

MEMBERS PRESENT: Chairman May
Vice Chairman Coulter
Mr. Bergevin
Mr. Brady
Mrs. Cafferata
Mr. Marvel
Mr. Price
Mr. Rusk
Mr. Stewart

MEMBERS ABSENT: Mr. Craddock (excused)
Mrs. Westall (excused)

STAFF PRESENT: Dan Miles, Deputy Fiscal Analyst

GUESTS PRESENT: Please see attached Guest List.

Chairman May called the meeting to order at 1:35 p.m. in Room 240.

AB 522 Clarifies application of use tax provisions to mail-order sales.

Fred Davis, Greater Reno-Sparks Chamber of Commerce and the Nevada Chamber of Commerce Association, stated his group was here in opposition to the bill as written but not necessarily against the concept of the bill. He said they understand the bill is an attempt to capture the sales tax for mail-order houses which reside out of the State of Nevada which are doing sales inside the state. He said they support this idea but felt it was a very difficult task and maybe could not be done.

Mr. Davis said there is a serious reservation as to amending Chapter 372 because that part of the bill, Section 2, came into being by referendum and must be amended by referendum.

He said another point is that other than in the summary of the bill, no mention is made of mail-order houses. He said that a lot has been done to attract certain kinds of related businesses to our area and many have come because local and state governments elsewhere saw fit to tax them out of existence, to legislate them out of existence, to create regulations which were not compatible with their business and to force other kinds of regulations on them. He said we should be careful to not do the same.

Mr. Davis said he feels there was no consultation with the industry representatives with regard to the broad implications of the bill.

Mr. Davis introduced several people in the audience in his group: Mike McCabe who represents Ted Herman who has in excess of one million square feet of warehousing in the state. Frank Bender whose father was the author of the Free Port Warehouse Law in the State of Nevada who operates a half million square feet of warehousing space. John Dermody who is a substantial warehouse owner and one of the major developers in the Greater Reno-Sparks area. Bob Pearce who represents Zellerbach; Russ Pearson who is here as the governmental

affairs representative for J. C. Penney Company; and he is accompanied by John Andrew, legal counsel, and also Bill McGovern who is the manager of the Catalog Distribution Facilities which is in the Greater Reno-Sparks area. Ed Parker, Specility Brands (Spice Islands) and Preston Q. Hale, who has been in the forefront of this group of people who created this diversification of the area.

Mr. Davis said the area of owner-operators of warehouses should be looked at also. He said many who own warehouses do not operate them.

Chairman May answered to several points Mr. Davis made. He said Chapter 372 was returned to the Legislature and no longer needs a referendum to amend. He also said he takes full responsibility for the industry representatives not being contacted. He said some of the wording changed during the bill's process since the original intent and they did not realize the extent that the warehousing industry was affected by the new wording.

John Dermody stated he was not an operator and so would not be affected but the operators in the buildings that he does own would be affected. He does not want to see those operators unnecessarily burdened.

Preston Hale, who is in the industrial development business in Reno, said he concurs with what has been said so far. He said that through the Free Port Law over a billion dollars worth of income business per year and 25-30 million square feet have been generated in Nevada. He said this is a clean and efficient industry and this bill would jeopardize this situation seriously. He said he sympathizes with the loss of income but said there must be another way to work this out with this industry.

Frank Bender, Bender Warehouse Company, said 99% of his business is interstate in nature. He said what they are attempting to do is already written into the Free Port Law; anyone that is registered under this law, if they ship any merchandise within the State of Nevada, has to report that sale monthly to the County Assessor. The Assessor then taxes them. He was concerned that the word "shipment" was not clearly defined.

Mr. Davis said two more would like to speak but all of the others mentioned above were available to answer questions.

John Andrew, Legal Counsel for the J. C. Penney Company, said there was a great lack of clarity of terms such as owner of warehouse, shipper, shipment, goods shipped. He said his most important concern is that they feel the bill is unnecessary as this is already in the law. He said his Catalog Supervisor told him today the bill would require they hire six extra people; without benefit to the state, the company or the Department of Taxation.

