

A quorum being established, Chairman May called the meeting of the Assembly Taxation Committee to order at 1:38 p.m. in the Senate Auditorium, Room 131, Legislative Building, Carson City, Nevada.

MEMBERS PRESENT:

Assemblyman Paul May, Chairman  
Assemblyman Steve 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

MEMBERS ABSENT:

None

STAFF PRESENT:

Dan Miles, Deputy Fiscal Analyst

GUESTS PRESENT:

See attached Guest Lists

AB 134, Increases state license fee on gross revenue of gaming and prohibits local increases.

Mr. May called upon Robbins Cahill, Nevada Resort Association and Jerry Higgins, Gaming Industry Association, to give a brief statement.

Mr. Cahill and Mr. Higgins introduced the guests as found on the guest list and stated that they would give a general position statement and then call upon several members of the industry to address specific problems and situations facing the industry.

Mr. Cahill began by stating that they do agree with the position of the legislature that prime consideration of the tax package is to give residential homeowners of the state some tax relief. They have never asked for property tax relief for their industry, but what they do ask for is equal treatment with other business and industries.

Date: April 21, 1981

Page: Two

Mr. Cahill stated that much has been said in the media about casinos getting so much tax relief. He pointed out that all other classes of industry and business are getting the same relief. He stated that casinos and resort complexes are probably the largest class of taxpayers in the state. They pay more use tax proportionally than any other business or industry.

Mr. Cahill continued by pointing out that sales tax is that tax collected on the basis of the rate that is passed on directly to the consumer. Resorts, hotels, gaming people pay a use tax on what is used or consumed at the same rate as the sales tax. This tax is paid directly by the places affected and is not passed onto the consumer. Mr. Cahill cited the examples of cocktail napkins, olives, complimentary meals, linens, bedding etc. which all have use tax on them.

He stated that the industry has conducted an in depth study to see what impact the property tax relief would be compared with the increase in the use tax. Some 28 places participated in the study and it was found that with the 75% tax relief proposed by the Governor, which would mean a relief of \$7,300,00 to those places participating, and the use tax that these same places would pay in comparison would be \$3,800,00. Therefore over 50% of the property tax relief would be offset by the increase in the use tax. If this is reduced to a 50% tax relief on the average which is about the figure being discussed presently, about 70% of the property tax relief would be paid in this use tax increase.

He further pointed out that there are many places that do not have to pay much use tax such as apartment complexes because they have very little that would be taxable under this tax.

Mr. Cahill stated that they feel that this should be looked at separately and not considered a part of the tax package. He stated that they also believe the gross revenue tax is an unfair tax but that is one that they have learned to live with. Mr. Cahill stated that this tax has built in inflationary multiplier. Most business can increase any markup by increasing their prices to the consumer. This is not true with the gaming industry. The only way they can get more mark up is to increase their gross business by increasing their size of casinos, spending millions bringing more people into the casino and thus bring the revenue up. The gaming industry believes that they must "grow or die".

Mr. Cahill continued that everytime they increase their revenue \$1.00-5 1/2¢ goes to the state. Therefore there is a built in multiplier that goes up constantly. He stated that the gaming industry is subject to special gaming taxes that are aimed directly at them. It is a special tax paid only by this industry and it accounts for almost 50% of the general revenue of the State of Nevada. Mr. Cahill concluded by stating that they wonder how much more the industry should be expected to pay. He stated that there were numerous people present today who could tell the committee of the difficulties facing the industry.

Jerry Higgins, Gaming Industry Association, presented a handout to the committee which is attached to these minutes as Exhibit A and herewith made a part of this record. Mr. Higgins comments were basically restricted to the first page and last page of the exhibit. He concluded his statement by asking the committee to look carefully at the accumulative total being assessed on this industry. Mr. Higgins added that on the last page the net operating income figure should really be about 1/2 of what is shown since it reflects the net before Federal Income taxes and extraordinary items are removed.

Mr. Higgins called upon Phil Griffith, President of the Gaming Association and John Fitzgerald, President of the Nevada Resort Association.

Mr. Griffith stated that they would confine their comments to those of representatives of the two associations. Mr. Griffith stated that they would ask three people of their association to speak to the problem. One would represent the outlying casinos, one would represent the smaller casinos and the casinos at the Lake and one would represent the large casinos. Mr. Fitzgerald stated that he would ask two people to speak on behalf of the Southern Nevada group.

Al Huber, President of Cactus Pete's in Jackpot Nevada, spoke on behalf of the small casinos in the outlying areas of the state. Mr. Huber stated as a small casino he does employ 500 people and has been associated with the gaming industry in Nevada since 1946. He stated that he is the largest employer in Elko County and yet is considered small in this gaming industry. Mr. Huber cited the change in the industry in the outlying areas by stating that in Elko in 1946 there were 20 different casinos and today there is 3. In Wells there were 7 and today there is 3 and in Jackpot there were 7 at one time and today there is 3. He stated that they have two casinos in Jackpot and that the smaller one would not be in existence if in fact it was not associated with the larger one.

