

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
April 21, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth, at 2:02 p.m., Tuesday, April 21, 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

GUEST LEGISLATOR:

Senator Jean E. Ford

STAFF MEMBERS PRESENT:

Ed Shorr, Deputy Fiscal Analyst
Colleen Crum, Committee Secretary

SENATE BILL NO. 499

Senator Ford explained Senate Bill No. 499 corrects an inequity in the law which allows only widows to be eligible for the property tax exemption. It is one of the few remaining pieces of law which discriminate on the basis of sex. She stated another option, in light of the tax reform plan, would be to repeal the exemption entirely. The bill extends the exemption to widowers. The bill requires the surviving spouse to have an income below \$12,000 to qualify for the exemption. Some surviving spouses have adequate financial

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estates and have no need for the exemption. This bill would grandfather in all those widows who have been using the exemption. From that point on, only the people who meet the criteria would be eligible for the exemption. She noted the \$12,000 criteria was arbitrary and she would be amenable to any appropriate change to the figure.

The chairman questioned the meaning of household income. Senator Kosinski stated the term "household income" would not apply to the other provisions in NRS Chapter 361.

Senator Raggio opposed requiring widows, who presently take advantage of the exemption, to justify future applications for exemption. He noted the impact would only be \$15 per applicant.

Senator Kosinski questioned why the bill would become effective on July 1, 1982. Senator Ford stated she would be amenable to changing the effective date. She stated the July 1, 1982 date was set to allow those widows who currently are eligible for the exemption to apply for the exemption.

Senator Don Ashworth moved that Senate Bill No. 499 be approved.

Senator Getto seconded the motion.

Senator Raggio amended the motion to amend the bill to eliminate the household income criteria and to change the effective date to July 1, 1981.

Senator Don Ashworth accepted the amendment to his motion.

Senator Getto objected to eliminating the household income criteria.

Senator Kosinski observed a savings clause for widows who are presently participating in the exemption program is provided on page one, lines 17-19. Those widows would be exempt from the income criteria.

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Senator Glaser noted the exemption would apply either to personal property taxes or motor vehicle taxes.

Senator Raggio withdrew his amendment to Senator Don Ashworth's motion.

Senator Kosinski stated the definition of household income refers to NRS Chapter 361 which presently governs the senior citizens property tax exemption. Senator Raggio stated the reference to NRS 361.820 is ridiculous because it states, "Income received by claimant plus income received by the claimant's spouse."

Senator Don Ashworth withdrew his motion.

Senator Kosinski moved that Senate Bill No. 499 be amended by deleting the word "household" on page one, line four, and by changing the enacting clause to July 1, 1981, and be approved. (See Exhibit C.)

Senator Getto seconded the motion.

The motion carried. (Senator Keith Ashworth voted "No".)

SENATE BILL NO. 430

Senator Raggio, the bill's introducer, stated Senate Bill No. 430 resulted from several complaints by property owners who found that time limitations prohibited them from presenting their appeal cases before the County Board of Equalization.

Mr. Ed Shorr, Deputy Fiscal Analyst, was asked whether the subject of Senate Bill No. 430 was covered in Senate Bill No. 69. Mr. Shorr stated the subject is contained on page four, lines 41-43, in Senate Bill No. 69 but would not become effective until the future years.

Mr. Dick Franklin, Assistant Washoe County Assessor, stated the language on page one, line 23 of the bill specifies that the assessor's explanation must include all the information available to the person making the determination. A broad

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interpretation of the language would require that the assessor make all the information in the office available. He suggested deleting the entire language on page one, lines 20-24, and page two, lines one through two. He stated the bill addresses the problem of timely information pertaining to appeals. This problem has been eliminated by Senate Bill No. 69.

Senator Raggio moved that Senate Bill No. 430 be indefinitely postponed.

Senator Glaser seconded the motion.

The motion carried. (Senators Don Ashworth and Getto were absent for the vote.)