Ed Parker said his company, Specialty Brands (Spice Islands), is one of the companies that relocated from California for the tax advantages available here. He said they also would have to add

additional staff to report out-of-state shipments, which account for about 99.9% of their business. He said they have purchased ten acres for expansion and if this bill passes, they would have to reconsider.

Mr. Bergevin asked of Mr. Parker if they pre-collected sales tax for the State of Nevada and for other states as well. Mr. Parker answered yes.

There being no further testimony on AB 522, Mr. Bergevin moved INDEFINITELY POSTPONE, seconded by Mr. Brady.

Mr. Stewart expressed concern that there could be another area of the statutes that could be improved to collect these sales taxes that we are losing. Chairman May responded that this what came from the bill drafters after this request was made.

Mr. Marvel asked Mr. Nickson, Executive Director of the Department of Taxation, if he was aware of a way to do this. Mr. Nickson said he was not aware of a way and stated he was also concerned about this. He said the many catalog businesses that serve the people of Nevada cannot be made to collect sales tax for us according to recent Supreme Court decisions.

The motion carried unanimously with Mr. Craddock, Mrs. Westall and Mr. Rusk absent.

AB 258 Provides for submission to voters of amendments to Sales and Use Tax Law.

Chairman May said that Mrs. Westall was in charge of the subcommittee on this bill, but since she was ill today, maybe Mrs. Cafferata could let the committee know their feelings on this bill. She said that they generally agreed to leave it as it was now.

Orvis Reil, representing the National Retired Teachers Association and the American Association of Retired Persons, testified for this bill. His testimony is attached as EXHIBIT A.

Mr. Marvel asked if Mr. Miles could give the fiscal impact on this bill. He replied that the first half year its estimated \$377,000 and the first full year after that, \$829,000 in lost sales tax.

There was general discussion by the committee, discussing what was not exempt from sales tax.

Dennis Danforth, representing the Opticians Association, cleared up the point in that if you go to an Opthamologist who does his own dispensing or an Optometrist who does his own dispensing, they collect sales tax on the cost of materials. If you go to a Dispensing Optician, then you pay tax on the full retail cost.

Further action was postponed until tomorrow when Mrs. Westall will be here.

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AB 607 Increases rate of property tax assessment of certain property and decreases sales tax upon amendment of constitution to permit differential taxation of property.

Orvis Reil, NRTA and AARP, read from prepared testimony, attached as EXHIBIT B.

Mr. Rusk was concerned that Mr. Reil was addressing a different problem than AB 607 addressed. Mr. Reil said that he was concerned that AB 607 was not clear enough and that he brought up his problems to let the committee know that the bill did not address them. Mr. Rusk explained that this bill was to let future legislators know the current legislators' intent. There was much committee discussion as to what the bill's intent is and what future legislators could do with taxes. Mr. Bergevin and Mr. Marvel felt that the future was too uncertain to have a bill of this type pass.

Jim Lien addressed terms such as "taxable value" and "full cash value" and said maybe a companion bill was necessary. He said townhouses were not mentioned. He said there was a problem with both residential and commercial property, a business in someone's home. He asked how they would determine if it was owner occupied. He said there was a problem with the sunset clause on page 4 in that businesses would rely on budgeted sales tax income without knowing when it would be reduced to the lower figure.

Bob Warren, Executive Secretary to the Nevada Mining Association, said that they would not benefit from the reduced property because the rise in sales tax will more than offset their reduction. He said this is in addition to a 100% increase proposed in Net Proceeds to Mines tax under SJR 21. Now diesel fuel is being taxed for off-road use.

Mr. Marvel asked if the railroads would be taxed on diesel fuel also. Mr. Warren answered yes.

Mr. Rusk noted that compared to other states, our mining industry pays less taxes. Mr. Warren agreed and said that a single new mine or an expansion of a mine could pay more Net Proceeds tax than has been paid for the whole state. Mr. Warren further said that a report had overstated the taxes paid by as much as 100% in other states and had understated the taxes paid in Nevada by as much as 300%. Mr. Rusk asked if Mr. Nickson and Mr. Warren could sit down and discuss this information with him. Mr. Nickson said he disagreed with this information 100% and stands by the original report.

