter, Vice Chairman
Assemblyman Louis Bergevin
Assemblyman Bill Brady
Assemblyman Patty Cafferata
Assemblyman Robert Craddock
Assemblyman John Marvel
Assemblyman Robert Price
Assemblyman Robert Rusk
Assemblyman Jan Stewart
Assemblyman Peggy Westall

COMMITTEE MEMBERS ABSENT:

Senator Norman Glaser
Senator Floyd Lamb

STAFF PRESENT:

Dan Miles, Deputy Fiscal Analyst
Ed Shorr, Deputy Fiscal Analyst

Chairman Keith Ashworth stated that they would go over SB 411 during this session for possible amendments.

SB 411, (2nd reprint), Makes substantial revisions in law relating to governmental finance.

Marvin Leavitt was called upon to go over the bill with the committee section by section.

Mr. Leavitt began by stating that the amendments discussed on Friday were included in the 2nd reprint of the bill.

Section 2

Mr. Leavitt explained that this section defined the term "Supplemental City-County Relief Tax" as that portion of the tax that exceeds the $\frac{1}{2}\%$ that is currently levied.

Section 3

This section computes the maximum amount which local government can get from the total of the two taxes, i.e. taxes ad valorem and supplemental city-county relief tax (SCCRT). In effect, it takes the factored up or in some cases the factored down assessed valuation for each entity for the fiscal year 1981-82, multiplies that amount by the certified tax rate for the fiscal year that will end June 1981. The resultant amount would be the total amount for this year that the local government can receive from these two taxes.

Senator Don Ashworth inquired what was the importance of the new language on line 11, which deals with payment of obligation under a capital lease. Mr. Leavitt explained that there were some situations in the state where they use the capital lease mechanism as opposed to financing by conventional methods. This is very similar to short term financing mechanism but does it by use of lease instead of actual purchases.

The logic behind Section 3, according to Mr. Leavitt, is that in the past they have been dealing with a whole range of different kinds of items that are not comparable, when dealing with taxes collected in a particular year. He cited the example of one government that has not been assessed for five years and one that just recently has been reassessed and is current. The logic of this is to bring everybody up to a comparable point in time so that all local governments start out on an equal basis in the computation of this limitation. The reason for the certified tax rate for the last previous year being used is that it is the only one at this point that is really available and certified. He pointed out that there were a couple of problems discussed in (1) and (2) of this section, that relate to individual situations where correction is needed for practical purposes only. (1) relates to the situation in Douglas County where they have had a very minimal rate in the previous year and (2) relates to a fire district in Douglas County which would use a \$1.05 rate for this first year. Mr. Leavitt explained that there is an unusual situation in Douglas County which has been brought about because of the number of districts and where the allocation of the rate is determined.

Senator Kosinski inquired if each of these cases of (1) and (2) only relate to Douglas County and to no other fire district or county in the state. Mr. Leavitt stated that that was true.

Continuing, Mr. Leavit stated that Section 3(b) simply takes the amount that was previously calculated and subtracts from that the estimated amount to be received from the City-County Relief Tax (CCRT) to get a difference factor and that difference would relate to the total amount that is liable to be levied as property taxes this first year.

Section 3(2) is the one that computes the limitation of growth of combined SCCRT and taxes ad valorem in subsequent years. The computation as it exists in this current reprint is the same as it existed previously. At the joint meeting held last week, a request was made to have language drafted that would allow for growth computation. This language has been drafted and relates to increases in assessed valuation for new properties coming on the rolls. Mr. Leavitt read the new language into the record. This language is found as Exhibit A attached to these minutes. Mr. Leavitt further stated that the technical group working on this feels that this new language is much improved and will work better in the future than the existing language found in this reprint.

Section 3(3) is a provision that regardless of what happens with the other computations under the cap the total ad valorem taxes shall not increase more than 12% in any one year. Mr. Leavitt pointed out that a decision has to be made on whether to keep the 12% as representing some reasonable figure or whether this limitation should be in here at all.

Mr. Marvel inquired if the new language took care of the 12% or not. Mr. Leavitt stated that it can or cannot depending on how the committee wants it to. If some limitation is desired even with the new language it would be simply a matter of how the committee desires it handled. The formula will work very fine either way.

Section 3(4) is the voter override where the local government can take it to the voters and the voters in the petition will specify the duration of the levy.

Mr. Price stated that during the interim study it was questioned as to why they had initially had the two year limit in SB 204. A number of people indicated that if the voters wanted to override something why should they be limited by the two year factor.

Mr. Leavitt pointed out that at the time of the actual vote of the people, they will decide on the duration of this levy.

Senator Don Ashworth asked how this ties into the Assembly bill that relates to the entity being able to levy a bond without the vote of the people. Mr. Leavitt replied that this particular provision does not really relate to that since this provision excludes debt services from this calculation.

