

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
March 17, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth at 2:02 p.m., Tuesday, March 17, 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 Norman D. Glaser, Vice Chairman
Senator Don Ashworth
Senator Virgil M. Getto
Senator James N. Kosinski
Senator William J. Raggio

COMMITTEE MEMBER ABSENT:

Senator Floyd R. Lamb

STAFF MEMBERS PRESENT:

Ed Shorr, Deputy Fiscal Analyst
Colleen Crum, Committee Secretary

SENATE BILL NO. 302

Mr. Bob Sullivan, representing the Carson River Basin Council of Governments, stated the bill addresses growth problems in certain taxation districts. The bill would eliminate free rides on taxes for new property, which have created cash flow problems in the past. He acknowledged that the governments can presently tax partially completed projects.

The chairman stated this bill would put new properties on a current tax basis while all other properties would be one year behind. He asked Mr. Sullivan's opinion of the suggestion that the legislature declare taxes presently being paid are for the current year. He noted this concept would complicate escrows in updating taxes when properties are sold.

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Mr. Sullivan did not feel it would be a problem if all property taxes were forgiven for last year and declared current, but it did not address his question. He noted several bills dealing with the recapture of taxes have been introduced.

Senator Kosinski questioned dividing the year into twelfths as stated on line nine. He felt it would raise the issue of excluding a month from taxation regardless of whether property came on line on the first of the month or on the thirtieth of the month.

Mr. Patrick Pine, representing Clark County, related the Clark County assessor's concerns with the bill. He stated the most logical way to determine a completion date would be to use the building department's final inspection date. He noted several drawbacks to this method. While new buildings are reasonably prompt in scheduling final inspections, a large percentage of final inspections for other improvements are not requested. Also, buildings often receive a final inspection while minor finishing work is still being completed. The question of whether a building with only minor work to be finished is a completed or incompletd building could become a real problem if a month's worth of taxes is dependent on the decision. He said the requirement in the bill for a tax reduction for each month the building is not completed would create another problem. This problem could be resolved by specifying the July 1 lien date at the date to base the evaluation of completion. All construction would then be assessed at its level of completion on the first day of the assessment year.

Mr. Roy E. Nickson, Executive Director of the Department of Taxation, stated the Nevada Tax Commission adopted Property Tax Regulation No. 7 in August 1980 which includes the statement to the assessor: "Appraise all newly constructed improvements during the year of construction and appraise partially completed improvements at the state of construction which they have reached on a date as close as possible to December 15 to insure that that value is placed on the assessment roll." He said most of the problems would be resolved if the assessors follow the regulation. He felt the chairman's suggestion

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to make current the actual appraisal and taxation is the proper solution. This approach is addressed in Senate Bill No. 219.

The chairman closed the hearings on Senate Bill No. 302.

SENATE JOINT RESOLUTION NO. 21

Mr. Robert Warren, Executive Secretary of the Nevada Mining Association, read from a prepared statement the association's viewpoints on the taxation of mines. (See Exhibit C.)

The chairman asked if Nevada had a more favorable tax climate than surrounding states. Mr. Warren stated that Nevada will be equal to some of the other major states if this bill is passed and the sales tax is increased to 5.75 cents.

The chairman stated the thrust of this bill is to establish a separate classification of mines for the purpose of taxation by removing the tax based on the ad valorem rate and establishing a tax, not to exceed five percent, on the net proceeds.

Mr. Warren noted that subsection 1 in section 1 should be deleted. The chairman stated the committee was aware of the discrepancy. He said there is the possibility of leaving subsection 1 in the bill if Senate Joint Resolution No. 6, which deals with the same subject, is defeated in the Assembly.

Senator Getto questioned the estimate that property tax would be tripled for mines as stated on page 6 of Mr. Warren's document. Mr. Warren stated this figure was based on a 50 percent reduction of property tax rates. New mines coming into operation and expansions of existing mines would cause a tripling of property taxes.

