

Chairman May called the meeting of the Assembly Committee on Taxation to order at 3:00 p.m.

MEMBERS PRESENT: Mr. May
Mr. Coulter
Mr. Bergevin
Mrs. Cafferata
Mr. Craddock
Mr. Marvel
Mr. Price
Mr. Stewart
Mr. Rusk
Mrs. Westall

MEMBERS ABSENT: Mr. Brady

GUESTS PRESENT: Senator Keith Ashworth
Senator William Raggio
Assemblyman Don Mello

Please see attached guest register for additional guests present.

AB 701 - Increases taxes on motor vehicle fuel and special fuel.

The following is a summary of the bill as prepared by Fiscal Analyst Dan Miles:

AB 701 would increase the tax on motor vehicle fuels (gas) and special fuels for the purpose of providing sufficient funds for critical highway and road maintenance functions. The increase in the tax is as follows:

	<u>Existing</u>	<u>7/1/81</u>	<u>7/1/82</u>	<u>7/1/83</u>
Motor Vehicle Fuel (gas):				
State	4.5¢	8.5¢	10.0¢	11.0¢
Counties	.5¢	1.0¢	1.25¢	1.25¢
City/County	<u>1.0¢</u>	<u>1.5¢</u>	<u>1.75¢</u>	<u>1.75¢</u>
Total	6.0¢	11.0¢	13.0¢	14.0¢
Special Fuels (diesel)	6.0¢	11.0¢	13.0¢	14.0¢

In addition, the bill provides that the Regional Transportation Gas Tax may be increased from 2¢ to up to 4¢ after approval by a vote of the people.

The new tax revenues for the state are intended to fund, along with fee increases in SB 262 and SB 477, the Department of Transportation's 12-year maintenance program. The D.O.T. has identified 570 miles of highways in need of overlay and 596 miles of badly deteriorated roadway in need of reconstruction. In response to this need, the Department has created a plan which allows them the opportunity to bring these miles of roadway back up to standard in 12 years provided funding is made available. The bill also requires the Director of D.O.T. to report to each legislature the progress on the 12-year plan.

Mr. May briefed the committee on this bill by explaining that this is a new bill that grew out of the Senate's "sliding scale" gas tax. That bill first went to Transportation, who did not agree with the bill, and they then introduced AB 701, which places a new flat tax on gasoline and exempts therefrom a portion of gasohol.

The bill was passed out of the Transportation Committee last evening with a concurrent referral and it then came to our committee. Anticipating that we would have to meet with the Senate, they took the liberty of holding a meeting with Mr. May, Mr. Mello, Mr. Prengaman and Mr. Price (from the Transportation Committee) and with Senators Keith Ashworth, Raggio and Kosinski.

The Amendment No. 1598 (attached as Exhibit I) was a result of that meeting. They agreed that if we adopt this amendment and send it back to the Senate, they would pass the bill in its amended form.

He then introduced Mr. Al Stone, Director of the Department of Transportation and asked for his comments. Mr. Stone stated he was testifying in support of the bill, with the proposed amendment. He distributed copies of Exhibits II and III, which are tables titled, "Increased Revenue Only" and the "Gas Tax" projections under AB 701.

He reiterated some of the previous testimony given on their \$227 million backlog with no inflation, no deterioration of the highways and at a rate of 17.5¢, it would take two sessions of the legislature before they could cost effectively spend the money on preserving the highways. The department has built in its 12-year plan, a 12% inflationary factor; although in the type of construction and maintenance they do, over the last 10 years they have averaged between 15 and 20% each year. The revenue increases (shown in Exhibit II) give a slight increase the first couple of years and gives us a headstart on the 12-year program to preserve the existing highway system.

This amendment would take somewhere between 1985 and 1986 in our 12-year program before inflation and the cost of oil and oil products would bring us back to the legislature to ask for additional revenues. He is in complete support of the proposed amendment.

Mr. May explained that the bill reads 6.5¢ right now with one-half going to the state. He then asked Mr. Price to explain what had come out of the meeting of the Transportation Committee and their suggested amendments.