Senator Keith Ashworth inquired if SB 204 was still left intact as far as expenditure caps were concerned. Mr. Leavitt stated that expenditure caps through the provisions of this act are repealed.

Section 3.3

This relates to situations where there is an immediate emergency type situation where an appeal can be made directly to the Legislative Commission for temporary exemption. This is limited to a two-year period.

Mr. Rusk asked to have this detailed more as to how it would work as opposed to the appeal process that has existed during the past two years.

Mr. Leavitt explained that the appeal process to the Legislative Commission found in SB 204 related to approval of expenditures beyond the expenditure limitation. This would relate in effect directly to the levy of ad valorem tax. Many times when an appeal was made in the past, the local government actually had the revenue available and were simply appealing to the Commission for the approval to spend it. Here they are talking about going to the Commission for the approval to levy the tax to produce the revenue.

Mr. Bergevin stated that in the original draft was not the forum to be appealed to an Tax Oversight Committee? He wondered what had happened to that language. Mr. Leavitt explained that that referral had been taken out of the bill through a decision made by the meeting of the committees on Friday morning. The decision was not to eliminate the oversight committee but that at this point in time the committees had not agreed to any such committee and it was felt that perhaps the bill should not have that language in it.

Mr. Rusk stated that on the bottom of page 2, line 50, how would the criteria be interpreted. Mr. Leavitt pointed out part 2 of Section 3.3 as being some of the criteria for evaluation of need.

Mr. Rusk continued by stating that he felt that this appeared to be a potential loophole as far as increasing the revenues, because there is always a case that can be made anytime additional services are needed as perceived by local elected officials. In the past, it appeared that any time a request was made to the Commission, the Commission has gone along with it.

Senator Keith Ashworth pointed out that there was a marked difference in that in the past, they had the revenues but couldn't spend it because they were up against the cap on expenditures. Therefore they could demonstrate the need for additional expenditures. Now it would be different in that they would have to justify trying to increase their revenue.

Senator Getto asked for further explanation as to why they decided to go with the Commission instead of the Oversight Committee. Senator K. Ashworth explained that there was some sentiment to having a special committee of the Tax Committees oversee it, but rather than get bogged down in what kind of committee there should be, they simply set the existing Commission and if the consensus was to go with some other committee or body that would be fine.

Section 3.6

This deals with the provision whereby if there is a newly created entity or the consolidation of previous entities, a method is established for handling how these entities get brought into the tax distribution system.

Returning to Section 3(2), Mrs. Westall inquired what effect the new language would have on existing projections found in previous exhibits. Mr. Leavitt explained that the calculations and exhibits previously distributed related to the 1981-82 fiscal year. This new language relates to subsequent fiscal years so it would have no effect on those calculations. Mr. Leavitt further stated that what it would do to taxes would depend on each individual community. If the community were not growing at all, then the taxes could grow by an amount equal to the increases in the CPI. If the community is growing rapidly then the total property tax revenue could grow by an amount equal to the CPI applied to the base plus the new property coming on the rolls. This formula would work equally well if the committees decided that growth should be limited to some percent of the CPI or some percent of the new property coming on the roll. The new language has the advantage in that it relates future growth in ad valorem to community growth and in each individual community into the future. SB 411's old language related it to past growth.

Senator K. Ashworth stated that the new language is the formula they have come up with to answer the problem of population, bearing in mind that sales tax and the distribution formula not being back to the county of origin is a population factor also.

Senator Raggio stated that this formula would establish the maximum growth in the two taxes and questioned why both the added property and CPI. Mr. Leavitt stated this could be applied directly to the ad valorem. That would be a little less restrictive on local government. It could be applied to the ad valorem directly and allow the CCRT to grow however it was intended to grow. There might be a slight distribution problem if it was worked in that manner.

Senator K. Ashworth stated that when the new growth in ad valorem comes on that would trigger into the proportion on the distribution of the CCRT and that he did not feel that there should be windfall or any extra because every county would have their own growth factor coming in. He felt they should have the new ad valorem but let the CCRT float where it will.

Senator D. Ashworth inquired whether Washoe, Clark and Elko Counties would get any CCRT as they don't now. Senator K. Ashworth stated that they will be on the supplemental.

Mr. Bergevin stated that he would like to continue with why they need the new growth plus the CPI in that they are trying to limit the growth of ad valorem on older property. He wondered if perhaps CPI would allow too much growth. He added that he felt that paragraph 3 of Section 3 took care of this. Mr. Leavitt agreed that it would take care of further limitations. He stated that the computations that he has talked about here are not for determining assessment on any particular piece of property but for the determination of allowable increase.