Senator Getto noted most mines operate in rural counties and most of the shopping areas for rural counties are in the urban areas or out of state. The sales and use tax for purchases of equipment actually goes into the General Fund, not to the rural counties.

Senator Raggio stated that major tax reforms will result in a windfall to the mining industry. He asked if the mining

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association had any recommendations for changing the tax structure of mines. He asked if the mining industry was prepared to assume any additional tax burden.

Mr. Warren stated an increased sales tax would double the taxes paid by some mining companies. Senator Raggio asked Mr. Warren to address the company which is in operation and would make few purchases for new equipment. Mr. Warren stated the major benefit of taxing mines based on net proceeds is that it is a tax on profits.

The chairman noted, under the Governor's proposal, the rural counties which lose money from an increased sales tax would be compensated by receiving revenue generated from the collection of out-of-state sales taxes. He noted the constitutional problems encountered in several of the tax reform proposals.

Mr. Warren stated expansion in the mining industry would result in an overall increase in revenues for the rural counties even if the property tax is lowered.

Senator Raggio asked Mr. Warren if he was saying there would not be expansion if property tax cuts are not instituted. Mr. Warren stated he was not suggesting reduction in property tax relates to expansion. He said some members of the Mining Association have suggested using windfalls for improvement of roads, sewer facilities, and water facilities.

Senator Don Ashworth suggested a study of the taxing structures used by other states to create an awareness of the impact of proposed tax increases on the mining industry. One of the reasons mining operations have increased in Nevada is the increased value of minerals. He said it is not the intent of the legislature to tax mines out of existence. Mr. Warren stated the taxing structures in other states are complex and hard to interpret.

Senator Kosinski said he was uncertain why the committee was concerned about windfalls to the mining industry when the same concern was not focused on windfalls to warehousing, liquor, and supermarket industries. He asked for information on severance taxes levied in other states. He stated the philosophy of the tax was that the state is giving up some essential

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part of its inherent wealth--the minerals which are in the ground. Based on that philosophy, states justify this relative high tax. Mr. Warren stated the states with a severance tax levy a 10 percent tax. He said severance tax discourages mining in those states. He noted severance tax is levied whether or not the mining company makes a profit.

Mr. Nickson was asked by Senator Raggio to explain the definition of net proceeds. Mr. Nickson stated the gross yield of the first point of sale of the product of the mine is determined. Various items are deducted from that value to determine the net proceeds. The permissible deductions are listed in NRS 362.120. In 1980, a gross yield of \$257 million was reported. The reported deductions were \$157 million, leaving \$100 million in net proceeds on which the ad valorem tax rate was applied.

The contradictions in the constitution in referring to the net proceeds of mines was discussed. Mr. Warren stated it is referred to in one place as net and in another place as proceeds. He said Mr. Frank Daykin, Legislative Counsel, has indicated that court holdings as well as precedent have established this tax as a net proceeds tax.

Mr. LeRoy Wilkes, representing the Anaconda Copper Company, supported Mr. Warren's position on Senate Joint Resolution No. 21. He questioned the bill's silence on the method of collection and distribution of revenues. The chairman explained this bill is a constitutional amendment. The art of defining the method of taxation is undertaken after the legislature and the people in the state approve the measure.

Mr. Wilkes explained some of the points Anaconda considered before it developed its mine at Tonopah. The grade of the ore deposit, environmental aspects, power, taxes, and the general atmosphere in the state were studied. It was not strictly a tax decision. He said Anaconda specifies the point of sale as the location of the mine so that the sales tax is returned to the state and county. Addressing the issue of sales tax, he stated that 50 percent of the cost of operation in open pit mines is for materials and supplies used to support the operation and which are subject to sales tax.

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Senator Getto asked Mr. Nickson to explain how the sales tax can be applied to the local county in out-of-state purchases. Mr. Nickson stated that tax can be collected as a use tax reported by the mining company. The contracts must specify the transfer of title to be at the point of destination, rather than at the point of origin, for the tax to be returned to the county.