SENATE BILL NO. 428

Mr. Daryl E. Capurro, representing the Nevada Franchised Auto Dealers Association and the Nevada Motor Transport Association, supported the concept of the bill but acknowledged that the bill had little chance of passage this session. Thirty states presently use some form of non-highway user participation to fund highways. General fund involvement in highway funding can be justified by the fact that people who generate highway traffic have some obligation to make sure that the highways they cause to be built are built and maintained.

Senator Getto moved that Senate Bill No. 428 be indefinitely postponed.

Senator Don Ashworth suggested holding Senate Bill No. 428 until the outcome of the Assembly vote on Senate Bill No. 154.

Senator Getto withdrew his motion.

SENATE JOINT RESOLUTION NO. 27

Mr. George Vargas, counsel for the major oil companies, stated the major oil companies oppose Senate Joint Resolution No. 27 because it deals with broad taxation in an uncontrolled fashion on the oil and gas industry. He presented Exhibit D and Exhibit E to support his claim that this bill would put Nevada at a competitive disadvantage in oil and gas exploration.

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Ms. Joy Fiore, representing the Independent Petroleum Association of Mountain States, presented a prepared statement in opposition to the bill. (See Exhibit F.)

Mr. A. A. (Buddy) Arras, Jr., Vice President of Concept Resources, Inc., submitted a statement for the record. (See Exhibit G.)

Mr. Bob Warren, representing the Nevada Mining Association, opposed Senate Joint Resolution No. 27. He pointed out that Senate Joint Resolution No. 27 conflicts with Senate Joint Resolution No. 21, which has been referred to the committee. He noted that Nye County, which would gain most by passage of the bill, and the Nevada Association of County Commissioners oppose the bill.

Senator Getto moved that Senate Joint Resolution No. 27 be indefinitely postponed.

Senator Glaser seconded the motion.

The motion carried.

ASSEMBLY BILL NO. 162

The chairman explained that Assemblyman Robert Robinson, the bill's introducer, had told the chairman that a written statement, to be signed under the penalty of perjury, should be required in the oath for personal property assessment rather than requiring that the oath be notarized.

Senator Kosinski moved that Assembly Bill No. 162 be approved. (See Exhibit H.)

Senator Getto seconded the motion.

The motion carried.

The chairman presented Bill Draft Requests for possible committee introduction. If there were no objections, the bills would be introduced.

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There were no objections to the introduction of the following bills:

- * BDR 32-1803: An act relating to cigarette taxes; authorizing the Department of Taxation to charge for actual costs of revenue stamps; and providing other matters properly relating thereto.
- ° BDR S-2023: An act making an additional and supplemental appropriation to the Department of Taxation for budgeting changes; and providing other matters properly relating thereto.
- † BDR 32-651: An act 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.

SENATE JOINT RESOLUTION NO. 21

The chairman explained the hearing on this bill was held on March 26, 1981. He asked whether the committee was ready to take action on the bill.

Senator Kosinski noted the committee had asked for information on the deductions permissible under net proceeds and a study on the possibility of imposing a severance tax. Mr. Shorr stated the information had been updated and would be provided to the committee.

The chairman appointed a sub-committee consisting of Senators Don Ashworth, Kosinski, and Getto to study General Fund taxes and make recommendations to the committee within the next two weeks.

SENATE BILL NO. 162

The chairman explained the hearing on this bill was held on February 10, 1981. He asked whether the committee was ready to take action on the bill.

* (S.B. 582) ° (S.B. 583) ^{6.} † (S.B. 584)

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It was noted the committee had considered amending the bill with Senator Wilbur Faiss' recommendations. The chairman instructed Mr. Shorr to propose the appropriate amendment to the bill as well as to report the fiscal impact of the measure.

SENATE BILL NO. 69

Senator Kosinski questioned whether a 30-year depreciation provision was included in the bill. The chairman stated the 30-year depreciation provision was going to be deleted because it was unworkable.