In order to better demonstrate the working of the formula, Mr. Leavitt demonstrated it on the blackboard. Using the example of a total assessed value of a community in the initial year of \$1,000, an increase in CPI for that year of 10%, the community would have an allowable increase because of the CPI of \$100. This would be added on the base of \$1,000. The second item relates to the new property coming on the roll of \$50. This would then be added on to the base to make \$1,150. The percent of this \$1,150 over the \$1,000 indicates the percentage growth that is allowed between the two years. In this example, it would allow for a 15% growth; 2/3 of which would come from the growth in CPI and 1/3 from new property coming on the roll. These two relationships determine the growth.

Senator K. Ashworth stated that with paragraph 3 of Section they would have to roll the allowable expenditures back to \$1,120 in this example.

Mr. Leavitt stated that that was not necessarily true, because paragraph 3 relates to growth in ad valorem taxes. If this example was computed out and they were allowed to grow by \$150 in total and the growth in the SCCRT grew by \$100 or 2/3 of that then they would be all right because the ad valorem tax would grow by less than the 12% and they could still get the 15% total. How much the ad valorem tax has to go up depends somewhat on how fast the SCCRT grows. If it grows at a rate faster than their allowable growth, than they would be substituting some of their ad valorem for CCRT.

In order to get the amendment process moving, Senator K. Ashworth asked that some action be taken on the proposed language (Exhibit A) which would be substituted for lines 12-23 on page 2.

Senator Kosinski stated that he questioned whether this would allow for a double growth factor. If assessed valuation were increasing for reasons other than growth in the community, that would provide for some level of growth. By throwing a CPI factor into this, would this effectively provide for two growth factors on two inflationary growth factors.

Mr. Leavitt stated that the way this would work is that each year would be compared with the preceding years actual assessed valuation. It is not a compounding situation but comparison would be with what happened since the previous year. Each year would stand alone.

Senator K. Ashworth stated that if a community did have a doubled assessed valuation in one year, the next year they would have a doubled based to start with. The base moves forward each year.

Senator Kosinski pointed out that the increased base reflects inflationary factors within the community. Mr. Leavitt replied that it would reflect that but the only percentage they would be allowed to grow would be from the previous year's actual number.

Mrs. Westall stated that at the beginning of the session they had discussed limiting the yearly increase and they had felt that the 12% increase was too high.

Senator D. Ashworth moved to amend SB 411 by removing the existing language on lines 12-23 and adding the proposed language found in Exhibit A of these minutes. Senator Raggio seconded the motion. The motion carried by the Senate Committee with those present.

Chairman May then asked if there was any disagreement with this amendment among the members of the Assembly Committee.

Mr. Brady inquired why mobile homes had been written in the amendment in the manner they had. Mr. Leavitt explained that they had tried to improve the language with that. That they had a concern that in some communities there was a large growth in mobile homes and the original language had referred only to real property. They felt it was necessary to include mobile homes in allowable growth or some communities could have an actual high growth but only show a minimal growth in the total assessed valuation coming from real property. This has nothing to do with mobile homes being taxed as real property.

There were no objections on the Assembly Committee of the adoption of the amendment.

Senator K. Ashworth referred back to Mrs. Westall's statement regarding the 12%. Mrs. Westall stated that most of the members of the Assembly committee were considering something more in the vicinity of 6% maximum as opposed to the 12%.

Mr. Bergevin stated that he felt there was some misinterpretation of the bill in that 12% referred to ad valorem revenue and not on the assessments. He added that if there was any growth factor the percentage of increase on old property would be very low and well below the 12%.

Mr. Rusk stated that he felt the concern of the committee should be what the effect would be with a normal growth rate. They should be able to project this rate. Under Question 6, the taxpayer could rely on a 2% increase only, which would take a 2/3 vote to override. What he felt was being provided here was a 12% factor and it only requires a majority vote. He felt that they should be able to report back to their constituents that they could plan on no more than X% increase in ad valorem or less.

Senator K. Ashworth stated that depending on how much the CCRT and how much other revenue was received will make the determination of what % increase the ad valorem tax will be. It is however impossible to say exactly what this percentage will be. Mr. Leavitt also stated that total growth is dependent on how fast the community grows and how fast the SCCRT grows.

Mr. Leavitt further pointed out that when they are talking about growth in ad valorem they have 50¢ of school operational money which in many cases amounts to about 1/3 of the total ad valorem rate, that will be allowed to grow without limitations. So what they really are talking about is a cap on 2/3 of the ad valorem bill.

Mr. Price cited the example of the City of Las Vegas, which might encompass at least two various taxing areas, each being adjusted every fifth year. What happens if on that adjustment year, they are way off and they really come out higher. Would one area of the city end up with a depressed situation or does the whole city go down. How do they fiscally adjust for that.