Mrs. Diane Campbell, President of the Nevada Miners and Prospectors Association, stated she was concerned about the bill being silent on the collection method. Her association felt the taxes collected on net proceeds should be returned to the county which generated the tax.

The chairman noted the 1985 legislature would address the issue if the bill is not interpreted to return the tax revenue to the counties which generate the tax. Senator Glaser said he was concerned that, considering reapportionment, 1985 may be too late to act on this issue.

Mr. Richard A. Sumin, from the Duval Corporation in Battle Mountain, compared the tax structures of Arizona and New Mexico with the proposed Nevada structure. He used the proposed 5 percent net proceeds cap, a 5.75 cent sales and use tax, and a 50 percent reduction in the ad valorem tax to conclude the 1980 taxes would have been approximately \$1.4 million. This figure approached the Arizona levy and was equivalent to New Mexico's levy. He said Duval pays state tax on major purchases made out of state.

The chairman asked if the Duval Corporation would continue to pay the Nevada tax if the sales tax was raised to 5.25 cents and the tax in another state was 4.5 cents. Mr. Sumin said he could not make a legal commitment, but he felt the Duval Corporation would continue to pay the Nevada tax.

Senator Kosinski asked how much of the \$1.4 million figure was sales and use tax. Mr. Sumin said the sales and use tax would have been \$844,000, an increase of \$400,000.

Mr. Ralph N. Orgiel, controller for the Kennecott Minerals Company, stated his company has an arrangement with the Tax

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Commission for the collection and payment of all sales and use taxes directly to the Tax Department. These taxes are remitted back to the county of origin. When the company's mine was operating in Nevada, 50 percent of its operating costs were for supplies. This amounted to \$30 million. An additional 2.5 cent sales tax would increase the taxes paid by \$600,000. Considering the reduction of the ad valorem tax as well as the increase in sales tax, the company would have paid an additional \$200,000 in taxes.

Senator Getto noted that utility expenses are included in the \$30 million operations figure and the company is not charged sales tax for this expense.

Mr. Terral Young, Production Manager for Old Soldier Minerals, estimated the taxes which Old Soldier Minerals would pay under the proposed tax structure, using a 5.25 cent sales tax, 5 percent net proceeds tax, and a 50 percent reduction in the ad valorem rate. Following are his estimates:

	<u>Present</u>	<u>Proposed</u>
Net Proceeds	\$ 44,000	\$110,000
Sales and Use Tax	92,000	152,000
Property Tax	<u>21,000</u>	<u>10,500</u>
Total	\$157,400	\$272,500

Senator Getto asked if the company pays tax on rented or leased equipment. Mr. Young said a sales tax as well as an ad valorem tax is levied on the monthly rental of equipment. The chairman stated that all equipment as well as net proceeds is presently taxed at the ad valorem rate.

Mr. William Anderson, Manager of Operations at the Sunshine Mining and Minerals Division in Kellogg, Idaho, said it is difficult to compare the tax structures of Idaho and Nevada. He recommended addressing total taxes.

Mr. James G. Baird, Vice President of Eagle Picher Industries, stated the real problem was in the interim between the time the ad valorem property tax rate is reduced and the constitutional

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amendment on the net proceeds of mines becomes effective. He said his company's total taxes would increase 18 percent under the proposed tax structure. He stated the Mining Association has discovered some companies would receive an overall reduction of 10 percent. He said it appears that the taxes on mining companies would be offsetting and the industry may not enjoy in the interim period the favorable tax reduction originally anticipated.

Mr. C. D. Johnson, Production Manager for the Flintkote Mining Company in Henderson, supported the Nevada Mining Association's stand on the bill. He estimated the company's total taxes would increase \$106,000, from \$211,000 to \$317,000, under the proposed tax structure.

Mr. Ronald Heeth, Business Manager of Nevada Resources, Inc., submitted a prepared statement for the record. (See Exhibit D.)