Mr. Huber stated that the casino business has only one way to combat the problems related to inflation and that is by continually expanding and doing more business. They can not raise their prices or rates or people will not continue to come. He stated that it is becoming increasingly difficult to interest investors in the business, particularly in the isolated areas of the state.

Mr. Huber stated that in 1975 they had a net profit of 7.5% and that each year since then it has gone down. They continually expending money in order to expand the operation and the return on capital is constantly going down.

Mr. Huber concluded his statement by saying that if they were just looking at this one issue they could handle, but they have to look at all the factors involved. He stated that legislature has the problem of deciding "just how many straws they can load on the camel before they find they have killed it and the goose that has laid all these golden eggs ends up dead". If this continues, according to Mr. Huber, there will only be the large casinos. There won't be any casinos out in the hinterlands.

Bob Berry, Co-owner of Barney's Club, spoke on behalf of the small casinos and casinos at Lake Tahoe and to acquaint the committee with some of the peculiar problems of casinos at the Lake.

Mr. Berry explained that his facility was a little larger than 1/6 of an acre and that before he can make any profit regardless of how efficient they run their operation they are committed to make \$1,000,000 in taxes in the various forms of county, state and federal taxes. This figures out to a tax rate of \$5,000,000 an acre before any profit.

Mr. Berry stated that there are levels of tax that have nothing to do with profit. The gross gaming tax has nothing to do with a reward to the operation for how well they run their business. He stated that he considers himself to be a very heavily taxed individual using that kind of land coverage. Of the \$1,000,000 mention an excess of \$300,000 is paid to the gross gaming tax.

Mr. Berry stated that a concern of the Lake Tahoe operators that other operators might not have is that they cannot grow. He cited the special session that was held on TRPA, which has placed a severe set of business restraints of these operations. Historically a casino business grows or it dies. If that is the case, Lake Tahoe is dying because it cannot grow. There are not going to be any more hotels or casinos at the lake and those that are in existence cannot expand. He stated that fixed costs go up but they cannot increase their revenue because they cannot expand. Mr. Berry also pointed out that they have also just sustained a massive assault on the tax base which has increased over 100% last year. Mr. Berry concluded by stating that the small casino at the Lake is a very fragile industry and they would request the committee reject this bill.

Mead Dixon, Chairman of Harrah's, spoke on behalf of the large casinos. Mr. Dixon reiterated that they were not opposed to property tax relief for home owners and furthermore they have never and do not oppose a broad base tax reform which may be necessary to carry on the functions of government. He stated that he was here to speak in opposition to increasing this tax. He stated that gaming licensees pay all the usual tax levies that are paid by other businesses, but in addition they also pay substantial levies to federal, state and local governments because they are in the gaming business.

Mr. Dixon pointed out that the plain casino of years ago no longer exists. In order to bring in the gaming tourism customer it has become necessary to expend a great deal of money for entertainment,

special restaurants, hotel rooms, tennis courts, health clubs, etc. The 30 million visitors that come to this state are largely here because of the promotional efforts of these casinos. With the larger taxes being proposed it will be necessary to cut back in this type of promotional program.

Mr. Dixon pointed out that the gross revenue tax is on gross income and not on net income. Inflation will hit the tourist business in a reduction of traffic and head counts in the business. He also stated that this industry is no longer a monopoly as it once was with the opening of casinos in New Jersey and competition from all over the world. Mr. Dixon stated that "the economic health of this industry is essential to the health of Nevada."

Mr. Price inquired if the industry would support the concept of AJR 27 which would have split rolls for taxation purposes.

Mr. Mead stated that he was not prepared to speak for the whole industry but that they do not oppose reduction of taxes for the homeowners.

Mrs. Westall inquired if the industry would be able to live with this increase if they included a sunset provision in it for when the proposed constitutional amendment passed allowing for split rolls. Mr. Mead replied that he had not realized that this was being considered but that it has been their experience that reduction never comes about. The promise of sunset really doesn't provide a lot of encouragement since their problem is right now.

Mel Exber, President of the L. V. Club, was asked by Mr. May to define exactly what the tax on gross revenue was and what they were allowed to deduct. Mr. Exber stated that basically it was a tax on gross revenue with only losses deducted from it. He further stated that that was one of the problems facing the industry in that no matter how they increase their business they do not get any type of reduction. They could go out and spend a great deal of money of promotion, still have to pay their 5½% and when the smoke clears they could be a loser. He cited their situation where they have been in a state of rebuilding since 1977 and have completed 95% in 1980. They have shown an increase in revenues of 120% but yet have a profit of much less than when they started in 1977. He stated that this was not an unusual situation and that many in the industry are finding out that they can increase their revenue by 120% but find their costs of operation have increased more than that.

Burton Cohen, President of the Desert Inn, spoke on behalf of the stip hotels and casinos. He stated that they are at the "crossroads of gaming and tourism." They no longer have the only games in town and there is competition out there. Gaming is going to continue to proliferate. The cost of doing business for this industry has skyrocketed; at one time the gaming table could overcome everything. This is not true today. The odds on the crap tables and 21s haven't changed but everything else has changed.