Mr. Leavitt stated that what they are talking about in this bill is the total levy of the revenue from all property by the local government. They can have a situation where an individual piece of property where the factoring system in the bill did not work and so there could be a total assessed valuation that could even be double from what it previously was by the factoring method. If this was the case generally throughout the entire government entity, the cap would lower the property taxes rate to 1/2. If it happens in an isolated instance than it would have small effect and their property taxes would just go up a large amount.

Mr. Price stated that Ernie Newton stated earlier that the factoring was low and if that is true it would mean that there might be whole sections of an area that would come up drastically all at one.

Senator K. Ashworth stated that he felt there was a provision in SB 69 that would handle this situation.

Mr. Leavitt stated that they are talking about two years and there is one general factor that applies to this year and there will be the development of more sophisticated factors that will apply to subsequent years.

Mr. Craddock inquired what would happen to the ad valorem rate on original property in a small county if they had a 200% growth rate and a 13% inflation rate. Mr. Leavitt stated that the total ad valorem revenue would go up by 12%. Mr. Craddock stated that if they could only increase by 12% he questioned how they would provide the necessary services demanded of that large of a population growth.

Senator Raggio stated that he felt that his issue was one of the most important that they faced and wondered if at this point was it feasible to have a cap on the individual parcel. Members of the committee indicated that this was impossible. Going on, Senator Raggio inquired if there was anything magic about the 12% figure, what does it achieve, and is it suppose to be a factor that property on the average has increased.

Mr. Leavitt replied that as far as he knew, there was absolutely nothing magical about 12% and it could be any figure that the committee chose. Senator Raggio continued by stating that assuming they can't put a provision in the bill that states that notwithstanding any other provision, no individual parcel shall increase more than X%, then the alternative is to reduce the 12% so that they can get some handle on a figure.

Mr. Bergevin stated that he was talking about two different things. Talking about increase in individual property of assessed value when this bill was talking about increase on restriction of revenue.

Senator K. Ashworth stated that he felt that the 12% came from the fact that that is about what the inflation factors have been over the last two years.

Mr. Bergevin stated he would like to see a limit on the increases of assessed value to the true value increase and throw out the inflation. This is currently being done in several states.

Mr. Rusk stated that he felt that they should reduce the 12% to a lower percentage and suggested a 5% and inquired what the feeling of the two committees was on this. The Senate Committee gave no indication, other than Senator of any desire to change the figure. The Assembly favored leaving as it was with the exception of four members. It was decided to try to get some figures worked up over night on the percentage.

Section 4

This section relates to the creation of reserve funds to handle the situation where receipts from the CCRT are less than anticipated. Any year that the receipts are more than anticipated the receipts go into this fund to help offset the situation when in the subsequent year receipts are less than anticipated. This also provides that when this fund reaches a point where it is 10% of the total revenue, the money would be put back into the pot which has the effect of reducing property taxes to a lower rate.

Mr. Leavitt explained that a provision for special distribution from this reserve fund if needed is included. This is another release valve which would handle any problem that may arise after the ad valorem rate has been established.

Section 5

Mr. Leavitt explained that this deals with the limitation of fees on licenses and permits. Explaining the logic of this expenditure cap on this, Mr. Leavitt stated that under SB 204 there was an expenditure cap put on the expenditures of the local governments. It related those expenditures specifically to funds where license and permits and taxes came into, with the attempt to reduce the ad valorem taxes because of this limitation. Part of the reason that expenditure caps did not work was that local governments played with the system and transferred money around. Another reason, however, was that they were not imposed directly on taxes that the legislature was concerned about. What is being done here is an attempt to impose the limitation directly on the license fees. This puts caps on areas where the problems are and lets the rest of the operation flow with the growth in the community without any false formula. By doing this, it solves several problems. They get out of the language of what was becoming a very cumbersome thing while protecting the system from someone trying to transfer funds around.

On the license fees they cannot increase the rate of the fees but if the number of businesses double then the total revenue can double without restriction.

Senator K. Ashworth inquired if entities were going to be allowed to increase their income by the base multiplied by the 80% of increase of the CPI. He used the example of a \$40 fee for a slot machine that generates a \$1,500,000 income, is the increase going to be on the \$1,500,000 or is the increase of 12% going to be on the \$40 fee. Mr. Leavitt stated that it was directly on the fee of \$40. In other words if the number of slot machines doubled the entity could receive double revenue (\$3,000,000) and there would be no restriction on that, but if they go to increase the rate that they are charging for the license they would be restricted by the 12%.