Mr. Price called attention to the reports distributed and explained that when they got the bill they held a joint conference between their committee and Taxation, and at that joint conference they agreed with the figures on the report under the column titled, "Amendment". That was, at the beginning

of the fiscal year (July 1) we would raise the state's share to 8 cents, counties to 1 cent and the city-county to $\frac{1}{2}$ of a cent for a total of 10 $\frac{1}{2}$ cents. Next year they would add to each of those categories going to 12 cents. It was their understanding from the Director of Transportation that \$47,000 would be sufficient for the first two years of the total 12-year program. A lot of people think that all of the money which goes into the road fund (which is where this money goes) is, in fact, going to be used for roads and that is not true. The money goes into the road fund, but the two money committees of the legislature actually handle the budgeting. The Director of the Department of Motor Vehicles has some input, but some of the money is used for other purposes. The Senate had designated in their original bill that all the money starting from 4.5 cents up to today's existing tax goes to the state, but any additional taxes would be designated to an account in the road fund that would only be used for resurfacing and taking care of the highways. They took that off at that point because they were under the impression that it would give Mr. Stone broader authority, but they later learned that other people have some say-so about the money. That will be the subject of another amendment he intends to propose.

It was also their understanding that the \$46,000 would be sufficient for the time being, and the next session of the legislature could take another look at the funding for the Department of Transportation.

When they took the Conference Report to the Transportation Committee, it was suggested that we should come down one cent so we would have some bargaining power. They amended the bill down to the column on the Exhibit III that says, "AB 701" and last night the informal committee between the Assembly and Senate came up with the figures that are called "Conference" on the Exhibit III, so you have three sets.

Mr. May stated he did not see in this amendment the specific provision they discussed that only gasohol manufactured in the State of Nevada is included in the exemption. If it isn't, it should be included.

Mrs. Cafferata brought up a question she has on Page 6 regarding not requiring a vote of the people on increasing the tax on Regional Transportation funding. Mr. May explained that is an option in lieu of imposing the tax wherein the board may submit the question to the registered voters at the next election. That is, from the existing 2 cents with an increase not to exceed 4 cents per gallon for Regional Transportation. Right now Washoe has 2 cents, Clark has 2 cents and a couple of other counties have a small amount. Mrs. Cafferata explained further that the voters in Washoe County turned down one of these increases recently and she feels this puts the Washoe County delegation in a bad spot. This feeling was concurred in by Mr. Rusk. Mr. May pointed out that he was much more

concerned about the gas taxes that are so necessary to keep the highways of the state improved. He added that this is optional this way. Mrs. Cafferata emphasized that she cannot support the amendment without a vote of the people and was advised by Mr. May that she could request a separate amendment that would take care of her concern and we could hold the bill until one is prepared.

Mr. Bergevin asked if we are indicating that the 1 cent increase in 1983 is triggered only by an increase in gasoline and asked for someone to point out where that provision is in the bill. Senator Ashworth stated he did not recall discussion on a triggering mechanism and feels we just said "11-13 and 14 in the third year."

Mr. Mello pointed out that the reason they dropped the trigger when they went to the 14 cents on the third year was so the next session of the legislature would not have to raise the gasoline tax in that session. Mr. May added that this would probably carry over to 1985 or 1986 before we would have to come back and ask for more money without a trigger. Mr. Mello agreed, adding that they had talked about a trigger in the second year and third, but they were dropped.

There being no further testimony, Mr. Craddock moved to adopt Amendment No. 1598; motion seconded by Mr. Stewart. Mr. Craddock pointed out that the only real problem he has is that he thinks the 10 cent reduction of taxes as relates to alcohol is inordinately wrong and he doesn't feel it will bring about the effects we need at this point in time.

Mr. Coulter asked Mr. Stone about the amount of money that is needed by his department to maintain the highways and asked if the amendment that is being considered is essentially what he will need to get the job done for the first two years. Mr. Stone responded that to accomplish the 12-year program they would need \$29.5 million per year. Mr. Price asked if the \$46 million, the approximate figure he said he needed from gas tax, would get him on a workable program for the first two years. Mr. Stone responded that it was one-quarter of a penny short, which is 25% of roughly \$5.5 million; one penny is worth \$5.5 million. They will be approximately \$1.5 million short, as they would need \$47 million in flat fees for the next two years.