Mr. Cohen stated that the answer is to either expand and increase volume or if there is a hotel in connection with the casino they add some of the cost onto the food, beverage, or rooms. They however can only be increased so much or they are no longer competitive in the tourism market. So they add to their base and have a small base of operation support a large number of rooms. To do this it takes money and today cost of money costs about 2% over prime which gets it very close to a 20% return. Investors are finding it much better to put money in other places then into casinos. Mr. Cohen stated that their industry has responded to a favorable tax base and reinvested in Nevada. He concluded his statement by stating that this was not the time to tamper with this tax. The industry is in the middle of a change, a grave change. He urged the committee to give the industry the opportunity to reinvest through repromotion and other avenues to increase the state's percentage by increasing the gross volume that they can give the state. To do otherwise would be short-sightedness at a very critical time in their industry.

With the completion of the testimony from the industry, Mr. May gave the committee an opportunity to introduce themselves and make any statement they wish on the issue. The members of the committee expressed their appreciation for the presentation of the industry and the difficulty of the decisions facing the committee this session.

Joe Fischer, Executive Director, Nevada State Education Association, stated that they were concerned about the continued existence of the industry in this state, but the education industry in this state is nearing extinction unless the Legislature can find some way to raise \$40,000,000. He stated that he spoke in support of this bill. He urged the committee to look at Mrs. Westall's suggestion of the sunset provision. This would make it a temporary tax to carry through an interim situation while the shift is made from property tax to sales tax and until the appropriate constitutional amendment is adopted.

Mr. May stated that no action would be taken on the bill at this time but the committee would vote on it on April 27.

Mr. Bergevin inquired of the industry if they did not feel that the language on lines 3-7 of the first page of AB 134 would of help to the industry by putting some restrictions on the local governments. Mr. Berry stated that this would give every county a hunting license because the date in it is June 30, 1981. If this bill were to be passed the counties would have until that date to pass whatever tax they wish and after that date they would be frozen at that level. He stated that they had their attorney's research what the power of the county was under the existing statutory framework. They found that in 1960 the power of the county to levy gaming taxes was related strictly to its investigatory powers. They could raise the taxes to investigate the gaming licensees but that was it. In 1966 this caused a lawsuit and the Supreme Court agreed that they must limit the taxes to amount needed to investigate licensees. In 1968 the Legislature changed it so that the county

now has a "carte blanche" to raise taxes against licensees in this state in any manner and in any amount without restrictions whatsoever by the State of Nevada. With this in mind, Mr. Berry urged the committee, if they pass the bill, to set the date back to December 31, 1980 so that only existing fees at that time could be used.

After a 15 minute recess and upon reestablishing a quorum, Mr. May stated that the committee would work on AB 369 and take action on the bill.

#### AB 369

Suggested amendments for this bill were distributed. These amendments are attached to these minutes as Exhibits B and C.

Marvin Leavitt, Las Vegas, stated that the amendments on section 1.5 simply deletes all the language that relates to enrolled members of the tribe and smoke shops as previously discussed. It returns to existing language.

The second part of the amendment deals with chapters that deal with local school support tax and provides that contracts in existence would not be subject to the increase taxes.

The third part removes the limitation on the 50% levy tax for the schools.

#### AJR 21

With the arrival of Frank Daykin, Legislative Counsel, Mr. May went to this resolution, stating that they have had <sup>two</sup> hearings on this. During this time, Mr. Stewart brought up the fact that they may be prohibiting more than they intended by the language.

On page 2, line 6 it had been suggested that the word "personal" preface the word income. Mr. May inquired of Mr. Daykin if this would handle what they are attempting to get at. Mr. Daykin stated that he felt it would but that he would like to consider carefully the word so that it would not carry that adjective too far along. Basically that would achieve what the committee was after and it would eliminate any implied prohibition against the tax upon gross revenues of corporations or business.

Mr. Bergevin moved for a "amend and do pass" recommendation on AJR 21. Mr. Marvel seconded the motion. The motion carried with Mr. Price and Mr. Coulter absent.

#### AB 369

Returning again to AB 369 discussion was held on the renter rebate of this bill. Mr. May inquired if it was felt that this should be better handled in separate bill or incorporated into this bill. He added that it has been suggested that the Department of Taxation

would be charged with responsibility to see that renters be given appropriate consideration. He also stated that there have been suggestions that renters be allowed to receive interest on their deposits etc.

Mr. Daykin stated that the portion dealing with interest on deposits would be best handled with a new bill because he would be hard put to write a constitutional subject which brought security deposits into this bill on taxation.

Mr. Bergevin inquired if just the part that would place the Department of Taxation as the agency to police this. Mr. Daykin stated that that could be within the subject of this bill.

Mr. Bergevin moved that on page 15, line 38 the Department of Taxation be charged with seeing the provisions of the bill be carried out. He moved that this amendment and the previous amendments be adopted. Mrs. Cafferate seconded the motion.