Carole Vilardo, Citizens for Private Enterprise, South, said they have no problem with trying to provide homeowner relief, but felt that this bill does not do that. She said this would be extremely detrimental to their efforts to attract new business to the Las Vegas area. She said there is no way anyone can determine what the next legislators will do. She said that the homeowner's percent should be lower and leave the rest of the categories in place, in tact.

John Eck, Southern Pacific Company, said this bill appears to be premature. He said they should at least wait until the total tax package is passed. He said the new tax on diesel fuel is a big concern to his industry. He said he was looking at a 76% increase in his taxes, not a decrease, from the package as he has seen it so far. He said he agrees with Mrs. Vilaro in leaving business at 35% and make a further reduction for homeowners.

There being no further testimony, Mr. Price moved NO FURTHER CONSIDERATION of AB 607, seconded by Mr. Marvel.

Mr. Rusk said the intent of the current legislators should be clearly defined. He said that business should pay a little more, not a lot more, in two years so that the sales tax could be cut back.

Mr. Brady said he concurs. He said increases will be used to increase spending, not for tax relief if their intentions are not made clear now. He said he would be for retrieving AJR 27 from the Secretary of State's office to be returned to this committee.

Chairman May said he would look into this for the committee. He said they should consider that the voters will let their feelings be known by who they vote for for the next Legislature.

Mr. Price said he thought there should be intent shown for both homeowners and business.

A roll call vote revealed 6 ayes and 3 no. Mr. Brady, Mr. Coulter and Mr. Rusk voting no. Mr. Craddock and Mrs. Westall absent.

Mr. Rusk said he would like to see another measure drafted to express their feelings.

Mr. Bergevin said that what has been passed so far, such as AJR 27, should be enough to show intent. He said you cannot legislate philosophy.

Mr. Rusk said more revenues will be generated in two years and it should be used to reduce sales tax. He said historically when that kind of a tax is increased, it never decreases.

Chairman May requested Mr. Price and Mr. Rusk to bring back a proposed measure tomorrow to the committee.

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

Assemblyman Redelsperger said the problem is that a broker will take a listing on a mobile home on real property as a unit. He said currently sales tax must be paid each time the mobile home is sold. He said a broker must go out to obtain a dealer's license to sell the unit and then get a license to collect the sales tax. He said an amendment should accompany AB 20 that once a mobile home is sold and placed on real property, that it be exempt from sales tax. (Committee Minutes)

Mr. Redelsperger said that the bill drafter has the information and could produce an amendment overnight if the committee so votes. It would basically state that once a mobile home is placed on real property and the two are to be sold as a unit, not the home moved from the property, that the unit would be exempt from sales taxes. He said 99% of the mobile homes purchased today are not moved, especially the double-wides. They are treated as residences and should not be taxed differently.

Linda Terry from Nevada Manufactured Housing Association said she concurs with what has been said. She said there is still a problem of someone moving a home after buying it as a unit, but that this bill is necessary.

Thelma Clark from Las Vegas said that it is very hard to buy a mobile home from a private individual, most people go through brokers and have to pay the sales tax.

Linda Terry said that was true. As the law now reads, an individual may sell one or two mobile homes a year without collecting sales tax, but a broker must collect sales tax on every sale.

Thelma Clark said it was further complicated by the large amount of paper work for an individual to complete when selling their mobile home. She said most individuals are not brave enough to try for this reason and go to a broker.

Ms. Terry said another problem was that a financed mobile home is owned by the bank and an individual owner does not have the right to sell the home without permission of the bank. Most individuals do not know this and sell anyway, which really complicates paperwork and tracing ownership. Buyers are not aware of second liens also, and selling mortgaged mobile homes is different than selling real property and the laws need to be changed as they are usually both real property.

Mr. Stewart said that houses are not taxed when sold a second time and mobile homes should not either.

