

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
January 29, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth at 2:18 p.m., Thursday, January 29, 1981, in Room 213 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator Keith Ashworth, Chairman
Senator Don Ashworth
Senator Virgil M. Getto
Senator James N. Kosinski
Senator William J. Raggio

COMMITTEE MEMBERS ABSENT:

Senator Norman D. Glaser, Vice Chairman
Senator Floyd R. Lamb

STAFF MEMBERS PRESENT:

Ed Shorr, Deputy Fiscal Analyst
Colleen Crum, Committee Secretary

The chairman asked for testimony on Senate Bill No. 9.

Mr. Don Hataway, City Manager of Carson City, stated that Carson City wanted to abolish the in-lieu of tax program, which was instituted in 1969 at Carson City's request. He termed the program "a thorn in the side" of both the city and the state because it has generated misunderstandings as to why the program exists. He stated that Senate Bill No. 48 addresses certain services that Carson City provides for the state and asks for reimbursement of those services. Regardless of the outcome on Senate Bill No. 48, Carson City still will want the abolishment of the in-lieu of tax program. He explained the services referred to in Senate Bill No. 48 were for abnormal type of activities, such as prison riots or prison escapes.

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Senator Don Ashworth asked why Carson City wanted to eliminate the in-lieu of tax program when it had generated up to \$22,000.00 per year in the past.

Mr. Hataway responded that, while the city does not like to lose any source of revenue, the controversy involved with the in-lieu of tax program has not made it worthwhile.

Senator Raggio asked what was the percent of state owned property in Carson City.

Mr. Hataway stated that the ratio of state-owned property is less than 10 percent.

Senator Raggio asked if Senate Bill No. 48 will provide for reimbursement for all counties.

Mr. Hataway answered that the bill has been drafted specifically for Carson City, but does have application if the legislature chooses to extend the concept to other areas.

Senator Don Ashworth pointed out that if Carson City is at the 10 percent level of state-owned property within its county, then it would not receive reimbursement under the existing law.

Mr. Hataway explained that receiving reimbursements under the in-lieu of tax program is cyclical, depending on when the state-owned property is re-assessed. He stated that the only reason Carson City re-assesses state-owned property every two years is to determine how much reimbursement is due the city.

Senator Getto observed that by approving Senate Bill No. 9 Carson City would save the expense of having to appraise state-owned property every two years.

The chairman asked for testimony on Senate Joint Resolution No. 3.

Senator Getto stated the only reason this amendment to the constitution was necessary was to head off Question No. 9 on the ballot last fall, which he considered a bad resolution. If Question No. 9 were to pass at the next election, the state

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would possibly lose \$20 million in revenue from the tourist and prepared food industries. Question No. 9 in particular leaves doubt as to which items were included and not included for exemption. Senate Joint Resolution No. 3 stipulates the items which are exempted and the items which are not exempted.

Senator Don Ashworth questioned the wording of "except prepared food intended for immediate consumption, from any tax upon the sale, storage, use or consumption of tangible personal property."

The chairman requested Mr. Frank W. Daykin, Legislative Counsel for the Legal Division of the Legislative Counsel Bureau, to explain the wording in this measure.

Mr. Daykin explained that the wording in question appears in the Sales and Use Tax Law, in the Local School Support Tax Law, and in the City-County Relief Tax Law. Because of the peculiarity that the Sales and Use Tax Law cannot be amended except by vote of the people, sales and use tax cannot be used as a generic term for all those statutes. The sales and use tax law imposes tax on the sale, storage, use and consumption of tangible personal property.

Senator Don Ashworth asked why the term "food for consumption" wasn't used instead of "consumption of tangible personal property" when the former was defined in the statute specifically.

Mr. Daykin explained that the law was saying, "exempt food for human consumption" from certain taxes. The taxes are then being described generically in the phrase "tax upon the sale, storage, use or consumption of tangible personal property."

Senator Raggio asked Mr. Daykin to explain the difference between Senate Joint Resolution No. 3 and Question No. 9.

