

Vice Chairman Steve Coulter called the meeting of the Assembly Taxation Committee to order at 1:30 p.m. with the following members and guests present:

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

EXCUSED: Mr. Price

Please see attached guest register for guests present.

S.B. 7 - Limits designation of county assessors as agents of department of motor vehicles.

Testifying in support of this measure was Senator Jacobsen, Carson City/Douglas, who explained that this is a very simple bill that changes the population figure from 100,000 down to 30,000. This would allow Carson City to qualify to have people in this area go right to the Department of Motor Vehicles for their registration and driver's licenses. He pointed out that in the rural areas the county assessor is designated as the person to handle those functions and it is realistic to have one place where they can go and accomplish both things. This will, additionally, take some responsibility off the County. He added, there is no change as far as money is concerned but it will require the transfer of some employees from the county to the state.

He did propose one amendment they would like to include and that is to make it effective in January of 1982 due to the fact that the DMV is building a new building and it won't be completed until just prior to that time; this would allow the change-over to be made without any problems.

Speaking next was Mr. Hale Bennett, Chief of Registration for DMV who stated that this bill effectively puts licensing and registration functions under DMV. Up until this bill passes, Nevada has the only DMV headquarters operation in the nation that doesn't register cars and yet they are responsible for all registrations in the state. We have an opportunity now to correct that situation to where they can handle registrations for Carson City area in the DMV building itself. Under the current operation, they have a split situation where a person has to come to the DMV building to

get his vehicle inspected for serial number inspection and then has to go to the Carson City Assessor's office to register and license the vehicle. If they go to the wrong place first, they invariably get very unhappy by the time they get shuffled around to the right places. This bill would correct that situation and, as Senator Jacobson, there will be no cost to the State as currently the fees that they pay to Carson City they simply will not pay but will retain those fees themselves which will pay for the program. He then introduced Mr. Don Hataway, City Manager for Carson City.

Mr. Hataway testified he too supports this bill and explained that the cost will be off-set with the transfer of personnel from the City to the State employment and is basically a self-supporting operation. He emphasized that the most important thing this bill does is establish a convenience factor due to the fact that they are constantly running into people who have not followed the proper procedure and as they are two to three miles apart, it is very convenient. This is more a public relations benefit than anything else. He concurs with the suggestion of the January 1982 date as they are getting very close to July 1st and the transition period between now and then might be a little tight.

In response to a question from Mr. Rusk, Senator Jacobsen explained that the new building has been on the drawing boards for many years and is just now nearing completion. While the proposed transfer of employees was not included in the original plan, there will be sufficient room to accommodate this change without utilizing any additional space than what is now going to be available.

Mr. Hataway explained that they are presently using a 20' x 30' room of the Assessor's Office for the four clerks who are directly involved. The state anticipates transferring all four clerks but he feels that after they have gotten on board and with cross-training, etc., he doesn't feel they will need all four as many of the functions that the state employees are doing can then be extended to the issuance of the licenses itself.

Mr. Bergevin asked how this would be affected by the provisions in AB-43 which has much of the same language in it and was advised by Mr. Bennett that AB-43 did have some conforming amendments to it so they do conform. Mr. Hataway added that originally AB-43 only applied to Clark and Washoe Counties, designating these functions but it was modified to include Carson City. AB-43 authorizes the State Department of Taxation to provide that the Department of Motor Vehicles collect the use tax and as originally drafted, only applied to the two large counties; now it applies to Carson, Clark and Washoe.

Chairman Coulter pointed out that there is a present conflict notice on the bill. Mr. Hataway stated that when they testified on this

in the Senate, they brought that conflict up and he assumed the wording was modified to eliminate the conflict. Mr. Bergevin stated that the bill drafter's office could take care of the conflict.

General discussion followed on the employees' transfer from City to State employment and assurances were given that the employees would not be losing benefits due to the transfer.

There being no further testimony to be had, Mr. May moved that SB-7 be amended by changing the effective date of January 1982, resolve any and all conflicts and do pass; seconded by Mr. Craddock and carried unanimously with Mr. Price being absent from the vote.

AB-20: Provides for submission at next general election of question proposing refund of sales and use tax paid on certain mobile homes.

There was no one present to testify on this measure and therefore, there was no action taken.

AB-122: Revises form used in declaration of value of real property at time of transfer of title and increases penalty for false statements of value.

There was no one present to testify on this bill. However, Mr. May explained that he understands the county recorders and assessors were to get together and propose some changes prior to action being taken. He therefore requested that the bill be put over until another meeting. That was the action.

AB-159: Increases exemption from property tax for widows, orphans and certain veterans.