Mr. Mello pointed out that he was not in favor of raising the tax as high as is being proposed, but it was a compromise. We are about 20 years behind in this state because we have had governors in the past that have said if we pass a gasoline tax, they will defeat it. There is no reason why Mr. Stone cannot expedite his 12-year program if we bring more money in. We may be able to upgrade our highways for the people of this state before 12 years if there is sufficient monies coming in. He feels that is what we should be looking at.

Senator Ashworth echoed the comments of Mr. Mello and added that has been the position of both the Taxation and Transportation Committees of the Senate. He feels if we are trying to keep the Department of Transportation down as low as you can, don't give them anything. The argument that he hears is how little can we get by with giving him for us to get by. He feels we should be realistic and determine whether we need to fix these roads in the state or if we are going to be penny-pinching and let them deteriorate to the point of no return. He suggested we should "bite the bullet" once instead of having to do this every year. We have got to recognize the fact, as Mr. Mello pointed out, that we are 20 years behind with our roads.

Senator Raggio stated that the informal committee had really struggled to work up to these amounts, but it was to insure that the 12-year plan would get a good start. They wanted some assurance that if there are working variables, if the cost of gasoline would rise, the cost of asphalt would increase beyond what we are projecting, that there would be some insurance and some flexibility in the program. Now if the price goes up so high that the sales go down in gallonage, we are going to be in trouble again. We want to be sure that that doesn't happen. However, we also wanted to be sure that we wouldn't have a big argument unnecessarily the third year and get into the election time campaigning with gubernatorial candidates on both sides of the fence saying, "I'm not going to raise taxes", and get that measure defused. They want to make sure this 12-year program gets off the ground.

Mr. May explained that this bill was referred concurrently to Transportation and Taxation. This is the first time Taxation has had a chance to hear it, but he is hoping the committee will adopt the amendment worked out by the informal conference committee.

Mrs. Westall asked if this committee had given any thought to resurrecting the sliding scale and simply putting a lower cap on and was advised in the negative. She feels that might be a better way to go than what we are doing.

A vote was taken on the motion to adopt Amendment No. 1598 with the motion being carried by a vote of 7 to 3 with one absent/not voting. Voting aye were Messrs. Bergevin, Craddock, Marvel, Rusk, Stewart, Westall and May. Voting nay were Mrs. Cafferata, Messrs. Price and Coulter.

Mrs. Cafferata then moved to delete Lines 30, 31 and 32 on Page 5, Section 3 and restore the original language in lines 23 through 28, which would mandate a vote of the people for additional money for those counties that have Regional Transportation; seconded by Mr. Rusk.

Mr. May repeated the intent of the motion, that is, to delete the provision that allows this to be adopted by county ordinance without a vote of the people, which is presently a 2¢ limitation. Now it reads, "not to exceed 4¢ a gallon." The motion passed by a vote of 7 to 2. Voting nay were Messrs. Craddock and May. Not voting was Mrs. Westall and Mr. Brady was absent/not voting.

Mr. Price then introduced a motion to adopt Amendment No. 1600, which would take the increase in taxes, that is, the difference between the amount per gallon credited to the highway fund and 4.5 cents per gallon, and place it in an account for the resurfacing of the system of highways maintained by the state. That is the same language that came over from the Senate and what it does is says that the increased taxes that we are coming up with now would have to be used for the resurfacing of the highways, etc., and could not be used for any other purpose. The motion was seconded by Mr. Rusk, and discussion followed indicating that many of the members were not in favor of this as it would, in essence, be earmarking funds.

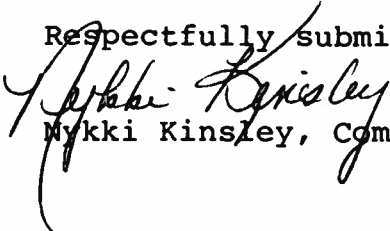
Mr. Mello pointed out that this amendment would be totally out of order as you are saying that these funds will be earmarked until next session and you already know that. If this goes into the law, the money committees will have to repeal it next session as they have to set the priorities. The money committees set the priority as far as expenditures are concerned. Now this committee is trying to set the priorities over and above the authority of the money committees. We are trying to say that these funds are earmarked for highway construction until next session.

There was no further discussion and the motion failed on a vote of 2 to 8. Voting nay were Messrs. Bergevin, Craddock, Marvel, Stewart, Coulter and May and Mrs. Westall and Mrs. Cafferata. Voting aye were Messrs. Price and Rusk, with Mr. Brady absent/not voting.