Senator Raggio inquired where the language was that exemptsthe enterprise funds and user fees. Mr. Leavitt stated that paragraph 3 of Section 5 covers this. He stated that what the intent was and perhaps the language did not accomplish it, was that a service charge which is a legitimate enterprise type operation, would be allowed to grow without restriction upon it, however, if by imaginative procedure the entity decided to take a business license and put it into enterprise funds it would still be subject to the limitations regardless of what fund it is put in.

Senator K. Ashworth stated that he felt that somewhere along the line enterprise funds should be very narrowly defined. They are accounts that produce enough in income to pay for the same amount of expense and are not revenue producing functions as a rule.

Mr. Price inquired if this would have any effect on fees charged by somebody that the city or county had contracted a service with. Mr. Leavitt stated that fees charged for a service are not included in this; however, if something like building permits were contracted out to some private contractor to issue, that would be included regardless who did it, because the city or county would still be levying the permit in this case.

Mr. Craddock cited the example of trash collection. Senator K. Ashworth stated that it was a franchise operation and would be excluded from this bill.

Senator D. Ashworth stated that as he understood it the revenue caps and expenditures do not apply to such things as the Convention Authority in Las Vegas. Mr. Leavitt stated that this was true and the reason that it was not specifically included in this was that the convention authority does not levy an ad valorem tax and so the limitations do not apply. The limitations here would apply if they decided to go out and increase license and permit fees. Senator D. Ashworth inquired if it would effect the room rate. Mr. Leavitt stated that if they decided to increase the room rate that would be limited and so if the committee wants to allow it an exemption would be necessary.

Mr. Stewart inquired what would happen if the community decided to raise their sewer and water rates and use these funds to support their general fund. Mr. Leavitt stated there would be no prohibition on that and the reason for that is that there are some cases throughout the state where local governments are providing general fund monies from those taxes. There is no prohibition to the transfer, so if the committee wants to control that in some way, language would be needed to add that to the bill.

Mr. Bergevin stated that if indeed a local government did so that would come under the 15% total ad valorem and CCRT cap.

Senator Kosinski stated that the 15% limitation applied only to the SCCRT and ad vlorem and does not apply to fees and charges that may go into the general fund.

Mr. Leavitt stated that the limitation is in Section 24, page 16. The 15% relates to the first year and only to those two sources of revenue.

Senator Kosinski continued that any money that local government may be receiving from gaming fees or licenses are not included within any cap. Mr. Leavitt stated that this was correct in that the cap is on the rate of the fee. If the committee wants to control the increases of transfers of these enterprise type revenues into a general operations of a local government they will have to do that by something separate from what is in the bill.

Mr. Leavitt stated that it would be possible to put a provision in the bill that the transfers to general operations from charges for services should not increase more than X%. Mr. Leavitt stated that he felt that local government would not attempt to increase these fees if the money had to stay in the same account because that would eliminate the main reason for increasing fees. Senator K. Ashworth asked for such language to be drafted.

Section 6

This is an attempt to control any abuse of the ending fund balance. It provides a way that is generous enough not to cause local government too many problems. What in effect it does is to allow them an ending fund balance of the amount they estimated to have in it plus 1/12 of the year's expenditures. If estimates are at all accurate it will be generous enough to allow local governments some flexibility but still restricts them from just building up ending balances without expending the money. If its greater than estimated they can't use it to augment the next budget.

Section 7

This section relates to audits. The Department of Taxation reviews the audit and if there is a violation it provides a method whereby the Department can be assured that it has been corrected. It gives local government a chance to submit a correction and gives the Department the option of submitting an alternative plan.

Sentor D. Ashworth inquired why the State Board of Accountancy was included in this. Mr. Leavitt explained that this relates to the situation where the Department receives an audit and it appears that the public accountant or CPA has been negligent in preparing the audit. The Department, rather than trying to take a position themselves that the accountant is in violation, would refer it to the Board of Accountancy for review by experts in the field. This would be a review of their own peers.

Section 8

This section relates to self-insurance funds. It is permissible for local governments to establish a self-insurance fund and this simply provides that if the governing body in reviewing that fund determined that reserves are larger than necessary, they can transfer that money back to an operating fund. It provides also that they cannot use such money to augment current budgets.

Section 8.8

This section deals with short term financing mechanism.

Senator K. Ashworth inquired if this was one of the special accounts that they are trying to accomodate.

Mr. Leavitt stated that the problem that might occur without this is that local government could conceivably go out and issue all kinds of short term financing to build the rate back up. This is a control on the ultimate tax rate that could come from short term financing.

Senator D. Ashworth asked for a definition of short term financing. Mr. Leavitt stated that it is obligations issued by the local government that mature not later than 5 years from date of taking out the loan. Right now short term financing has not been very large simply because they have to be repaid within a 5 year period so they are for smaller items. They are different from general obligation bonds but many of them are paid directly from the tax rate. They do not have quite the legal status of general obligation bonds.