Chairman May appointed Mr. Stewart, Mr. Bergevin and Mr. Brady as a subcommittee to bring back a proposed amendment tomorrow or next Monday.

The meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Dorothy Mobley,
Acting Committee Secretary

ASSEMBLY

AGENDA FOR COMMITTEE ON Taxation

Date Mon May 11 1981 Time 1:30 pm Room 240

Bills or Resolutions
to be considered

Subject

Counsel
requested*

ALL MEETINGS OF THE ASSEMBLY TAXATION COMMITTEE WILL BEGIN PROMPTLY AT 1:30 PM. PLEASE ARRANGE YOUR SCHEDULES ACCORDINGLY.

- A.B. 20- Provides for submission at next general election of question proposing refund of sales and use tax on certain mobile homes.
- A.B. 258- Provides for submission to voters of amendments to Sales and Use Tax Law.
- A.B. 522 - Clarifies application of use tax provisions to mail-order sales.
- A.B. 607 - Increases rate of property tax assessment of certain property and decreases sales tax upon amendment of constitution to permit differential taxation of property.

ASSEMBLY TAXATION COMMITTEE

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Date: May 11, 1981

GUEST LIST

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPE	
		FOR	AGAINST
FRED DAVIS	RENO - Cop C -		AB522
Ed Parker	Specialty Brands Inc		AB522
Jack Groy	New REP. WUSE		"
ROBT PEARCE	ZELLERBACH PAPER Co		AB522
Curtis Carter	QFHole & Assoc		AB522
John Dermody	John A Dermody Inc		AB522
Mike McClure	Pacific Freepart Group		AB522
Frank Bender	Bender Warehouse Co		AB522
Thuss Pearson	JC Penney Co, Inc.		AB522
John A. Andrews	JC Penney Co		AB522
Bill McEwen	JC Penney Co		AB522
CHUCK KING	CEN TEL		AB605
Curtis Carter	Anaconda Copper Co.		
Dennis Darforth	optician	AB-258	
John Eck	SOUTHERN PACIFIC Co.		
Roy Nickson	D.P. Dept of TAXATION		

Until the fall of 1976, I did not realize how much my hearing had failed. Up until then, my family and friends speaking to me spoke louder than normal. But finally my family convinced me to have a hearing test. Then I realized that I was missing a lot of things I should be hearing -- even to music and natural sounds heard by most people.

I have been told that one out of five adults have hearing problems. 15.5 million Americans have hearing problems. It is a problem of all groups of people. For years, children going to school and in other activities were thought to be mentally weak, when their problem was poor or lack of hearing. Other people and in particular elderly people, gradually lose their hearing. In fact, as a result, they misunderstand what is said at times because of partial loss of hearing.

I have been wearing glasses since 1929 and the total paid out on glasses since then for repair and replacements is much less than I have paid out on hearing aids and accessories.

The original hearing aid I bought on August 12, 1976 (\$383.13) and the pair I bought on January 12, 1979 (\$630.07) for a total cost of \$1,013.20.

I do not have a complete cost of batteries. But since June 5, 1979, I have bought nearly 200 batteries and they cost between 55 cents and 60 cents each. The tax was about 2 cents each and is now about 3.5 cents each.

The hearing aids have the essential case and electronic parts but do not have any decorations like some glasses or other devices that make a wide range of prices for the same type or quality aid.

The money I have talked about, to some of you, doesn't sound like much, but when you are financially poor it is. I am not talking about poverty level, but simply poor, somethings are done without. I am speaking of times of experience I knew first hand over a half century ago.

Glasses could be put in the same category and exempted from sales tax if terminology could be defined to cover glasses so as to include the necessary lenses and a sturdy and utility type frame. At least to eliminate the excessively decorated frames. A basic priced unit only.

HEARING OF THE ASSEMBLY COMMITTEE ON TAXATION in ROOM 240 May 11, 1981 at 1:30 P.M.