Mr. Daykin explained there were two differences. Firstly, Senate Joint Resolution No. 3 adds the clause "except for food intended for immediate consumption." Secondly, in Senate Joint Resolution No. 3, "food for human consumption" does not include alcoholic beverages, pet foods, and tonics and vitamins. Question No. 9 was very simply drawn and it consisted basically

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of the first sentence of Senate Joint Resolution No. 3 without even the exception of food for human consumption.

The chairman asked for testimony on Senate Joint Resolution No. 19 of the 60th session. He explained this bill was passed in the last session of the legislature and must be passed during the present legislative session to become law.

Mr. Bob Loux, Administrator of the Research and Development Division of the State Department of Energy, stated that the Department of Energy supported this bill in the 1979 session and continues to urge passage of this bill.

Senator Kosinski stated he was confused by the language "or to encourage the conservation of energy." He asked Mr. Loux to explain specifically what would be exempted by use of this language.

Mr. Loux explained that materials and equipment that would be used in the conservation of energy, such as insulation and storm windows, would be exempted.

The minutes of the Senate Committee on Taxation for March 22, 1979, dealing with this subject was submitted. (See Exhibit C.)

Senator Getto asked if people could apply for this exemption of taxes if they build a new home using conservation methods which are not visible to the appraisers, such as extra heavy insulation.

Senator Don Ashworth stated he felt Senator Getto was confusing the exemptions stipulated in this bill with the federal income tax credit, which allows exemption of extra money spent by using conservation methods in building a new home. If the appraisers, however, assess a home at a higher value because of the energy conservation devices built into a home, then the exemption allowed in Senate Joint Resolution No. 19 of the 60th Session would apply. However, he did not feel the appraisers took that into consideration when assessing homes.

Mr. Gene Milligan, representing the Nevada Association of Realtors, explained that realtors are beginning to increase

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the selling prices of homes which have energy conservation features. He did not speak on the question of the bill.

Mr. Orvis E. Reil, a private citizen, stated that Senate Joint Resolution No. 19 of the 60th Session would encourage people to better insulate their homes to conserve energy.

The chairman closed the public hearings on the three bills scheduled on the agenda. The committee then discussed the issues of the three bills.

Senator Raggio suggested holding Senate Bill No. 9 until the committee had the opportunity to study Senate Bill No. 48.

The chairman asked Mr. Ed Shorr, Deputy Fiscal Analyst, how much the state would have to pay Carson City in the future under the in-lieu of tax program.

Mr. Shorr stated that, in the past, if a large amount of property within Carson City was not appraised and if all the state property was appraised, then the city would qualify to receive money under the in-lieu of tax program. Now that the city is reassessing property every two years, it is unlikely that they will qualify for the in-lieu of tax program in the near future.

Senator Raggio asked Mr. Shorr what payments, other than under the in-lieu of tax program, did Carson City receive from the state.

Mr. Shorr stated he would have to look into it and would report to the committee at a later date.

Senator Kosinski suggested re-referring Senate Bill No. 9 to the Senate Committee on Government Affairs, which will be hearing Senate Bill No. 48.

The chairman stated that unless there were any objections Senate Bill No. 9 would be held for future consideration. There were no objections and the bill was held.

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The chairman asked for discussion on Senate Joint Resolution No. 19 of the 60th Session.

Senator Don Ashworth moved that Senate Joint Resolution No. 19 of the 60th Session be approved.

Senator Getto seconded the motion.

The motion carried. (Senator Glaser and Senator Lamb were absent for the vote.)

The chairman asked for consideration of Senate Bill No. 9.

Senator Don Ashworth moved that Senate Bill No. 9 be approved.

Senator Getto seconded the motion.

The motion carried. (Senator Glaser and Senator Lamb were absent for the vote.)

In other business, Senator Kosinski stated that he had been asked to present the following Bill Draft Request for committee introduction:

★ BDR 32-478: Relating to taxation; providing for submission to the voters of the question whether the Sales and Use Tax Act of 1955 should be amended to provide exemptions from the tax for prosthetic devices and for ophthalmic devices furnished by dispensing opticians; contingently creating similar exemptions from certain analogous taxes; and providing other matters properly relating thereto.