Under discussion Mr. Brady inquired how the Department would accomplish this. Mr. Bergevin stated that it would require several employees and funding to the Department of Taxation. Mr. Rusk inquired what kind of function the Department would have. Mr. Bergevin stated that this hadn't been discussed with Mr. Nickson as yet but that he felt it would be no problem. It would be an audit function probably and handle complaints. Mr. Bergevin stated that just being in the bill he felt that it would help make it work.

The motion to adopt the amendments carried with Mr. Brady and Mr. Craddock voting against the motion and Mr. Price and Mr. Coulter absent.

Mrs. Carole Vilardo, CPE-South, presented the committee with two statements regarding AB 369 and SB 411. These statements are attached to these minutes as Exhibits D and E. She stated the sales tax increase would have a major impact on durable goods purchased, such as cars, refrigerators, television sets, etc. Where there is a trade-in allowable by the merchant they would like to see that trade-in be deducted before sales tax is included. She stated that the sales tax has already been made on the original purchase. She added that this would help in that sales tax must be paid up front and is not include financing on these major purchases.

Mr. May asked Mr. Daykin if this would be possible. Mr. Daykin stated in order to exempt that amount it would have to go to a vote of the people.

With that completed, Mr. May called for a motion on AB 369. Mr. Marvel moved for "do pass as amended" and Mrs. Cafferata A roll call vote was called for.



Date: April 21, 1981

Page: Nine

Roll call vote on AB 369:

Mr. Bergevin - aye	Mr. Marvel - aye
Mr. Brady - aye	Mr. Price - absent
Mrs. Cafferata - aye	Mr. Rusk - aye
Mr. Coulter - absent	Mr. Stewart - no
Mr. Craddock - no	Mrs. Westall - aye
Mr. May - aye	

The motion carried with 7 ayes and 2 nos and 2 absent.

As there was no further business to discuss, Chairman May adjourned the meeting.

Respectfully submitted,

*Sandee Gagnier*  
Sandee Gagnier  
Assembly Attache

Also attached to these minutes is Exhibit F, a memorandum from the Office of the Superintendent of Public Instruction regarding AB 369

ASSEMBLY TAXATION COMMITTEE

Date: April 21 1981

GUEST LIST

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPE	
		FOR	AGAINST
CH Muncie	Hatch		✓
Bob Brunel	MGM-Reno		✓
Harvey Whittum	Lionel, Sanger, Collins		✓
Bill Champred	MGM Las Vegas		✓
PAT CARROLL	Las Vegas		
James Gagnier	Casars Tahoe		
Ken [unclear]	D. T.		✓
KENNETH EPSTEIN	EL CEFER - BARBARY COAST		✓
Norman Lewin	Las Vegas Hilton		✓
Bob Barry	Barney's Club		✓
John Fitzgerald	Las Vegas Hilton		✓
Walt Thompson	Frontier Hotel		✓
ROGER WAGNER	SANDS - LAS VEGAS		✓
MEL EXDER	LAS VEGAS CLUB HOTEL		✓
JERRY WHITE	KARL'S SILVER CLUB		✓
NEIL BROOK	HYATT LAKE TAHOE		✓
TONY ATCHLEY	SARARA RENO / DEL WEBB HOTELS		✓

ASSEMBLY TAXATION COMMITTEE

GUEST LIST

Date: \_\_\_\_\_

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK	
		FOR	AGAINST
ADELE G. CASTLE	GOLDEN NUGGET, LAS VEGAS		✓
Ann Simon.	Sahara Tahoe.		✓
BRIAN SMITH	CARSON NUGGET		✓
DON TAYLOR	Carson Nugget.		✓
CARLOS BROWN	SPARKS NUGGET		✓
DICK SWINNEY	SPARKS NUGGET		✓
SAM BOYD	SARTS TOWN		✓
TERRY WHITT	CALIFORNIA HOTEL		✓
RICK BANIS	CIRCUS CIRCUS		✓
THE THORNTON	CALIFORNIA HOTEL		✓
AL HUBER	CACTUS PETE'S		✓
PAUL GRIFITH	HAROLD'S CLUB		✓
DAVID GOLDSTEIN	DUNES HOTEL		✓
FRANK SHATTUCK	HILTON HOTELS CORP.		✓
CLARK RUSSELL	ORMSKY HOUSE HOTEL CASINO		✓
MEAD DIXON	HARRAN'S		✓
ROBBINS HILL	NEVADA RESORT ASSOC		✓

ASSEMBLY TAXATION COMMITTEE

Date: \_\_\_\_\_

GUEST LIST

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	
Jerry Higgins	Gaming Industry Assoc		✓	
A. Suehl	Summa			
Gary Slocum	Harveys Wagon Wheel			

738



SUITE 1007 • ONE EAST FIRST STREET  
 RENO, NEVADA 89501  
 TELEPHONE (702) 323-4128

EXHIBIT A



*Nevada Resort Association*

1785 E. SAMARA SUITE 750 - LAS VEGAS NEVADA 89104 - PHONE 735 7011

GAMING IN NEVADA - FACT SHEET  
FOR FISCAL YEAR ENDED JUNE 30, 1980

Gaming Privilege Taxes Paid (1)

State	\$150,000,000	
Counties	17,400,000	
Cities	5,700,000	
Federal	<u>7,800,000</u>	\$180,900,000 (2)

Taxes Generated (3)

Casino Entertainment	100%	\$ 19,655,000	
Sales and Use Tax	64%	56,123,000	
Cigarette Tax	69%	8,523,000	
Alcoholic Beverage Tax	69%	6,238,000	
Gasoline Tax	71%	<u>25,735,000</u>	\$116,274,000
Grand Total			<u>\$297,174,000</u>

The Nevada Resort Association and the Gaming Industry Association have assembled and present these summary statistics to illustrate the impact of the Gaming/Tourism/Entertainment Complex on Nevada's total economy.