The chairman asked Mr. Nickson if it would be advantageous for Nevada to pull out of the Multi-State Tax Compact. Mr. Nickson said pulling out of the compact would generate at least \$2.1 million in additional revenue for state and local governments. Four states have pulled out of this compact in 12 years. The chairman stated Nevada is losing money in sales tax revenues because of its membership in the compact. The compact was designed to benefit income-producing states. Nevada is a receiving state. Senator Don Ashworth stated he had requested a bill dealing with this subject.

Senator Raggio questioned whether people would be double taxed by pulling out of the compact. Mr. Nickson explained the Nevada tax would have to be paid if a vehicle or boat was purchased out of state and the owner wanted it licensed in Nevada. He said it insures that Nevadans buy from Nevada retailers. Mr. Nickson stated arrangements can be made with the out-of-state retailer to have delivery made in Nevada to escape paying double taxes.

Mr. Ed Shorr, Deputy Fiscal Analyst, presented an analysis of the net proceeds of mines revenues at 5 percent. (See Exhibit E.)

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Senator Raggio asked for the Department of Taxation report on the net proceeds of mines. Mr. Nickson stated copies of the report would be supplied to the committee. He noted the Mining Association disagreed with the report. He said the report was based on figures supplied by experts from other states, and the department stands by the report.

The chairman closed the hearings on Senate Joint Resolution No. 21.

The chairman presented Bill Draft Requests for possible committee introduction. He said these bills would be introduced if there were no objections.

There were objections to introducing the following:

- * BDR 32-1217: Relating to sales and use taxes; apportioning a part of the proceeds from the sale of motor vehicles to the state highway fund; and other matters properly relating thereto.

It was decided to postpone consideration of the following BDR until the committee had an opportunity to study the bill:

- BDR 41-1275: Relating to gaming; reapportioning the proceeds of the annual slot machine tax between the state general fund and certain capital construction funds for higher education; limiting the use of the money in those construction funds to the payment of certain bonded indebtedness of the University of Nevada; and providing other matters properly relating thereto.

It was decided to consider the following BDR after the committee learned who sponsored the bill:

- o BDR 32-651: Relating to the taxation of agricultural and open-space real property; discharging the seller from personal liability for deferred taxes; and providing other matters properly relating thereto.

* (S.B. 428) o (S.B. 584)

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There being no further business, the meeting adjourned at
4:02 p.m.

Respectfully submitted by:

Colleen Crum

Colleen Crum, Secretary

APPROVED BY:

Keith Ashworth

Senator Keith Ashworth, Chairman

DATE: 3-24-81

SENATE AGENDA

EXHIBIT A

COMMITTEE MEETINGS

Amended Date: 3/12/81

Committee on TAXATION, Room 213.

Day Tuesday, Date March 17, Time 2:00 p.m.

AMENDED AGENDA

S. B. No. 302--Provides for taxation of buildings and other improvements to real property in year in which construction is completed.

S. J. R. No. 21--Authorizes differential taxation of residential property and minerals.

SENATE COMMITTEE ON TAXATION

EXHIBIT B

DATE: March 17, 1981

PLEASE PRINT NAME	PLEASE PRINT ORGANIZATION & ADDRESS	PLEASE PRINT TELEPHONE
C. D. JOHNSON	THE FRUITCO CO HENDERSON NEV	565-3991
William H. Lamm	Sunshine Mining Co. Kellogg ID	208-784-1257
Richard H. Seaman	Duval Corp Battle Mtn Nev	635-2465
Bob WARREN	NEVADA MINING ASSN	323-8575
Tenal P. Young	Old Soldier Minerals	713-777-3828
Ronald D. Heath	Nevada Resources Inc	702-325-0737
Roger W. Leppson	Woodburn Law Firm	702-324-6131
Steve Williams	Nevada Bell	784-6440
James L. Lamm	Nevada Mining Association	323-8575
James E. Brind	Eagle Picher - Cont., Ohio	513-731-7011
Max M. Blockham	Kennecott Minerals Co	702-235-7741
RW PIEKARZ	EAGLE PICHER MD. - RENO	322/3531
R. L. Cline	Kennecott Minerals Co	702-235-7741
Tom C. Johnson	Nevada Bath Club, Henderson	702/322471
Ray F. Nickell	Lead & Tin	555-4542
John Johnson	New School Branch	
Boris REVELES	HUMESTAKE MINING CO SAN FRANCISCO, CA	(415) 481-8150
Nancy Cranstall	Nevada Miners & Prospectors Assn	(702) 273-2173
Clara Carter	Anacosta Copper	702 575-4182
Tom C. Johnson	L.P. Mining	273 2173
Claudio P. Pico	UNR Student	354-3245
Richard Lamm	UNR Student	685-4550
William H. Lamm	Intern	323-8321
LeRoy Wilkes	Anacosta Copper Co. Box 1268 Tonopah Nev 89049	467 482-3541