This bill has previously been heard on March 2, 1981 with no action. Inasmuch as testimony has been taken and there was no additional testimony to be heard, a motion was made by Mr. Marvel for no further consideration; motion seconded by Mr. Craddock and unanimously adopted.

AB-188: Increases veterans' exemption for property tax.

Testimony was heard on this bill on March 20, 1981 with no action taken at that time. There being no apparent appetite for this bill, a motion was introduced for no further consideration by Mr. Bergevin, seconded by Mr. Marvel. Mrs. Westall commented that she could not support that motion inasmuch as we have taken the cap off the schools funding, so if we don't provide enough money for them the property tax is going to raise right back up to cover the schools, so we will

have given them a sales tax raise and done nothing for the property owner. Mr. Rusk stated that was not correct. We are going to fund the schools before we leave here but if not, we will know exactly how much additional property tax is necessary. He feels that is a more appropriate thing than what we are doing here.

Motion carried with 8 voting aye, Mrs. Westall and Mr. Rusk voting nay and Mr. Price absent/excused.

AB-298: Provides alternate form for declaring value of transferred real property.

Mr. May explained this is basically a companion bill with AB-122 which was requested by the county assessors and recorders. Inasmuch as we are holding action on 122, he would recommend that we take no action until we can provide testimony from one of those offices on their requirements. No action was taken.

AJR-38: Proposes constitutional amendment to authorize imposition of estate tax with specified limit and purpose.

Mr. May pointed out that Mr. Price, although absent from the meeting, has asked for favorable consideration on this resolution and has requested him to forward that recommendation to the committee.

Speaking first was Mr. Chuck Monson, Senior Vice President of Harrahs for Government Relations who stated that if we are going to consider AJR-38 today, he would like to make some comments. Prior to making those comments, however, he requested the committee to give favorable consideration to resurrecting SJR-6 of the 60th Session which also deals with an estate tax. If the committee would look favorably on the reconsideration of SJR-6 of the 60th Session, perhaps they could take testimony on both resolutions relating to this same subject.

He added that during this session of the legislature, in connection with tax reform, the Legislature has performed herculean efforts in scraping up money from a variety of sources, including the gaming industry. It is difficult for him to understand how a deliberative body with the assembled wisdom which is evidenced here can pass up a measure which would raise the amount of money that a plain estate tax against the federal credit would raise. Time after time he has been personally involved with this for 20 years and has been a failure. For years the banks opposed it and although he isn't aware of who opposes it now, we still don't seem to be able to get it passed. There must be some reasons that he can't understand but he and the members of the gaming industry would be interested in knowing why this concept cannot be passed on to a vote of the citizens. AB-134, acted upon by the committee a few days ago, will increase

the gaming privilege taxes somewhere in the range of \$10 to \$11 million per year but the estate tax on Bill Harrah's estate alone, on just what would flow to the state of Nevada, would be in the neighborhood of \$5 million. He asked how we can go on year after year ignoring this avenue of revenue while penalizing every taxpayer in the state. He stated his comments are very sincere and he is speaking not only for the gaming industry but for every taxpayer in Nevada. He reminded those present that if this is passed it will go to the electorate; the electorate will reject or accept. If they accept it that doesn't impose an estate tax credit; it is still in the hands of the legislature. He reminded the members that this has passed in the last session and should be passed out of the committee in order that the full Assembly can have the opportunity to vote on it and, as well, that the voters of Nevada should have that same opportunity.

Mr. Brady asked Mr. Munson if he was in favor of AJR-38 and was advised he was not - he opposes that concept very much. He added that he discussed this with some experts in the estate tax field and they advised him that AJR-38 would create a nightmare that would be very difficult to resolve. Most estates are very complicated and this would inject horrendous complexities into this type of thing. He is not opposed to the philosophical concept of the heirs getting the money back, but there is also a very serious reason to think that the Federal government might be very violently opposed to this.

Mrs. Westall and Mr. Craddock both stated they support the comments made by Mr. Munson and Mr. Craddock added that he would like to pursue this concept with the idea of putting money into education needs. He stated that he had tried finding money from every possible source and feels this could be one alternative that could be pursued.

Mr. Bergevin stated that he is not in favor of this resolution (AJR-38) and even though two years ago he voted for SJR-6 of the 60th Session, he voted against it this time based on information he received from his accountant. On the basis of his knowledge, Mr. Bergevin did not feel disposed to change his mind on it at this time.

Mr. Stewart pointed out that he supports the estate tax credit but would be interested in seeing the regulations and the statutory authority of Nevada plus some legal advice prior to any action being taken. He stated that if this money could be used for educational purposes and eliminate us having to go back to the citizens of Nevada for additional revenues, he would urge the resurrection and passage of SJR-6 of the 60th Session.