A motion was then made by Mr. Bergevin to "Do Pass as Amended" with the two amendments previously adopted; seconded by Mr. Marvel and carried by a vote of 7 to 2. Voting nay were Mrs. Cafferata and Mr. Coulter, with Mrs. Westall not voting and Mr. Brady absent/not voting.

There being no further business, the meeting was adjourned.

Respectfully submitted,


Nykki Kinsley, Committee Secretary

ASSEMBLY TAXATION COMMITTEE

Date:

June 3, 1981

GUEST LIST

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BI.
Bill Macdonald	Amboldt County & Assn of Counties			
Al Stone	Nevada DOT			
B. J. Smith	AAA			
VIRGIL P. ANDERSON	AAA			

1981 REGULAR SESSION (61st)

ASSEMBLY ACTION	SENATE ACTIONAssembly.....	AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to.....Assembly.....	
Lost <input type="checkbox"/>	Lost <input type="checkbox"/> Joint	
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>	Bill No.701.....Resolution No.
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>	BDR.....32-2136.....	
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>	Proposed by.....Committee on Transportation.....	
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>		
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>		
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>		

Amendment No. 1598

Conflicts with Amendment No. 1599.
Consistent with Amendment No. 1600.

Amend sec. 2, page 1, line 15, by deleting "Four and one-half" and inserting "Eight".

Amend sec. 2, page 1, line 17, by deleting "Seven and one-half" and inserting:

"Eight and one-half".

Amend sec. 3, page 2, line 28, by deleting "Four and one-half" and inserting:

"[Eight] Nine and one-half".

Amend sec. 3, page 2, line 30 by deleting "[Seven and one-half] Eight" and inserting:

"[Eight and one half] Ten".

Amend the bill as a whole by adding a new section designated section 3.5, following section 3 to read as follows:

"Sec. 3.5. NRS 365.170 is hereby amended to read as follows:

365.170 1. Every dealer shall, not later than the 15th day of each calendar month:

(a) Render to the department a statement of all motor vehicle fuel sold, distributed or used by him in the State of Nevada, as well as all motor vehicle fuel sold, distributed or used in this state by a purchaser thereof upon which sale, distribution or use the dealer has assumed liability for the tax thereon under NRS 365.020, during the preceding calendar month; and

(b) Pay an excise tax of:

(1) [Nine and one-half] Ten and one-half cents per gallon on petroleum-ethanol mixture; or

(2) [Ten] Eleven cents per gallon on all other motor vehicle fuel.

To: E & E
LCB File
Journal
Engrossment
Bill

Drafted by.....FWD:ss

Date: 6-23-81

1124
Exhibit I

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so sold, distributed or used, in the manner and within the time prescribed in this chapter.

2. The department for good cause may extend for not to exceed 30 days the time for making any report or return required under this chapter. The extension may be granted at any time if:

(a) A request therefor has been filed with the department within or before the period for which the extension may be granted; and

(b) A remittance of the estimated tax is made when due.

Any dealer to whom an extension is granted shall pay, in addition to any delinquent tax due, interest at the rate of one-half of 1 percent per month, or fraction thereof, from the date on which the tax would have been due without the extension to the date of payment.

3. Any report, return, remittance to cover a payment or claim for credit or refund required by this chapter which is transmitted through the United States mail shall be deemed filed or received by the department on the date shown by the post office cancellation mark stamped upon the envelope containing it, or on the date it was mailed if proof satisfactory to the department establishes that the document or remittance was timely deposited in the United States mail properly addressed to the department.

Amend sec. 4, page 3, line 4, by deleting "One-half" and inserting "One".

Amend sec. 4, page 3, line 5, by deleting "Three-quarters" and inserting "One".

Amend sec. 5, page 3, line 13, by deleting "One-half" and inserting "One".

Amend sec. 5, page 3, line 14, by deleting "One cent" and inserting "One and one-quarter cents".

Amend sec. 6, page 3, line 23 by deleting "One cent" and inserting "One and one-half cents".

Amend sec. 6, page 3, line 24, by deleting "One and one-quarter" and inserting:
"One and one-half".

Amend sec. 7, page 3, line 42 by deleting "One cent" and inserting "One and one-half cents".