NEVADA MINING ASSOCIATION, INC.

ROOM 709 • ONE EAST FIRST STREET

RENO, NEVADA 89505

ROBERT E. WARREN
Executive Secretary
W. HOWARD WINN
Consultant

POST OFFICE BOX 2498
TELEPHONE 323-8575

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EXHIBIT C

BOARD OF DIRECTORS

V. V. BOTTS, President
GARY I. JUDD, 1st Vice President
LEROY E. WILKES, 2nd Vice President
GEORGE J. ALLEN
FRED A. BEEMAN
JAMES CASHMAN III
J. C. FARRELL
JOHN R. HARMON
C. DAVID JOHNSON
J. D. McBETH
DONALD L. SIMPSON
MILTON STEINHEIMER
RICHARD A. SUMIN
MITCHELL T. VUICH

T E S T I M O N Y

Nevada Mining Association, Inc.

Robert E. Warren, Executive Secretary

* * * *

SENATE COMMITTEE ON TAXATION

SENATE JOINT RESOLUTION 21

Mr. Chairman, members of the Senate Committee on Taxation:

My name is Bob Warren. I am executive secretary of the Nevada Mining Association. The Association is the spokesman for some 50 of the largest mining corporations doing business in Nevada. Also members of the Association are some 600 other firms and individuals: small mining companies, exploration firms, geologists, prospectors, vendors of services, supplies and equipment, mining-law attorneys, and others interested in maintaining a healthy and expanding mining industry in the state of Nevada.

Senate Joint Resolution number 21 was drafted to permit the legislature to sever the long-time linkage of Nevada's tax on net proceeds of mines to the ad valorem tax rate in effect in the various mining counties. It has resulted from an effort by the state administration and the legislature to lower the ad valorem tax rate and thus reduce the tax burden upon owners of property in Nevada.

Mr. Chairman: The members of this committee should be aware that the mining industry in Nevada pays three kinds of taxes: an ad valorem tax on

property; a sales-use tax on all purchases of supplies and equipment, whether from within or outside the state; and a tax on the net proceeds of mines. (This also includes oil production.) This latter tax on net proceeds (which in reality is an income tax) is paid on 100 percent of the profits. Although based on the ad valorem rate, it is not computed at 35 percent of actual value.

In Nevada, the mining industry, like all other property owners, will enjoy a reduction in taxes on its facilities - if the legislature substantially lowers the rate of taxation on property. But the industry will join other Nevadans, likewise, in sharing the burden of increased sales and use taxes on purchases of supplies and equipment. The mining industry, in fact, will contribute substantial new revenues to county coffers because of the necessity of major purchases of very costly equipment. (Some trucks, which sell for a half-million dollars each, are being purchased in fleets from Nevada suppliers.)

The sales tax is such a large expense item for mining operations that in some cases the amounts paid exceed the taxes paid on net proceeds of mines. Indeed, revenues from sales-use taxes may exceed, or at least offset in some cases, the loss of tax revenues resulting from a lowered ad valorem rate.