Section 9

Relates to the expenditure limitations on the defaulted budget. There is a provision in the statutes that in case the local government fails to file a budget the Tax Commission adopts their previous year budget. Last session there was a limitation that said that such default budgets can not exceed the expenditure limitations. With repeal of these limitations then this provision is no longer necessary and it is removed.

Sections 10 and 11

There are basically the same type as Section 9 and relate to the filing of amended budgets.

Section 12

This relates to augmentation and simply does the same thing.

Section 12.5

This section is the other side of the short term financing and indicates that if the governing body wants to go the special tax exempt way from the limitation that they have to use this method.

Senator D. Ashworth asked what they use short term financing for. Mr. Leavitt explained that they use it for capital improvements; however, they could get in the situation whereby if a local government was in bad financial condition and they needed some operating money on a short term basis they could actually finance that operating

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deficit by this method. This would provide that they could not do it by ad valorem taxes outside of the cap unless they received approval from the Commission to do so.

Section 13

Relates to auditing and provides that any letter has to be made available and filed as public record. This applies to recommendations made to local governments.

Sections 14, 15, and 16

These sections apply to redevelopment agencies. Redevelopment agencies are referred to as tax increment districts. Mr. Leavitt stated that he understood that the Bond Council has some problems with the wording of these sections as it currently exists. What they are attempting to do is to allow the provisions of this tax so that they do not cause problems with the redevelopment agencies.

Roy Nickson, Director of the Department of Taxation, explained that a tax increment district basically freezes the ad valorem level at one particular point in time. Any growth based on either inflation or reappraisal or new construction that is added to the roll is taxed at the full ad valorem rate in the city but the schools receive none of it, the county receives none of it and the city receives none of it. All of it goes for the repayment of the bonds that are issued for the redevelopment.

Mr. Leavitt stated that there were some suggested new amendments to bring this part into compliance.

David Henry presented the suggested language which is attached to these minutes as Exhibit B and herewith made a part of this record.

Mr. Henry explained that the problem experienced was that the tax rate being contemplated has pushed down the amount that could be levied inside the increment district which was also pushed down. City of Sparks has sold \$4,500,000 bonds and Valley Bank is currently holding those. When the tax rate was pushed down the only way that the tax increment district could retire those bonds was to maintain the same rate they had before the imposition of CCRT tax. So inside the city there would be a 100 square block area that would have a higher tax rate, which would be the current tax rate, and the rest of the city would have a lower tax rate. In any case, there would be a differentiation of tax rates and the city officials felt strongly that this was undesirable.

The Bond Council was interested in first in some kind of security that would insure that these bonds would be secured by the city at large, as it stands now this 100 square block area secures the bonds. It was a suggestion that in order to make this very secure that the bonds could be covered by the entire city. This district was put together without a vote and so what is given in this exhibit is a compromise regarding the tax increment district which entitles

the district to its share of the CCRT. It does not change the cities entitlement to CCRT at all.

Senator K. Ashworth asked for the Senate Committee's wishes on this suggested amendment. Senator Kosinski moved for its adoption. Senator Getto seconded the motion. The motion carried with all the Senators present voting in favor of it.

Chairman May asked for the reaction of the Assembly Committee on the action taken by the Senate Committee. The majority of the Assemblymen present were in favor of this action.

Sections 18, 19, 20 and 21

These sections are an attempt to make whole those communities that are scheduled to receive revenue losses because of the population shift since the 1970 census. This section should be replaced by Section 26 of AB 369. This Section 26 solves the problem of the distribution of population.

Senator Getto moved that Sections 18, 19, 20, and 21 of SB 411 be removed and replaced with Section 26 of AB 369. Senator Kosinski seconded the motion and the motion carried.

Section 22

This is the section that repeals the expenditure limits found in SB 204.

Section 23

Lines 7 and 8 of this section should also be removed, according to Mr. Leavitt. Senator Raggio so moved and Senator D. Ashworth seconded the motion. The motion carried with Senator Kosinski opposed.

Referring back to Section 22, Senator Getto inquired if it was the intent of the committee to repeal 370.330 and if so why.

Roy Nickson stated that they have done this because due to a Supreme Court decision of last June, the Tax Commission notified all of the Indian Smoke Shops that they were not liable for collection of sales tax on cigarettes sold to non-tribal members. Their attorney then cited 370.330 which reads that upon the payment of any cigarette revenue stamp tax provided for in this chapter, cigarettes shall not be subject to any further tax excepting general personal property tax levied by the State of Nevada or any county, city or town therein. It was the attorney's contention that this statute prohibited the collection of the sales tax on the sale of any cigarettes statewide. This had never been questioned before. Based on that objection and the wording that is questionable, Mr. Nickson stated that they felt it should be repealed.