Mr. Jim Lien, a task force member, was asked to explain the proposed amendments to the bill. Mr. Lien stated Section 2.6 on page two would be deleted. This provision conflicts with the provision on page four, lines 27-28. The word "must" on page four, line 16, would be changed to "may". This allows using replacement value in determining the fair economic income expectancy. The 30-year depreciation provision on page four, lines 34-38, would be deleted.

Senator Kosinski stated he was under the impression that the 30-year depreciation provision was required to offset the increase in the assessed valuation during the second year because of the use of a factor system. Mr. Lien stated the disadvantage of using a 30-year depreciation schedule was that it would become absolute for all types of residential property. The Legislative Commission must approve the factors used in the second year, which would control the increase in property assessments.

Mr. Lien explained that the date on page six, line 12, and page 12, line 28, would be changed from April 15 to April 30. This change covers the full year. Fifteen days would not have been covered under the April 15 date.

A new section, Section 11.5, will be added to amend NRS 361.505 to indicate that taxes for personal property assessed during May or June of each year may be added to the taxes for the ensuing fiscal year and collected concurrently therewith.

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This provision enables conformance with the assessment of personal property. The time period for this assessment will be May 1 through April 30. The language on page nine, lines 30-34, would be removed. Discounting would no longer be appropriate because the cyclical pattern is being abolished and an annual appraisal is being instituted.

Senator Kosinski asked whether the ratio study would be deleted as well. Mr. Lien explained the ratio study would not be deleted. Only the portion which pertains to discounting would be eliminated.

SENATE BILL NO. 411

Senator Don Ashworth asked whether the provision in Senate Bill No. 411 dealing with enterprise funds prevents carte blanche use of enterprise funds. The chairman explained any new enterprise fund must be approved by the interim committee.

Senator Kosinski expressed concern about the broad language used in the escape valve provisions. He stated the provision on page three, lines 4-8, permits the Legislative Commission to add its estimate to the cost to that local government of any program required by legislative enactment. He felt standards should be spelled out as to how the determination of the estimate will be made. In contrast, Section 3.3 uses very carefully delineated criteria to be followed by the Legislative Commission in making its exceptions to the rule. He noted only one of the other escape valves are tied back to this language.

Senator Glaser stated Senator Kosinski's point was well taken. Mr. Myron Leavitt, a task force member, stated he had drafted language to refer the escape valves to the conditions specified in Section 3.3.

The chairman questioned how the situation would be handled when a program is mandated on local government by legislative action. Senator Kosinski suggested using the word "substantial"

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in the language. He noted that, otherwise, the entire section appeared to be an exemption to the capping procedure. The chairman suggested inserting the language, "Which substantially affected the budget for the ensuing year." Senator Glaser suggested using the language, "The cost to the local government of any substantial program or expense required by legislative enactment."

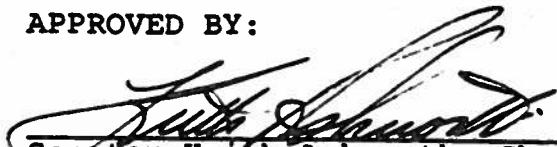
The committee agreed to amend the bill with Senator Kosinski's suggestion.

There being no further business, the meeting adjourned at 4:12 p.m.

Respectfully submitted by:


Colleen Crum, Secretary

APPROVED BY:


Senator Keith Ashworth, Chairman

DATE: 4-24-81

SENATE AGENDA

Amended 4/15/81

COMMITTEE MEETINGS

EXHIBIT A

Committee on Taxation, Room 213.

Day Tuesday, Date April 21, 1981, Time 2:00 p.m.

AMENDED AGENDA

S. B. No. 430--Requires county assessor to disclose basis of appraisal fo real property under certain circumstances.

A. B. No. 162--Removes requirement of oath in declaration of personal property for purposes of assessment of property tax.

S. B. No. 499--Provides exemption from property tax or vehicle privilege tax for widowers and imposes limitation on income for eligibility.