Amend sec. 7, page 3, line 43, by deleting "[One and one-quarter] One and one-half" and inserting:
"[One and one-half] One and three-quarters".

Amend sec. 9, page 5, line 13, by deleting "9.5" and inserting "11".

Amend sec. 10, page 5, line 16, by deleting "[9.5] 10.5" and inserting "[11] 13".

Amend the bill as a whole by adding a new section designated section 10.5, following sec. 10, to read as follows:

"Sec. 10.5. NRS 366.190 is hereby amended to read as follows:
366.190 A tax is hereby imposed at the rate of (13) 14 cents
per gallon on the sale or use of special fuels."

Amend sec. 13, page 5, by inserting between lines 45 and 46:

"2. Sections 3.5 and 10.5 of this act shall become effective
on July 1, 1983."

Amend sec. 13, page 5, line 46 by deleting "2." and inserting
"3."

Amend sec. 13, page 5, line 48, by deleting "3." and inserting
"4."

Amend sec. 13, page 5, by inserting after line 49:

"5. Sections 3 and 10 of this act expire by limitation on July 1,
1983."

Amend the title of the bill, 1st line before "exempt-" by inserting
"partially".

INCREASED REVENUE ONLY

Total tax proposed by conference committee:

Motor Fuel	<u>Existing</u>	<u>7-1-81</u>	<u>7-1-82</u>	<u>7-1-83*</u>
State	4.5¢	8.5¢	10.0¢	11.0¢
Counties	0.5	1.0	1.25	1.25
Counties/Cities	<u>1.0</u>	<u>1.5</u>	<u>1.75</u>	<u>1.75</u>
TOTAL	6.0¢	11.0¢	13.0¢	14.0¢
Special Fuel	6.0¢	11.0¢	13.0¢	14.0¢

Additional Revenue Generated (based on \$4,688,000 for each 1¢ of motor fuel tax and \$829,000 for each 1¢ of special fuel tax).

<u>State</u>	<u>F.Y. 1982</u>	<u>F.Y. 1983</u>	<u>F.Y. 1984*</u>
Motor Fuel	18,752,000	25,784,000	30,472,000
Special Fuel	<u>4,145,000</u>	<u>5,803,000</u>	<u>6,632,000</u>
Sub-Total	22,897,000	31,587,000	37,104,000
SB 262	6,201,322	6,201,322	6,201,322
SB 477**	<u>953,478</u>	<u>1,906,956</u>	<u>1,906,956</u>
Sub-Total	7,154,800	8,108,278	8,108,278
TOTAL STATE	<u>30,051,800</u>	<u>39,695,278</u>	<u>45,212,278</u>

Local

Counties	2,344,000	3,516,000	3,516,000
Counties/Cities	2,344,000	3,516,000	3,516,000
RTC (optional 2¢)	<u>9,376,000</u>	<u>9,376,000</u>	<u>9,376,000</u>
TOTAL LOCAL	<u>14,064,000</u>	<u>16,408,000</u>	<u>16,408,000</u>

* 1¢ triggered only by increase in gasoline

** Does not become effective until 1-1-82.

Exhibit II 1127

1128
 8211
 J. S. ... III

GAS TAX

	<u>Existing</u>	<u>7-1-81 A.B. 701</u>	<u>7-1-81 Amend</u>	<u>7-1-81 Confer.</u>	<u>7-1-82 A.B. 701</u>	<u>7-1-82 Amend</u>	<u>7-1-82 Confer.</u>
Motor Fuel							
State	4.5¢	7.5¢	8.0¢	8.5¢	8¢	9.0¢	10.0¢
Counties	0.5¢	.75¢	1.0¢	1.0¢	1¢	1.25¢	1.25¢
Counties/Cities	1.0¢	1.25¢	1.5¢	1.5¢	1.5¢	1.75¢	1.75¢
Total	6.0¢	9.5¢	10.5¢	11¢	10.5¢	12¢	13¢
Special Fuel	6.0¢	9.5¢	10.5¢	11¢	10.5¢	12¢	13¢

STATE REVENUE

<u>A.B. 701</u>	\$16,965,000	\$20,138,500	\$37,104,000
<u>Amend</u>	\$20,138,500	\$26,070,000	\$46,208,500
<u>Confer.</u>	\$22,897,000	\$31,587,000	\$54,484,000