Mr. Price inquired if there was some sort of agreement or understanding that there would be no changes in the relationship between the state and the Indians. Mr. Nickson stated that he has had several meetings with the representatives of the Indian Smoke Shops and the only thing that he has indicated to them is that the Department of Taxation and the Nevada Tax Commission did not nor have not suggested the introduction of any legislation to remove the rights of the Indians to operate Smoke Shops and impose their own excise tax.

Mr. Nickson stated that this has no impact on the cigarette tax. The repeal of 370.330 will apply only to sales tax.

Section 24

This section handles the immediate procedure and relates to the 115%, the estimates of the SCCRT that are going to be made immediately.

Senator Kosinski inquired how the decision to use the 115% figure was made. Mr. Leavitt explained that 15% additional is about the same type of figure as the 12%. The reason that this is higher in the first year is that there is the situation as they bring every local government up to current level, they have some local governments that have not been reassessed during the 5 year period and it was felt that there should be a little extra latitude to bring them in and allow them to grow enough to bring them into line with others that have received reassessment in prior years.

Senator Kosinski inquired if they had not used the 115% figure and reduced the existing provisions of SB 204, what kind of increase would local governments have had.

Mr. Leavitt stated that some could have increased more than this allows them to. This is more restrictive since this relates directly to property taxes. Mr. Leavitt further stated that it had just been pointed out that there appears to be a conflict in dates within the bill and AB 430.

Mr. Nickson explained that in SB 69 it would give the Assessor until July 1, 1981 to factor up and come up with new appraisals. SB 411, section 3, talks about multiplying the tax rate certified by local government for the fiscal year ending June 30, 1981 by its assessed valuation as equalized amending the new assessed valuation under SB 69. The public budget hearings are due the first week of June, the final budget is to be submitted by June 10, the assessors will not provide the information on assessed valuation equalized until July 1. It is an impossible situation.

Senator K. Ashworth instructed them to work out the dates and bring back the information necessary to complete the bill.

Section 25

This section relates to redevelopment agencies. Mr. Henry stated that the previous language they had suggested basically replaced the language that exists in this section. He suggested that the committee hold this language until they figure out if this additional language can be replaced by the new language.

Section 26

Mr. Leavitt stated that this section ties the three bills together. He explained that the concern they had was if for example SB 411 was declared unconstitutional and the other two bills were left alone, they could have the situation whereby AB 369 levies the sales tax and there are no limitations on local governments and there could be both the full property tax and sales tax.

Mr. Bergevin asked to return to Section 5 of the bill. After reading the section, Mr. Bergevin inquired if it would apply to the gross gaming revenue tax. Mr. Leavitt stated that it did and that there was provision that if they are taxing using that method whereby the fee is related to gross revenue of the business. If they want to change the rate they have to go through the appeal process to be able to change the current rate.

Mr. Bergevin continued by stating that in Section 5(1) they have given the authority to raise the fees 80% of the CPI. For example if 80% of CPI for a period of 5 years is 10% a year, they would be allowed to raise the gross gaming fee by 10% a year, and could effectively kill every gaming establishment in the state. He felt that there should be a restriction on this.

Mr. Leavitt replied that number 3 of Section is suppose to do this.

Patrick Pine of Clark County stated that they would appreciate it if the committee would ask for legal clarification on this section. They do not agree with the interpretation given on what this section applies to and what it does not apply to. As an example, Mr. Pine stated that they feel that this will also apply to hospitals.

Mr. Pine continued that the basic difference of opinion was that Mr. Leavitt characterzied that existing rates were not subject to review, however, any change in any rate, such as in a hospital, would be subject to review.

Senator K. Ashworth stated that he felt that they should get that tightened down, what the definition of enterprise funds was and items that float in and out of the general fund.

Robbins Cahill, representing the Nevada Resort Association, stated that they have attempted to stay out of this issue but find that they no longer can.

Their concern is with Section 5 of the bill and they do not feel it accomplishes what it is suppose to do. He stated that they feel that it seriously effects them. Citing subsection 3 of Section 3 (page 2, line 33), and then Section 5, line 18, Mr. Cahill stated that the Director of Department of Taxation has to make his decision according to subsection 3 of section 3 and there is only one decision he can make. Mr. Cahill stated that he felt that the plan would force more local governments to go to the fee structure to obtain more revenue. He added that the gaming tax is considered a perfect tax in that it is a tax that the other person pays. The provisions of section 5 are much stricter than those that control the property tax, according to Mr. Cahill, and this is where the local governments will go to try to get more money.