All of these figures have been available in various studies and reports, however, we believe and hope that a summary in this abbreviated form may be helpful to your deliberations on tax reform.

- (1) These are tax levies paid only by Gaming Licensees and are in addition to taxes paid by all other businesses, which Gaming pays too.
- (2) An effective tax rate of 7.9% on gross gaming revenue of \$2,273,000,000. Gross gaming revenue is properly explained as total revenue before deductions of all expenses and costs of operation.
- (3) These are estimates based on findings by Economic Research Associates in a 1976 study.

RESOLUTION  
and  
STATEMENT OF POSITION  
on  
FINANCIAL IMPACT OF PENDING LEGISLATION

Submitted by

GAMING INDUSTRY ASSOCIATION  
OF NEVADA, INC.

NEVADA RESORT ASSOCIATION

RESOLUTION

A

WHEREAS, the gaming industry is vital to the economy of the State of Nevada; and

WHEREAS, the industry is presently confronted with serious challenges to its continued growth and progress due to escalating airline fares, rapidly increasing gasoline prices, fire retrofitting requirements and substantial cost increases associated with inflationary wage and material cost increases; and

WHEREAS, there is presently pending before the Nevada legislature a multiplicity of legislative measures which, in total, would impose unacceptable and counter-productive cost burdens upon the industry;

NOW, THEREFORE, the Nevada Resort Association and the Gaming Industry Association of Nevada urgently request the members of the Nevada Legislature to establish a system of priorities in dealing with bills which adversely impact the gaming industry and in keeping with the spirit of this Resolution to give serious and thoughtful consideration to the attached "Statement of Position".

IN WITNESS WHEREOF, we have caused this Resolution to be signed by our duly appointed officers, this 13th day of April, 1981.

Nevada Resort Association

Gaming Industry Association of Nevada, Inc.

By /s/John T. Fitzgerald  
John T. Fitzgerald

By /s/ Phil Griffith  
Phil Griffith

Its: President

Its: President

A

STATEMENT OF POSITION  
By  
NEVADA RESORT ASSOCIATION & GAMING INDUSTRY ASSOCIATION  
On  
THE FINANCIAL IMPACT OF PENDING LEGISLATION

INTRODUCTION

No one remotely familiar with the facts can seriously dispute the importance of the gaming industry to Nevada's economy. In fiscal year ending June 30, 1980, the industry was responsible for generating the following revenues:

- State gaming privilege taxes of \$169,687,132
- Approximately 64% of sales/use taxes, or \$56,123,984
- Approximately 69% of cigarette taxes, or \$8,523,787
- Approximately 71% of the gasoline tax, or \$25,621,754
- Approximately 69% of the alcoholic beverage taxes, or \$6,238,927
- Virtually all of the room taxes collected by local governments, or approximately \$25,000,000

In addition to these direct contributions, the industry, by its billions of dollars invested in facilities and its multi-million dollar annual expenditures for supplies and equipment exerts a profound and beneficial influence on the economic well-being of virtually every segment of our economy. Significantly, the industry directly provides 30% of Nevada's employment or in excess of 110,000 jobs.



Despite these contributions, there appears to be developing among certain segments of our society a dangerous and irresponsible tendency to "saddle" the gaming industry with a disproportionate share of the cost of government and to impose upon it other cost burdens that threaten the industry's ability to retain Nevada's preeminent position as the entertainment and convention capital of the world.

THE THREAT POSED BY LEGISLATIVE ACTION

In the next few weeks, Nevada's legislators will be called upon to exercise uncommon foresight, courage and restraint to avoid damaging the state's most important industry beyond repair. It is that conviction that motivates us to record the multiplicity of bills that would impose a ruinous cost burden on gaming and drastically impair its ability to provide increasing employment opportunities for our citizens.

Obviously, many of the bills have merit when considered in isolation. Unfortunately, however, legislators are not afforded the opportunity of viewing the cumulative financial impact of all bills affecting the industry. Instead, they are confronted with the necessity of voting on bills on a "piece-meal" basis. That process poses a serious threat to the viability of the industry and to the economy of the state as a whole.

We have listed below certain measures which, in total, threaten the

economic health and welfare of Nevada's principal source of jobs and revenue.