* * * *

Speaking to the third tax levied on mining in Nevada - the tax on the net proceeds of mines - we all recognize the industry will benefit from a reduction in such taxes equal to the reduction in ad valorem tax that may be approved by the legislature. At a recent board of directors meeting of the Nevada Mining Association, the board unanimously approved a motion which states: "The mining industry in Nevada did not initiate, nor does it encourage or support a decrease in taxes on the net proceeds of mines." We believe the present level

and manner of taxing the net proceeds (the profits) is equitable and has served as a significant inducement to the major exploration activities underway in Nevada. These companies are searching for - and finding - a variety of minerals: the precious metals, gold and silver; the base metals such as tungsten, copper and molybdenum; a large variety of important nonmetallic industrial minerals; and the energy minerals, uranium, oil and geothermal resources.

Indeed, in excess of \$100 million per year is currently being expended by U.S. and foreign firms in search of minerals in Nevada. These highly skilled and well-financed exploration teams are searching within Nevada's borders for two good reasons:

- A geology which is favorable to the formation of mineral deposits; (But numerous other western states also offer a similar favorable geology for minerals.)
- A political and economic "climate" which is favorable for exploration and production of minerals. Contributing to this favorable economic climate is the state's reasonable tax levy on property. Also a major factor is the legislature's long-standing policy to tax mineral production on the basis of net profits. This policy recognizes, as does the federal income tax, that certain operating expenses may be deducted from proceeds from the sale of minerals.

* * * *

Perhaps, Mr. Chairman, I should correct a common misunderstanding about Nevada's policy of taxing the minerals industry. Some officials and individuals have reported that Nevada is the only state to levy a tax on net proceeds: that all others levy taxes on gross proceeds or some other form of severance.

In truth, Nevada is one of seven states which use some form of the net proceeds approach. Indeed, certain states offer exemptions not available to Nevada miners. For instance: Some states allow a cancellation of certain taxes, including property taxes, when the miner pays a tax on net or gross proceeds. Nevada does not. Others allow a deduction of royalties against the tax. Nevada does not.

Persons attempting to compute a comparison of mining taxes in Nevada with other states face a complex variety of approaches and deductions. It is easy to arrive at erroneous conclusions.

For example: Some members of this committee have received a comparison of taxes paid by five mining companies in Nevada and what they would have to pay if mining in seven other states. In some respects, the report is grossly inaccurate. It understates the taxes paid in Nevada and over states the amount payable in other states.

The report states, for instance, that one mining company at Battle Mountain paid a total of \$162,225 in taxes during 1979. The company accountants compute the actual amount to be \$675,000. This is an error of over 300 percent.

The report also states that for the same operation in Arizona this company would pay \$3,168,798. The actual amount would be \$1,577,800. This represents an over-statement of 100 percent. The author failed to add the substantial use and sales taxes paid by this company in Nevada. And he apparently misunderstood the complex taxing system in the state of Arizona. This company has operations in Arizona also and knows how to compute the tax.

* * * *

Speaking more directly to the Nevada Mining Association's position on S. J.R. 21, we support this legislation's continuation of the concept of taxing

the net proceeds of mines in Nevada. This is a progressive but fair income tax. We all know that mining is a risky business requiring huge up-front investments. (Some operations in Nevada now expend as much as one-half million dollars per employee to get into production.)

When prices and profits are up, the mining companies pay a substantial tax; when prices are down and the companies are on their knees or out of production, the taxes on profits are lowered or cancelled accordingly.

This realistic tax is equitable and has been a backbone of strength for the mining industry in Nevada for over 100 years.

* * * *

The Nevada Mining Association also supports the concept of a constitutionally mandated cap on the rate of taxation of net proceeds. This is provided in S.J.R.21. There is sound economic rationale for this. The constitutional cap permits mine investors and managers to more accurately predict the long-term rate of return upon the huge investments that must be made today to put a mine into production.

To illustrate I can cite an example familiar to most members of this committee. I refer to the Anaconda Co.'s \$220 million plus investment to put the state's first molybdenum mine into production near Tonopah. \$200 million for the mine and another \$22 million to build a fine new open community for housing of employees and other residents of Tonopah.