The chairman asked if there were any objections to a committee introduction. No objections were heard and the bill will be introduced. The chairman stated a fiscal note will be requested on BDR 32-478.

Mr. Shorr presented an "Analysis of Selected State Revenue Sources" to the committee. (See Exhibit D.) He explained the report shows the replacement revenue required to make up for the .3 cent local school support tax.

★ (S.B. 162)

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There being no further business, the meeting adjourned at
3:09 p.m.

Respectfully submitted by:

Colleen Crum
Colleen Crum, Secretary

APPROVED BY:

Senator Keith Ashworth, Chairman

DATE: _____

SENATE AGENDA

EXHIBIT A

COMMITTEE MEETINGS

FIRST REVISION

Committee on TAXATION, Room 213.

Day Thursday, Date January 29, Time 2 p.m.

S. B. No. 9--Removes provision which allows counties to tax certain real estate belonging to the State of Nevada under certain conditions.

S. J. R. No. 3--Proposes constitutional amendment to provide for exemption of certain food from sales and use tax.

S. J. R. No. 19 of the 60th Session--Proposes constitutional amendment to permit exemption from property tax for conservation of energy by using nonfossil resources.

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON TAXATION

EXHIBIT B

DATE: January 29, 1981

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS	TELEPHONE
Bob Cox	[Faint handwritten text]	[Faint handwritten number]
[Faint handwritten name]	[Faint handwritten address]	997-5114
[Faint handwritten name]	[Faint handwritten address]	
Jack Reynolds	Intern #/ Sen Lamb	
[Faint handwritten name]	[Faint handwritten address]	
[Faint handwritten name]	[Faint handwritten address]	
MARVIN LEWITT	CITY OF LOS ANGELES	

EXHIBIT C

Minutes of the Nevada State Legislature

TAXATION

Senate Committee on _____
Date: Thursday 3/22/79
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A.J.R. 7

Mr. Frank Daykin, Legal Counsel, said that this appears to read for the conservation of energy using non-fossil resources, which means that a tax exemption would be allowed for a machine which more effectively uses alcohol made from grain as a motor fuel. Mr. Daykin also said that if this engine used alcohol made from grain instead of using gasoline, that would be termed as saving gasoline which isn't using a non-fossil resource, and wouldn't qualify for an exemption. Mr. Daykin added that this type of legislation gives the Counsel Bureau "nightmares", and he stated to Senator Dodge that he felt there wasn't any way to correct the language, and the best solution was to draft a new resolution.

Senator Raggio moved to rescind the Committee's previous action on A.J.R. 7 of "Do Pass", and "Indefinitely Postpone" the resolution.

Senator Kosinski seconded the motion.

ANALYSIS OF SELECTED
STATE REVENUE SOURCES

EXHIBIT D

	Rate Increase	FY 1981-82 Amount of Increase	FY 1982-83 Amount of Increase
<u>Gaming Taxes & Fees</u>			
Flat Fee - Restricted Slots			
\$30 increase (from \$100 to \$130)	30%	\$ 235,800	\$ 249,900
Fee for Nonrestricted Slots			
\$12 increase (from \$40 to \$52)	30%	845,000	910,000
Quarterly Fee for Games			
30% across the board increase	30%	1,650,000	1,800,000
*Annual Slot Tax (Federal)			
\$75 increase (from \$250 to \$325/yr.)	30%	7,385,000	8,123,000
Casino Entertainment Tax			
Increase (from 10% to 11%)	10%	2,000,000	2,150,000
Pari-mutuel Tax Increase (from 2% to 3%)	50%	125,000	125,000
<u>Liquor Tax</u>			
Tax on Each Gal. Beer			
Increase 2¢ (from 6¢/gal. to 8¢/gal)	33%	614,800	652,400
Beverages 1/2% to 14% Alcohol			
Increase 10¢ (from 30¢/gal. to 40¢/gal.)	33%	383,400	406,800
Beverages 14% to 22% Alcohol			
Increase 15¢ (from 50¢/gal. to 65¢/gal.)	30%	43,400	46,100
Beverages Over 22% Alcohol			
Increase 60¢ (from \$1.90/gal. to \$2.50/gal)	32%	2,854,500	3,029,400
<u>Insurance Premium Tax</u>			
Increase 10% (from 2% to 2.2%)	10%	1,355,100	1,502,800
<u>Racing Pari-mutuel (horses 3% - dogs 4%)</u>			
Add 1% (Increase to 4% and 5%)	25-30%	300,000	375,000
		<u>\$17,792,000</u>	<u>\$19,370,400</u>
Replacement Revenue Required for .3¢ Local School Support Tax		<u>\$18,488,646</u>	<u>\$21,845,238</u>