S. B. No. 428--Apportions part of sales and use taxes to state highway fund.

S. J. R. No. 27--Proposes constitutional amendment to broaden taxation of oil and gas.

EXHIBIT C

S. B. 499

SENATE BILL NO. 499—COMMITTEE ON TAXATION

APRIL 3, 1981

Referred to Committee on Taxation

SUMMARY—Provides exemption from property tax or vehicle privilege tax for widowers and imposes limitation on income for eligibility. (BDR 32-1290)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: No.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to taxation; providing an exemption for certain widowers from the property tax or the vehicle privilege tax; imposing a limitation on the exemption for widows and widowers by household income; making an exception to that limitation in the case of certain widows; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. NRS 361.080 is hereby amended to read as follows:
2 361.080 **[The]** 1. *Except as provided in subsection 2, the property*
3 *of [widows and orphan] :*
4 (a) *Widows and widowers whose annual household income does not*
5 *exceed \$12,000; and*
6 (b) *Orphan children,*
7 *not to exceed the amount of \$1,000 assessed valuation, [shall be] is*
8 *exempt from taxation, but [no such exemption shall be] the exemption*
9 *is not allowed to anyone but actual bona fide residents of this state, and*
10 *[shall be] is allowed in but one county in this state to the same family.*
11 *For the purpose of this section, property in which such person has any*
12 *interest shall be deemed [the property of such person.] his property. The*
13 *person or persons claiming [such exemption shall] this exemption must*
14 *file with the county assessor an affidavit declaring such residence and*
15 *that [such] the exemption has been claimed in no other county in this*
16 *state for that year.*
17 2. *The limitation on the exemption by household income imposed*
18 *by subsection 1 does not apply to any widow who was eligible for the*
19 *exemption on December 31, 1981.*
20 SEC. 2. NRS 361.1565 is hereby amended to read as follows:
21 361.1565 The personal property tax exemption to which a widow,
22 *widower, orphan child, totally blind person or veteran is entitled under*

EXHIBIT C

Senate Bill No. 499 (cont'd)

— 2 —

1 NRS 361.080, 361.085, 361.090 or 361.091 is reduced to the extent
2 that he is allowed an exemption from the vehicle privilege tax under
3 chapter 371 of NRS.

4 ~~Sec. 3.~~ NRS 361.850 is hereby amended to read as follows:

5 361.850 1. A person may receive assistance under the Senior Citi-
6 zens' Property Tax Assistance Act while receiving a property tax exemp-
7 tion as a widow, *widower*, blind person or veteran if the person has
8 filed a claim for the exemption with the county assessor.

9 2. The assessed valuation of any property used to determine an
10 allowance under the Senior Citizens' Property Tax Assistance Act
11 ~~[shall]~~ *must* be reduced by the amount of ~~[such]~~ *the* exemption.

12 ~~Sec. 4.~~ NRS 371.101 is hereby amended to read as follows:

13 371.101 ~~[Vehicles]~~ 1. *Except as provided in subsection 2, vehicles*
14 *registered by [widows and orphan]:*

15 (a) *Widows and widowers whose annual household income does not*
16 *exceed \$12,000; and*

17 (b) *Orphan children, not to exceed the amount of \$1,000 determined*
18 *valuation, are exempt from taxation, but the exemption [shall not be]*
19 *is not allowed to anyone but actual bona fide residents of this state, and*
20 *[shall] may be filed in but one county in this state to the same family.*
21 *For the purpose of this section, vehicles in which such person has any*
22 *interest shall be deemed to belong entirely to that person. The person*
23 *claiming the exemption shall file with the department in the county where*
24 *the exemption is claimed an affidavit declaring such residence and that*
25 *the exemption has been claimed in no other county in this state for*
26 *that year.*

27 2. *The limitation on the exemption by household income imposed*
28 *by subsection 1 does not apply to any widow who was eligible for the*
29 *exemption on December 31, 1981.*

30 Sec. 5. The county assessor shall prorate the property tax or the
31 vehicle privilege tax, as the case may be, collected for the fiscal year
32 1981-82 from any claimant entitled to an exemption under NRS 361-
33 080 or 371.101, respectively, to the extent necessary to comply with
34 the provisions of those sections.