This mine will produce a "base metal." Prices for base metals such as molybdenum, copper and tungsten historically have seldom permitted a high rate of return on investment. So Anaconda drilled and evaluated the economics of the Nevada deposit for 25 years before deciding to bring it into production.

Anaconda executives advise the Nevada Mining Association that the firm had also evaluated major mineral deposits in several other states but chose to

invest in Nevada because of the presence of a mineable ore deposit and a predictable political and economic climate that gave encouragement for long-term success.

In effect, the excessive taxation policies of the other states turned Anaconda's serious attention to Nevada. This scenario, to Nevada's great advantage, is responsible for the decision by numerous other U.S. mining firms to concentrate their exploration activities in our state. The discoveries are reaping huge benefits for Nevada's rural residents. During the first half of this decade more than 20 major new mines will come "on stream." Others are scheduling major expansions.

* * * *

For this reason, Mr. Chairman, the Nevada Mining Association does not support - or believe it is necessary for the legislature to support - a doubling of taxes on the net proceeds of mines, as permitted upon enactment of S.J.R. 21.

The new mines coming on stream will result in an expenditure in excess of \$700 million for the new facilities. This, of course, will sharply increase ad valorem taxes, sales and use taxes, and income to the counties from the net proceeds of mines.

Additionally, this committee should be aware that new mines and scheduled expansions of existing operations will triple the payment of property taxes and increase net proceeds by five times within the composite of the mining counties by the year 1985. This estimate was developed by a Nevada Mining Association query of our major producers.

Obviously, there is good cause to encourage the growth of mining in Nevada. The new economic base, employment and tax revenues impact those rural areas in Nevada most in need of economic growth!

Finally, Mr. Chairman, this proposed constitutional amendment is silent on matters of importance to the mining industry and to the legislators.

Severance of the bond between the ad valorem tax rate and tax system converts the mines tax to a pure income tax. The legislation does not indicate who will benefit from the revenues collected. Because the mining industry is anxious to improve the quality of life for our employees and other residents of the mining communities we urge that all or a substantial portion of the revenues collected stay in the counties where collected to be used for the benefit of the people in these communities.

S.J.R. 21 is also silent on the method or procedure to be used to determine how the tax rate will be ~~chosen to be~~ applied to the net proceeds of mines. We urge that a procedure be developed to find a reasonable balance between revenues needed for governmental purposes and the economic health of the mining industry.

We suggest that S.J.R. 21 may need companion legislation to clarify what the intent of the constitutional amendment is ^{so} ~~that~~ the legislators and people of the state will know exactly what they are voting on.

* * * *

Senate Committee on Taxation

Tuesday, March 17, 1981 2:00 p.m.

EXHIBIT D

Concerning Senate Joint Resolution Number 21

Mr. Chairman, Members of the Committee, I am Ronald Heeth, the Secretary and Business Manager of a Nevada corporation known as Nevada Resources Inc. Nevada Resources Inc. is a minerals exploration company that is presently engaged in exploring for precious metals within the state of Nevada with a long-term view toward development of mining properties. We are therefore vitally interested in any proposed legislation that will, in any way, affect mining operations in the foreseeable future. Mr. Chairman, we are in favor of paying our fair share of taxation to support the governmental units within our great state of Nevada in order to enhance the living conditions of our citizens and to protect our many valuable resources. Therefore we are not in opposition to the basic intent of the Senate Joint Resolution under consideration.

It is our desire to have a close and favorable relationship with the government and citizens in any county in which we engage in exploration and mining operations. We want to contribute to their economy and desire to see their standards of living enhanced by our presence. Therefore, we have some reservations concerning the administration of the funds that will result from this amendment.

At the present time the ad valorem tax is paid to and administered by the county in which the tax is assessed. This permits the county to provide the services necessary for its citizens and permits the citizens

of that county to reap the benefits of their resources. This in turn provides an incentive for the citizens to work with and to have a favorable attitude toward the mine located within their county. Obtaining this favorable attitude is of great importance to us.