* This is not currently a general fund revenue

DISTRIBUTIVE SCHOOL FUND - Continued

	1979-80		1980-81		1981-82		1982-83	
	Actual	% of Change	Current Estimate	% of Change	Governor Recommends	% of Change	Governor Recommends	% of Change
Weighted Enrollment	\$ 144,087	1.0%	\$ 145,772	1.2%	\$ 147,229	1.0%	\$ 148,702	1.0%
Basic Support	1,252	8.0%	1,331	6.3%	1,449	8.9%	1,596	10.1%
Total Basic Support	\$180,397,174	11.8%	\$194,022,532	7.6%	\$213,334,821	9.9%	\$237,328,392	11.2%
Special Education*	12,420,000	12.0%	\$ 13,140,000	5.8%	\$ 14,508,000	10.4%	\$ 14,781,000	1.9%
Adult Diploma	936,005	4.8%	1,104,730	18.0%	1,086,750	(1.6%)	1,197,000	10.1%
30% Property Tax**	17,183,180	New	13,807,507	(19.7%)	0		0	
Teacher Conferences	1,057		0		0		0	
Bonus Payments:								
NRS 387.1233	604,635	33.6%	605,000	.0%				
NRS 387.1243	65,894	7.5%	70,000	6.2%				
Total Support	\$211,607,945	21.8%	\$222,749,769	5.2%	\$228,929,571	34.9%	\$253,308,392	18.2%
Less 1¢ Sales Tax	(56,816,023)	6.3%	(58,372,744)	4.5%	(80,117,468)	(8.9%)	(84,662,700)	6.6%
State Share	\$154,791,922	79.2%	\$163,377,025	5.5%	\$148,812,103	(16.8%)	\$122,621,050	5.0%
General Fund	\$131,391,063	61.9%	\$140,458,456	6.9%	\$116,809,243	(50.5%)	\$ 0	0%
Revenue Sharing	5,964,408	2.0%	2,950,000	(25.3%)	1,250,000	13.8%	1,250,000	0%
Slot Tax	11,333,577	1.4%	12,903,000	(15.3%)	9,500,000	38.0%	7,611,642	16.0%
Investment Income	1,672,597	69.0%	1,250,000	(25.3%)	1,250,000	.0%	1,250,000	0%
Mineral Land Lease	6,938,325	23.0%	8,000,000	(15.3%)	9,500,000	18.8%	10,500,000	10.5%
Out-of-State Sales Tax	4,526,215	24.4%	4,752,525	5.0%	6,560,860	38.0%	7,611,642	16.0%
Balance Forward Previous Year	0		7,035,263		0		0	
Balance Forward to New Year	(7,035,263)		0		0		0	
Total	\$154,791,922		\$177,349,244		\$148,812,103		\$158,643,692	

1.3¢ 1.3¢

Balance	\$ 13,972,219
Less Clark County Emergency	(2,964,026)
Less Carson City Emergency	(449,201)
Less Lyon County Emergency	(342,604)
Less White Pine Emergency	(378,438)
Less Churchill County Emergency	(195,293)
Estimated Balance	\$ 9,642,657

*1981-82 - 744 Units @ \$19,500

1982-83 - 758 Units @ \$19,500

**20¢ Multiplier in fiscal year 1980-81