35 Sec. 6. This act shall become effective on January 1, 1982.

EXHIBIT D

construction have varied widely in the past, making it difficult for owners and investors to analyze year-to-year results or to compare performance between companies. Therefore, the AICPA has issued guidelines intended to unify and standardize industry practices.

Much prior discretion has been removed, since the guidelines specify which costs to report as current operating expenses and which to capitalize. Preacquisition and acquisition costs are covered, along with taxes, insurance, legal fees, accounting procedures for dispositions, and many other finer points of land development--including the treatment of amenities such as golf courses and swimming pools, where wide latitude had prevailed. Though AICPA guidelines are not mandatory, they usually become so when the Financial Accounting Standards Board eventually incorporates such guidance into formal standards.

Manufacturing "climate" study of 48 states puts Mississippi No. 1 in line-up

Our 1980 study of major factors bearing on manufacturing plant location was released in mid-February. Conducted by Alexander Grant & Company in cooperation with the Conference of State Manufacturers' Associations, the annual study focuses on 18 factors selected by members of the association as among the most important quantifiable elements influencing the attractiveness of the business climate for manufacturers in the 48 contiguous states. Factors include state and local taxes, state debt and spending, energy cost, labor union membership, average weekly manufacturing wage, and workmen's compensation insurance rate.

Overall results (with 1 being the most favorable business climate):

- | | | |
|-------------------|----------------|-----------------------|
| 1. Mississippi | 17. New Mexico | 33. Montana |
| 2. North Carolina | 18. Texas | 34. Nevada |
| 3. South Carolina | 19. Alabama | 35. Oregon |
| 4. North Dakota | 20. Nebraska | 36. Illinois |
| 5. Arkansas | 21. Missouri | 37. Minnesota |
| 6. Idaho | 22. Louisiana | 38. Massachusetts |
| 7. Georgia | 23. Arizona | 39. Washington |
| 8. Florida | 24. Maine | 40. Delaware |
| 9. New Hampshire | 25. Indiana | 41. West Virginia |
| 10. Utah | 26. Kentucky | 42. Pennsylvania |
| 11. Tennessee | 27. Vermont | 43. Rhode Island |
| 12. South Dakota | 28. Iowa | 44. New Jersey |
| 13. Kansas | 29. Maryland | 45. California |
| 14. Virginia | 30. Wyoming | 46. New York |
| 15. Oklahoma | 31. Wisconsin | 47. Connecticut |
| 16. Colorado | 32. Ohio | 48. Michigan |

IRS decks cruise-ship convention deduction; OKs "reasonable" foreign jaunts

No deductions are allowed for expenses incurred in attending business conventions aboard cruise ships. That's part of a new law affecting trips scheduled after December 31, 1980.

Other provisions relate to expenses that businesses may claim for attending conventions in foreign lands outside a defined area of North America. To qualify for deduction, the meeting must pertain directly to the active conduct of the taxpayer's trade or business or investment activity and must meet "reasonableness" criteria--including a requirement that it is "as

ECONOMIC IMPORTANCE OF THE WEST COAST OIL INDUSTRY - 1979

TABLE I Original Investments in Physical Assets *
(In thousands of dollars - 000's (allied))

<u>Phase of Operations</u>	<u>Alaska</u>	<u>Arizona</u>	<u>California</u>	<u>Nevada</u>	<u>Oregon</u>	<u>Washington</u>	<u>Six-State Total</u>
Exploration & Production	\$ 6,300,000	\$ 8,000	\$ 13,000,000	\$ 21,000	\$ 4,000	\$ 8,000	\$ 19,341,000
Manufacturing	700,000	3,500	4,500,000	1,000	15,000	740,000	5,959,500
Marketing	90,000	130,000	1,650,000	60,000	190,000	280,000	2,400,000
All Other Assets ^{/1}	13,800,000	103,000	1,500,000	14,000	26,500	100,000	15,543,500
Total Investments	\$ 20,890,000	\$ 244,500	\$ 20,650,000	\$ 96,000	\$ 235,500	\$ 1,128,000	\$ 43,244,000