**SB 214 - Retrofitting for Fire Safety:  
(and similar measures)**

Obviously, the industry and the general public recognize the importance of improving fire safety. At the same time, we urge legislators to give serious consideration to the fact that implementing retrofitting requirements will cost high-rise properties from \$1 million to \$5 million for installation and approximately an equal amount in lost food, beverage and gaming revenues during the conversion period.

	Estimated cost to industry as a whole-----	\$75 million
AB 134	Increasing gross revenue tax from 5½ to 6%-----	\$13,750,000 per y
AB 369	Increase in sales tax will generate an in- crease in use taxes that cannot be passed on directly to customers in the estimated amount of-----	\$ 5,000,000 per y
SB 230	Failure to enact this measure will cost the gaming industry approximately-----	\$ 150,000 per y
	Passage of this measure would save employers in gaming approximately-----	\$ 1,000,000 per y

AB 136 Pension offset provision. If not enacted  
 employers in gaming would be required to  
 contribute approximately ----- \$15,000,000 per

AB 263 Adds other factors such as age, and occupation in  
 determination of permanent, partial disability  
 awards. Estimated cost to gaming industry----- \$ 2,000,000 per

AB 264 Limits application of exclusive remedy to  
 employer who pays the premium thus exposing  
 all other related employers. This could  
 drastically affect convention business (cost  
 impossible to calculate).

AB 390 Retroactively increases awards for total dis-  
 AB 433 ability and death benefits. Estimated costs to  
 gaming industry----- \$ 2,000,000+per

SB 465 Increases permanent partial disability benefits  
 AB 407 from  $\frac{1}{2}$  of 1% to  $\frac{2}{3}$  of 1% for each 1% of dis-  
 ability. Estimated cost for gaming industry----- \$ 2,000,000 per

SB 195 Includes travel between employers' places of  
 business and employees' homes as covered em-  
 ployment for workmens compensation purposes.  
 Seriously increases exposure to claims for injuries  
 sustained before and after work. No cost estimates possible.

SB242 Would include tips as wages for purposes of  
SB243 determining disability benefits and unemployment  
benefits. Cost to gaming industry difficult to pre-  
dict, but would amount to several millions of  
dollars per year to industry as a whole.

OTHER MEASURES

SB 312 Would repeal constitutional provision prohibiting  
SJR 23 lotteries. Would place the state in competition  
AJR 24 with industry and drain off gaming revenues.  
Estimate of lost revenue impossible.

AB 233 Polygraph bill as amended and passed by assembly.  
If polygraph examinations were to be prohibited  
the loss of revenues occasioned by dishonest  
employees would be incalculable.

CONCLUSION

We do not claim that the cost estimates listed above are precise, but the magnitude is such that no responsible legislator can justify action on any of these measures without weighing the adverse impact on Nevada's most important industry.

The importance of exercising restraint is underlined by the fact that now more than ever before the industry must remain competitive with other tourist destinations. Further, there is ample evidence to support the argument that our principal industry is experiencing a slowdown in growth.

Consider, for example, the fact that five Las Vegas properties are in bankruptcy and several others are faced with financial difficulties. Consider too that in the first two months of the first quarter of 1981, airline traffic in Las Vegas was down some 13% and that visitor volume was off by approximately 5%.

Finally, legislators are encouraged to study the attached report which summarizes the performance of gaming establishments in northern and southern Nevada. It is not encouraging and when coupled with the heavy costs associated with retrofitting, suggests that the industry should not be called upon to assume any additional costs that are not absolutely necessary to preserve the fiscal integrity of the state.

Respectfully Submitted

Nevada Resort Association  
Gaming Industry Association of  
Nevada, Inc.