Mr. Cahill stated that he did not feel that applying the cap to the rate was fair when they are putting all these restrictions on the ad valorem. In tightening up the ad valorem the local governments will go to fees and licenses for more money. In conclusion, Mr. Cahill stated that the language for applying for exemption in section 5 was much looser than that found in section 3.3.

Patrick Pine, Clark County, stated they also were concerned with section 5 of the bill. They agree with Mr. Cahill's statement. Using the 80% of CPI is really not a good measure to use. He added that the intrepertation there is that everybody would be going to automatically go to 80% of CPI on a given fee and that is not the case. He also staed that he felt that that would be the maximum and that maximum is not necessarily the kind of ceiling that they need. They have some local governments that have not touched fees for 20 to 30 years and others that have changed certain fees within the last year. In some cases, you have a fee where that change in CPI is very relative to the last date in which the fee changed and you have others where the fee has not been changed and 80% of CPI for 1 year bears no relation to what the fee should be today. Using 80% of CPI for an across the board thing for fees that have been adopted over many years and under a variety of circumstances is going to create all kinds of unusual fee structures. What they would prefer is to either go to some showing of actual costs or reasonableness. Furthermore they would agree with Mr. Cahill that maybe the appeal should be in the hands of the payor rather than the body who proposes the fee. They feel the appeal mechanism should be different.

Mr. Pine ended by stating that they feel that they could work out an appeal mechanism that would work. The appeal mechanism and control mechanism presently found in Section 5 is not very workable. What they feel will happen that they will have a blizzard of paper for fairly simple matters that should be routinely handled.

Senator K. Ashworth stated that discussion of these bills would continued tomorrow at 1:30 and adjourned the meeting.

JOINT MEETING OF THE SENATE AND ASSEMBLY TAXATION COMMITTEES
APRIL 13, 1981
Page Nineteen

Respectfully submitted,

Sandee Gagnier

Sandee Gagnier
Assembly Attache

AGENDA

JOINT SENATE AND ASSEMBLY
COMMITTEE MEETING

Committee on Taxation, Room 131.

Day Monday, Date April 13, Time 1:00 p.m.

S. B. No. 69--Revises factors which may be used in determining full cash value of real property for taxation.

S. B. No. 411--Makes substantial revisions in law relating to governmental finance.

A. B. No. 369--Increases rate of local school support tax and city-county relief tax and provides for adjustment of certain property valuations.

Final review and last minute changes will be made.

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

Assembly and
SENATE COMMITTEE ON *Legislation*

DATE: *April 13, 1961*

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Barbara Somers *City of*

John Kellum *City of*

Frank Kestory *City of Reno*

W. Cathcart *City of North Las Vegas*

Roy E. Nickerson *Dept. of Public Works* *873-6152*

Barry Thompson *City of Esch*

EXHIBIT A

*Alternative Growth
Calculation*

The maximum allowable revenue from the supplemental city-county relief tax and taxes ad valorem for fiscal years beginning on or after July 1, 1982, must be calculated as follows:

(a) Assessed valuation for the preceding fiscal year is added to an amount equal to the product of such assessed valuation multiplied by the percentage increase in the Consumer Price Index for the preceding calendar year. To this sum shall be added the assessed value of the new ^{real} property *and mobile homes* added to the ~~real property~~ ^{assessment} tax rolls in the past year ~~and~~ ~~together with the assessed valuation of mobile homes not included in the prior years' assessment rolls~~ for that county.

(b) The percentage increase that these sums represent over the assessed value of the preceding year is the maximum percent that the sum of the supplemental city-county relief tax and taxes ad valorem may increase over the amount allowed for the preceding year.

EXHIBIT B

*Revision of Tax Incremental
provisions required for SB 411.*

05/13/81

*Existing language in the Bill will compel
differentiated tax rates & this is contrary to the
representations previously made to the people in Leeches.*

SB 411 -

Section 14 of SB 411

Add to NRS 279.676 a new section 3.

3. Taxes ad valorem distributable to the agency shall entitle the agency to a share of supplemental city county relief tax allocated to the municipality in the same proportion as the supplemental city county relief tax payable to the municipality as a whole bears to the total of the ad valorem taxes receivable by the municipality including those received for the agency.

Section 16

New section 3. to NRS 279.636.

3. Bonds payable in any manner permitted by this section may be additionally secured by a pledge of the full faith and credit of the community whose legislative body has declared the need for the agency to function. Such additional security shall only be provided upon the approval of a majority of the voters voting on the question at a general election or a special election called for such purpose. In its proposal to its voters, the governing body shall define the area to be redeveloped, the estimated time required for the completion of the project the primary source or sources of revenues first to be employed to retire the bonds and the maximum sum for which the city may pledge its full faith and credit in connection with the bonds to be issued for the project.

279.638 leave as amended by LCB.