A.B. 607- Exactly what the intent of the bill is other than training programs for county Assessors is not clear to me. Line 5 on page one would make it possible to change the assessed value from a set 35 percent; it could be raised or lowered. Then on page two lines 23, 24, and 25 freezes the assessed value at 35 percent of the full cash value on "residential property"; Lines 26 and 27 allows a fluctuation of a value below, the same value, or above that value for other properties. In most cases or at least in numerous cases the other properties are owned or controlled by persons ^{who} ~~that~~ can afford to be represented by legal counsel; numerous elderly person cannot.

In numerous cases where the taxes on a large business, a utility, gaming or hotel-they get reductions by opposing the increase.

The law as written will not solve the problem of assessing all "residential property" on an equal basis. When considered as "residential property" as defined by A.B. 607 "Residential property" is limited to a single family dwelling, condominium or mobile home occupied by its owner.

I have selected five properties, that meet the definition. The five properties were selected because I know they were owned the entire period of time I am using for comparison by the same owner, and have been occupied by the same owner for the entire time. The comparison is only on the land values. Three have always, since zoning was established, been zoned R-1, the fourth was rezoned from R-1 to R-2 during the time, and the fifth was rezoned three times during the time; from R-1 to R-2; From R-2 to R-3; and from R-3 to R-4. Each time the zone changed the appraised value has been increased which automatically increased the assessed value more than the properties remaining R-1. A.B. 607 will still require the uneven increases to continue.

In the two blocks in the northeast part of urban Carson City where the properties have been rezoned, there is a structure with 4 apartments that was built prior to zoning. There are no offices, however eight lots were rezoned 3 times against the wishes of the owners of the lots. One of the properties has been sold recently, the owner has been ⁸⁰⁶ in a

hospital or nursing home since August 1979.

I believe the law should be changed that the assessment under the circumstances don't change because of rezoning but be based on useage. At least as long as the residential property stays in the same ownership. In fact I believe the appraised value should be rolled back and based on the useage that existed for the property when the owner acquired the property.

My property which is two of the eight lots that has gone through the previously mentioned series of three zoning changes reflects the following valuation changes. I bought one lot in 1939 for \$75 and the other later for \$85. The two lots as a unit are now appraised at \$53,481 or 334 times what I paid for them. The assessed value is 117 times what I paid for them. I have owned the property a great deal longer than 25 years but will use the past 25 years to compare the five properties on which I have data..

There were 8 reassessments made during the 25 years on each of the properties and the increase on all five properties was within 100 percent of the same increase from the year 1956-57 to the year 1957-68, but, then the zoning changes began to seriously effect the appraised values and in turn the assessed values. The property zoned R0 increased by over 3300 percent. The property zoned R*2 had increased by over 2800 percent. The properties zoned R-1 had increased by a little ^{over} 1,000 percent to a little over 1800 percent in the 25 years.

From 1867-68 to 1980-81 the asessed value on the R0 property had increased by over 1200 percent; the R-2 property had increased by over 1000 percent; the R-1 properties had increased from 200 percent to 700 percent.

Reviewing the various tax bills that have been introduced, relating to assessed values, and there has been at least thirteen. Senate Bill 89 contains some text that if passed might solve the problem that I have tried to show that is in existance.

Lines 28 to 40 on page 2 of the third reprint of that bill reads as follows:-
"Sec. 2.6. The owner of any property who believes that the full cash value of his property is less than 75 percent of the taxable value computed for the property in the current ⁸⁵⁷

assessment year, may, before January 1 of the fiscal year in which the assessment was made, request the county assessor to review his assessment of the property. If the county assessor finds from his own examination that the full cash value of the property is less than 75 percent of the taxable value computed for the property, the county assessor shall adjust the factors applied to the property pursuant to NRS 361.227, particularly the rate of depreciation, to make the taxable value of the property correspond as closely as possible to its full cash value". 2. No review conducted under this section may result in an increase in the taxable value of the property by the county assessor.

Lines 41 and 42 of page 3 and lines 10 to 14 on page 4 reads as follows:-

"361.227 1. Any person determining the taxable value of real property shall appraise:

(a) The full cash value of the land for the use to which it is being put. (b) Any improvements made on the land by subtracting from the cost of replacement of the improvements all applicable depreciation and obsolescence."