**CONDENSED INCOME STATEMENTS**

**For the Fiscal Year ended June 30, 1980**

	<u>L.V. Strip Casinos With Gross Gaming Revenue of</u>			<u>Downtown L.V. Casinos With Gross Gaming Revenue of</u>		<u>Reno/Sparks Casinos With Gross Gaming Revenue of</u>	
	<u>\$1 to \$10 Million</u>	<u>\$10 to \$20 Million</u>	<u>\$20 Million and Over</u>	<u>\$1 to \$10 Million</u>	<u>\$10 Million and Over</u>	<u>\$1 to \$10 Million</u>	<u>\$10 Million and Over</u>
Number of Locations	11	10	15	10	11	29	8
<b><u>REVENUES</u></b>							
Casino Department	76.6%	61.3%	57.3%	74.2%	69.8%	60.3%	60.2%
Rooms Department	--	16.7%	15.3%	6.9%	7.8%	11.7%	8.8%
Food Department	4.8%	11.2%	13.0%	7.7%	10.3%	13.8%	15.2%
Beverage Department	4.6%	6.4%	9.4%	6.7%	6.2%	9.8%	10.4%
Other Revenue	<u>14.0%</u>	<u>4.4%</u>	<u>5.0%</u>	<u>4.5%</u>	<u>5.9%</u>	<u>4.4%</u>	<u>5.4%</u>
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	<u>12.3%</u>	<u>8.4%</u>	<u>6.6%</u>	<u>8.8%</u>	<u>7.4%</u>	<u>10.8%</u>	<u>10.2%</u>
Gross Margin	87.7%	91.6%	93.4%	91.2%	92.6%	89.2%	89.8%
Direct Expenses	<u>58.1%</u>	<u>47.6%</u>	<u>38.9%</u>	<u>51.8%</u>	<u>41.3%</u>	<u>48.4%</u>	<u>37.5%</u>
Departmental Income	29.6%	44.0%	54.5%	39.4%	51.3%	40.8%	52.3%
Total General and Administrative Expenses	<u>24.5%</u>	<u>34.8%</u>	<u>38.1%</u>	<u>36.7%</u>	<u>28.5%</u>	<u>45.3%</u>	<u>47.5%</u>
Net Operating Income*	<u>5.1%</u>	<u>9.2%</u>	<u>16.4%</u>	<u>2.7%</u>	<u>22.8%</u>	<u>- 4.5%</u>	<u>4.8%</u>
<b><u>DOLLARS</u></b>							
	<u>Amounts in thousands of dollars</u>						
Total Revenues	\$44,055	\$224,236	\$1,600,121	\$45,651	\$404,388	\$203,344	\$459,963
Average Revenues	4,005	22,424	106,675	4,565	36,763	7,002	57,495
<b><u>QUARTILE RANGE</u></b>							
Upper Quartile	4,918	27,269	118,144	5,634	47,861	9,202	81,447
MEDIAN	3,220	21,543	87,316	4,180	42,961	6,384	49,655
Lower Quartile	2,303	19,536	72,393	2,753	21,462	3,798	27,780

(These are preliminary figures obtained from the Economic Research Division of the State Gaming Control Board.)

SUGGESTED AMENDMENTS

ASSEMBLY BILL 369

Third Reprint

Page 3, section 1.5.

Line 37 - Delete brackets and new language.

Line 38 - Delete bracket.

Line 43 - Delete bracket.

Page 7, insert as section 11.7

NRS 374.310 is hereby amended to read as follows:

374.310. 1. There are exempted from taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property used for the performance of a contract on public works executed prior to July 1, 1967.

2. There are exempted from the additional taxes imposed by amendment to this chapter by the 61st session of the legislature, the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property used for the performance of a contract on public works executed prior to May 1, 1981.

Page 7, insert as section 11.9

NRS 374.315 is hereby amended to read as follows:

374.315. 1. There are exempted from taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property used for the performance of a written contract entered into prior to July 1, 1967.

2. There are exempted from the additional taxes imposed by amendment to this chapter by the 61st

session of the legislature, the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property used for the performance of a written contract entered into prior to May 1, 1981.

Page 17, section 30.

Line 35 - Insert a bracket between "tax" and the colon (:).

Line 36 - Insert a bracket after the word "than" and insert the word "of".

Line 40 - Remove bracket.

Line 41 - Remove bracket.

Line 42 - Remove bracket and all new language.

Line 43 - Delete line.

Line 44 - Delete line.

Line 45 - Insert a bracket after the period (.).



SUGGESTED AMENDMENT

ASSEMBLY BILL 369

Third Reprint

Page 14, line 43

Delete "\$1.05" and insert:

\$1.10

TO ALL MEMBERS OF THE SENATE AND ASSEMBLY

FROM: Citizens for Private Enterprise - South

Before increasing the sales tax please consider what the following will do and how it will affect the property tax reduction being considered. Remember the national average for sale and subsequent repurchase of homes is every five to seven years.

EXAMPLE

On a \$100,000 house - 30% of the price is materials.

Materials - 30,000 (includes 3½% sales tax)

New tax 2.25 represents an  
Increase of \$675.00

The price of materials is now \$30,675 and the house is now \$100,675.

Just this \$675 price increase, because it becomes part of overall financing (the interest on the money) for 30 years would increase the house payments, at the current rate of interest of 14½% by \$40 to \$50 per month for 30 years.

On this house of \$100,675 assuming a property tax of \$900 and the 50% reduction which would establish a new tax of \$450 ( $\$40 \times 12 = \$480$ ,  $\$50 \times 12 = \$600$ ) the sales tax increase would cost more than the offset of the property tax reduction.

For any increase in the sales tax the builder will increase the sales price by 1½ times. The above example does not reflect this 1½ times increase.

21 April 81

- To: All members of the Senate and Assembly Taxation Committees  
Fr: Citizens for Private Enterprise - South

The following recommendations are respectfully submitted for your consideration with regard to incorporating them in the following tax package bills.

SB 411

Enterprise funds should be specifically enumerated as in the original SB 411, or the creation of any enterprise fund not now in existence should come under a mechanism--possibly that of the legislative commission--whereby approval can be given or denied for the creation of a new enterprise fund.

RATIONALE - There is nothing we can see in SB 411 which would prohibit the creation of enterprise funds which are outside of the revenue caps. This is one area of SB 204 (of the 79 Session) that was abused and still has the potential for being abused under SB 411.

\* \* \* \* \*

Money received in the form of interest because of investments made from any debt fund when ad valorem taxes are levied to retire the debt then that interest received should be returned to that fund. Further if Federal Revenue Sharing money is appropriated or obligated for capital construction then any interest received from those funds should be returned to those appropriated or obligated funds.