Mrs. Cafferata stated that in her opinion, this hurts the people most who have the least amount to pass on to their heirs; the rich

people won't be hurt but it will get the young families where the widows will be left with young children. Mr. Stewart explained that the inheritance tax credit will not come into play until you reach the total of \$120,000.

Mr. Munsen interjected that, in response to Mrs. Cafferata's observation, he would reflect the opinion of the gaming industry in agreeing that the concept of death taxes, or estate taxes is obscene and immoral; the concept is wrong. But Nevada's refusal to participate is going to have no influence at all on the federal government still retaining the total amount. Our relief is with the Congress of the United States if we feel strongly about it. Meantime, it would seem to him to be fiscally irresponsible for us not to compromise our principles in a minor way and take advantage of whatever is legal and proper under the federal law. We have no emotional or intellectual affinity for the estate taxes.

Mr. Rusk asked what their thoughts would be as perceived by the general public that doesn't clearly understand the pick-up tax, wouldn't they be apt to see this as just another tax in line with all the others and when they vote on it, they would be apt to defeat it.

Mr. Munson responded that he agrees that if we were to go out in the street and do an inquiry with the first 50 people that came along, few of them would understand the federal credit. He added, however, if this session would act favorably on SJR-6 and refer it to the voters that we would have to rely very heavily on the media as a matter of public information to explain this. He does feel that the media has the responsibility to clear up these kinds of uncertainties. He feels there might be a tendency for people to think "well, they did it to us again", but he added that the people in Nevada have the right to make that choice.

Mr. Craddock reminded the committee members that in the process of putting together a tax package we assembled terrific amounts of information from around the country which indicated that 29 states have an inheritance tax; he is assuming that that is a state inheritance tax. 49 of the states have an estate tax; 29 of the 49 have an inheritance tax. The thing we don't want is an inheritance tax but what we do want is an estate tax credit so we can join in with the other 49 for the sole purpose of recovering from the federal government, the amount of money that they take from the estate of people who die - that is the "federal credit". We have been discussing the possibility of making an appropriation into the education community from this money. He added that we should continue with further review of the resolution and the accompanying suggestion for providing funding for education.

Mr. Munson pointed out that this resolution has already been through three-quarters of the legislative process so if the electorate were

to act favorably, the 1983 legislature would have an opportunity to determine what, where, and how to distribute the proceeds and, it could very possibly be, that they would set those revenues aside for educational funding.

Acting Chairman Steve Coulter stated that the Committee's Standing Rules call for a 2/3s majority vote in order to reconsider previous action - that is 7 members must vote in favor in order to bring the resolution back for further consideration.

Testifying next was Mr. Bob Cashill who spoke in favor of revitalizing the SJR-6 of the 60th Session. He explained that he was in the gaming business and also Chairman of the Board of Regents, University system and he is aware of the shortages of income in the state. He feels this is a pick-up tax and one that we can educate the people on, that we are getting the money back from the federal government and not taking it away from them. He feels we should bring that money back and use it to our benefit in the state. In speaking to the suggestion of Mr. Craddock to use the money for education, he suggested we set this money up in an endowment fund for distributive education and higher education and, in the event the estate credit is repealed by the federal government, this could amount to a considerable one-shot amount that would relieve the General Fund of a lot of pressure. He agreed with the comments made by Mr. Munson that he, along with a lot of other Nevada residents, would much rather leave their money with Nevada than with the federal government. He added that he is expressing the views of several other people in the gaming industry as well as his own.

He testified further that although he supports SJR-6 of the 60th Session, he opposes AJR-38.

Mr. Rusk asked Mr. Cashill if he felt it was good politics to earmark funds rather than letting them go into the general fund wherever the need is.

Mr. Cashill responded that you would end up with the concern expressed by Mr. Brady that if you let it go into the general fund and all of a sudden that source dries up, you've got to go out and start looking at increasing taxes. We are all of the nature that once we get something we hate to turn loose of it. He stated he can see this fund growing, with the present interest rates and with the return of your monies from estates, it could be fantastic and relieve a lot of pressure on education or other state-funded areas. That money could free-up money from the General Fund and could be used for education in many areas, such as programs, different types of classes, doctorate degrees, research and also in the distributive education in the school programs, etc. He added that we are so understaffed in the public schools that it could alleviate some of those problems. Even a one-shot allocation would help eliminate

having to go to the general fund and by establishing an endowment fund, you would be getting about 17% interest on the money and it would be growing each year.

Mr. Jerry Higgins, Gaming Industry Association, addressed the committee and apologized for not having representatives here when this matter was heard the first time. They are asking the committee to resurrect this SJR-6 of the 60th Session only for another hearing - he emphasized that they are not asking for a vote today but simply a rehearing. He feels if they are allowed to have that rehearing, they can produce positive information that would demonstrate the need for the passage and approval of this measure.