We want to ensure that the citizens of the county in which our mine may be located do not suffer a loss in their standard of living but rather that their standard of living may be enhanced. We desire to see the greatest utilization of each and every tax dollar for the benefit of our citizens. It is our concern that if this tax is paid into the state, and thereafter distributed in accordance with a subjective formula that we will not attain the greatest utilization of this tax dollar. There will naturally result in an overhead burden to collect and distribute the funds. There will be required a subjective decision as to the distribution formula. Thereby resulting in the substantial dilution of the funds available to the individual counties.

However, at the same time we recognize that there are certain services that the state governmental units provide to the mining industry. Therefore, we conclude that a portion of this tax should justly be paid to the state in support of those agencies.

Paragraph 3 of the resolution provides for a rate of not greater than 5% net proceeds tax. While we conclude that this tax is fair, we suggest that the tax not be applied at its maximum rate arbitrarily, but rather that a study be conducted by the Legislature at the proper time to determine the level of assessment to meet the needs of both the state and the industry at that time.

Nevada Resources therefore respectfully requests that companion legislature accompany this resolution or the resolution be amended to

provide that the tax will be paid to and administered by and on behalf of the county in which the mine is located. If the committee feels that a minor percentage of this tax be provided to the state for its services, then this portion of the tax can be paid directly to the state. We likewise respectfully request that the rate of taxation be based on needs and not be applied arbitrarily at the maximum.

I thank you for this opportunity to appear before you and to present the views of Nevada Resources Inc.

E
3/16/81NET PROCEEDS OF MINES
ANALYSIS OF TAX REVENUE @ 5% RATEEXHIBIT E

<u>FY</u>	<u>Net Proceeds</u>	<u>Annual Tax</u>	<u>% of Net Proceeds</u>	<u>Tax If 5%</u>	<u>Increase</u>
1970-71	\$59,043,306	\$2,106,078	3.6%	\$2,952,165	\$ 846,087
1971-72	40,173,554	1,457,110	3.6%	2,008,678	551,568
1972-73	53,115,680	1,994,296	3.8%	2,655,784	661,488
1973-74	57,362,409	2,177,059	3.8%	2,881,620	704,561
1974-75	78,319,357	2,977,649	3.8%	3,915,968	938,319
1975-76	49,434,863	1,813,128	3.7%	2,471,743	658,615
1976-77	36,034,947	1,300,130	3.6%	1,801,747	501,617
1977-78	49,474,846	1,842,284	3.7%	2,473,742	631,458
1978-79	53,786,490	1,967,716	3.7%	2,689,325	721,609
1979-80	80,690,289	1,980,621	2.4%	4,034,514	2,053,893

Source: Reports by Department of Taxation

ESTIMATED NET PROCEEDS OF MINES

COUNTIES	1980-81	Tax at 5%	1981-82	Tax at 5%
Carson City.....	-0-		-0-	
Churchill.....	208,287	\$ 10,414	208,287	\$ 10,414
Clark.....	4,658,571	232,929	5,124,428	256,221
Douglas.....	635	32	698	35
Elko.....	5,478,684	273,934	6,574,421	328,721
Esmeralda.....	7,428,479	371,424	7,799,903	389,995
Eureka.....	26,900,246	1,345,012	28,400,246	1,420,012
Humboldt.....	6,595,885	329,794	8,095,885	404,794
Lander.....	10,494,110	524,706	12,592,932	629,647
Lincoln.....	871,288	43,564	871,288	43,564
Lyon.....	486,358	24,318	486,358	24,318
Mineral.....	405,643	20,282	1,000,000	50,000
Nye.....	19,970,092	998,505	20,370,092	1,018,505
Pershing.....	2,241,090	112,055	2,741,090	137,055
Storey.....	3,714,418	185,721	3,714,418	185,721
Washoe.....	-0-		-0-	
White Pine.....	-0-		1,000,000	50,000
TOTALS	89,453,386	\$ 4,472,590	98,980,046	\$ 4,949,002

1/5/81
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