RATIONALE - If tax relief is to go to the property owner, then they should have the benefit of interest received being used to reduce the debt to ultimately lower the ad valorem rate in subsequent years.

\* \* \* \* \*

There should be a provision by law (not regulation as now exists) that a debt retirement fund shall have only one years interest and principal unless the bonding covenant specifies a different time frame.

RATIONALE -This would prevent the accumulation of more money than is needed to retire the debt. Under current law any money in a debt retirement fund that is more than needed to retire the debt can be transferred to the general fund. By establishing the yearly amount to be kept in the debt retirement fund the ad valorem rate levied to retire the debt is kept in check.

\* \* \* \* \*

If there is to be an increase in the net proceeds of mine tax then the money received from the increased portion should be returned to all counties on a formula similar to that being used to distribute the new CCRT.

RATIONALES - Since the increased CCRT is to be used to fund local government operations then any increase in the net proceeds of mine tax should be considered in the same context as it would also be used to fund local government operations.

SB 369 An allowance for trade-in should be incorporated in SB 369.

RATIONALE - Any increase in the sales tax will have an adverse impact on durable goods (large ticket items). Using a \$10,000 car as the purchase example - if the customer trades in a car with a blue book value of \$4,000, then the tax should only have to be paid on the difference of \$6,000.

Miscellaneous - Either in SB 411 or a clean-up bill a provision should be established which would establish a state-wide chart of accounts possibly based on Utah's system of 3 charts of accounts. The chart used would depend on the dollar amount of the budget.

RATIONALE - As with SB 204 it will be necessary to review this legislation and part of that review will require look at local government budgets. In order to compare apples with apples (as could not be done this year) we must have a state wide chart of accounts.



OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION

Capitol Complex  
Carson City, Nevada 89710

TED SANDERS  
Superintendent

April 21, 1981

MEMORANDUM

TO: Members of the Senate and Assembly Joint Tax Committee

FROM: Ted Sanders  
Superintendent of Public Instruction

SUBJECT: LIMITATION OF REVENUE TO LOCAL SCHOOL DISTRICTS  
AB 369

The purpose of this memorandum is to advise you of the significant impact of Section 30, Sub-Section 1(b), Line 41 of AB 369, which limits the amount of ad valorem revenue available to local school districts for the coming biennium to 12% each year.

The impact of this amendment for the two years is shown below and compared to an unrestricted levy of 50¢ as proposed in the earlier version of the bill:

FY 1981-82 (Rounded Dollars)

\$8,800,000,000 a.v. @ 50¢	\$44,000,000
\$8,800,000,000 a.v. @ 41¢*	<u>36,000,000</u>
Reduction to School Revenue	<u><u>\$(8,000,000)</u></u>

\*Note: Determined by multiplying \$32,041,954 (1980-81 Revenue) times 1.12 = \$36,000,000 divided by \$8,800,000,000 = .4078, or 41¢.

FY 1982-83 (Rounded Dollars)

\$9,856,000,000 a.v. @ 50¢	\$49,280,000
\$9,856,000,000 a.v. @ 41¢**	<u>40,500,000</u>
Reduction to School Revenue	<u><u>\$(8,780,000)</u></u>

Memo: Members of the Senate and Assembly  
Joint Tax Committee

\*\* Note: Determined by multiplying \$36,000,000 (maximum 1981-82 revenue - AB 369) times 1.12 = \$40,500,000 divided by \$9,856,000,000 = .4078, or 41¢.

The effect is a continuation of a revenue "cap" of 12% on an existing capped base.

As most of you know, without the amendment, but with the increase of Local School Support Tax to 1.5¢, and with the factored increase and reduction to assessed valuation for F.Y. 1981-82 and factored increase for F.Y. 1982-83 currently provided in the tax package, local school districts have a significant shortfall of revenue from the request made by the State Board of Education. That shortfall, plus the additional impact of the amendment, is shown below:

FY 1981-82 (Rounded Dollars)

Request	\$329,000,000
Revenue (Governor's Recommendation with current tax package)	<u>312,000,000</u>
Shortfall	\$(17,000,000)
Amendment	<u>8,000,000</u>
Shortfall with amendment	<u>\$(25,000,000)</u>

FY 1982-83 (Rounded Dollars)

Request	\$369,000,000
Revenue (Governor's Recommendation with current tax package)	<u>345,500,000</u>
Shortfall	\$(23,500,000)
Amendment	<u>8,780,000</u>
Shortfall with amendment	<u>\$(32,280,000)</u>

As you can observe, the shortfall before the amendment was extremely serious. With the amendment, the shortfall would

F

Memo: Members of the Senate and Assembly  
Joint Tax Committee

3.

be devastating to elementary and secondary education in the State of Nevada. In light of the above, I would respectfully request that consideration be given to removing the amendment.

If we may provide additional information to assist you in your deliberations, please do not hesitate to call on us.

TS:mb

cc: Doug Sever