Mr. Brady asked if it would be possible to earmark the funds for education and limit it to that, so people will know where it's going to go. If the federal government does away with that tax, we wouldn't have to make it up somewhere so it would have no impact on the state funding. He stated however, that he was not in favor of resurrecting the resolution with the money simply going into the state coffers.

Mr. Higgins explained that, to his knowledge, this would take a positive act by the state legislature, if the voters approve it, to establish what would be done with the funds.

Chairman Coulter pointed out that, if we change the wording of the resolution at all, the whole process would have to start all over again; any earmarking of funds would have to be done by a bill or some other legislative process as the resolution SJR-6 of the 60th Session cannot be changed if we intend to pass it.

Mr. Stewart reminded the committee that one of the things we did with the constitutional amendment, regarding the taxes on food in restaurants, was to pass the bill out of this committee, which we did last meetings, saying that if the people voted in favor of that constitutional amendment, that bill would be contingent upon passage and approval by the voters, and would become effective January 1st of the year following the vote. He feels it would be possible for us to pass a bill contingent upon the passage of SJR-6 of the 60th Session that would earmark those funds for education and, it could also be effective January 1st.

Speaking next was Mr. Robbins Cahill representing the Nevada Resort Association, who reiterated some of the comments heard previously. He reminded the committee members that this measure has gone through three of the hurdles in the session and this is the last one. He stated that no one knows what we will be up against two years from now; we may have problems that will make these look real small by comparison. By defeating SJR of the 60th Session, you will have exhausted all your possibilities regarding obtaining these funds and you will have to go through it all again. He feels it is short-

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sighted to burn our bridges behind us by killing a measure that has gone so far through the process and would soon be passed on the people of the state to vote on.

Mr. Craddock stated, again, he would be interested in rehearing this resolution and requested a ruling on suspending the rules of this committee for a motion authorizing resurrection of the resolution. There was considerable discussion surrounding the proper method to use in suspending the rules under the committee's standing rules and/or Mason's Manual.

Mr. Brady then asked if it would be possible for us to have a bill come out of this committee relating to this amendment stating that the money would be earmarked for education, and let it go through both houses and if it passes, have a vote for resurrecting SJR-6.

After general discussion, a motion was made by Mr. Brady that we have a bill drafted right away dealing with this amendment earmarking that money for education with the funds put into an endowment fund and, working on the interest, to be used for education; motion seconded by Mr. Stewart.

Mr. Rusk questioned whether one session of the legislature could tie up another session of the legislature by earmarking funds and he suggested we ask Mr. Daykin to give us an opinion on that. Or, the alternative would be to go ahead and vote for reconsideration which the action would be to simply allow us to have another hearing on SJR-6 of the 60th Session. He added that he feels it is irresponsible to request a bill be drafted predicated on something that may not happen.

The motion failed.

Mrs. Westall then moved to vote to reconsider SJR-6 of the 60th Session for the purpose of holding a public hearing and request a bill be drafted earmarking funds for an endowment fund for education; motion carried by Mr. Craddock.

Mr. Brady reiterated his concerns that when this gets back into the Senate they can distribute the money into any funds they want. He personally still feels that the fund should be earmarked, which could be accomplished by a new bill.

Mr. Stewart agreed with the concerns expressed by Mr. Brady but added that he feels we are going to have problems with a bill that proposes to earmark funds on a constitutional amendment that has been killed. The bill would probably be ruled out of order because what it proposes to earmark is non-existent and has already been killed by this committee. He added that he is supportive of putting that money

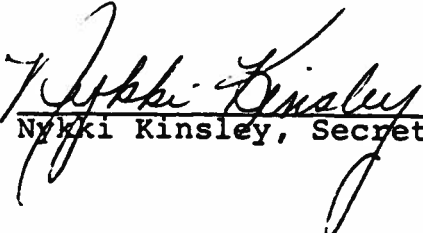
into the school and if we can get that bill drafted, that is the way we ought to go and will probably be the only way we could get it through a vote of the citizens of Nevada.

On the motion, voting aye was: Messrs. Brady, Craddock, Marvel, Rusk, Stewart, Mr. Coulter and Mrs. Westall. Voting "Nay" was Messrs. Bergevin, and May and Mrs. Cafferata. Absent not voting was Mr. Price. Vote on the motion was 7 aye, 3 nay and 1 absent. Motion carried.

Chairman Coulter then appointed Mr. Stewart and Mr. Brady to work with the bill drafter's office to get a bill drafted as quickly as possible to accomplish the intent of the committee. He stated further we will hear further testimony on both SJR-6 of the 60 Session and AJR-38 at a later date.

There being no further business, the meeting was adjourned.

Respectfully submitted,


Nikki Kinsley, Secretary