TABLE II Employee and Salary Statistics - 1979
(Actual dollars)

<u>Category</u>	<u>Alaska</u>	<u>Arizona</u>	<u>California</u>	<u>Nevada</u>	<u>Oregon</u>	<u>Washington</u>	<u>Six-State Total</u>
Company Employees **	5,000	1,000	65,000	300	1,500	4,000	76,800
Employees' Salaries	\$200,000,000	\$ 18,000,000	\$1,375,000,000	\$ 4,200,000	\$ 25,000,000	\$ 77,000,000	\$1,699,200,000
Average Salary Per Employee	\$ 40,000	\$ 18,000	\$ 21,153	\$ 14,000	\$ 16,666	\$ 19,250	\$ 22,125
Investment Per Employee	\$ 4,178,000	\$ 244,000	\$ 317,000	\$ 320,000	\$ 157,000	\$ 282,000	\$ 563,000
Total Industry Personnel ***	6,000	12,450	200,000	1,815	10,000	16,800	247,065

* Excludes investments in physical assets and employee data of oil field service contractors, supply companies and foreign operations. Figures are in total dollars.

** Direct oil company employees only.

*** Also includes lease operations, consignees, commission agents, dealers and their employees. EXCLUDES oil field service contractors and other services and supply companies and their employees as well as foreign operations employees. (Figures are average of annual personnel employed during 1979.) (Includes Alyeska Pipeline contractor employees.)

^{/1} Includes Pipeline and Transportation Assets.

ECONOMIC IMPORTANCE OF THE WEST COAST OIL INDUSTRY - 1979

TABLE III Materials and Services Purchased ^{/2}

<u>Alaska</u>	<u>Arizona</u>	<u>California</u>	<u>Nevada</u>	<u>Oregon</u>	<u>Washington</u>	<u>Six-State Total</u>
\$ 625,000,000	\$ 40,000,000	\$2,000,000,000	\$ 18,000,000	\$ 95,000,000	\$ 101,000,000	\$2,879,000,000

TABLE IV Permits, Rents and Royalties To
Federal & State and Local and Private Companies or Individuals

<u>Alaska</u>	<u>Arizona</u>	<u>California</u>	<u>Nevada</u>	<u>Oregon</u>	<u>Washington</u>	<u>Six-State Total</u>
\$1,115,740,000	\$ 4,000,000	\$ 630,000,000	\$ 3,000,000	\$ 2,000,000	\$ 2,200,000	\$1,756,940,000

TABLE V Direct Taxes Paid to State and Local Governments

<u>Type of Tax</u>	<u>Alaska</u>	<u>Arizona</u>	<u>California</u>	<u>Nevada</u>	<u>Oregon</u>	<u>Washington</u>	<u>Six-State Total</u>
Property	\$170,000,000	\$ 12,000,000	\$202,000,000	\$ 4,000,000	\$ 6,200,000	\$ 12,500,000	\$ 406,700,000
Other	731,746,000	28,777,000	416,177,000	541,000	6,561,000	20,846,000	1,204,648,000
TOTAL	<u>\$901,746,000</u>	<u>\$ 40,777,000</u>	<u>\$618,177,000</u>	<u>\$ 4,541,000</u>	<u>\$ 12,761,000</u>	<u>\$ 33,346,000</u>	<u>\$1,611,348,000</u>

/1 Figures are in actual dollars.

/2 Expenditures are for purchased materials and services for 1979: Includes allocations for tanker ships, trucks and other such movable items. Excludes crude oil and other petroleum product purchases and exchanges.

PREPARED STATEMENT OF

Joy Fiore
CER Corporation
2225 East Flamingo Road
Las Vegas, Nevada 89109

EXHIBIT F

on Senate Joint Resolution No. 27

Mr. Chairman, I appreciate the opportunity to appear before you and your colleagues today. My name is Joy Fiore. I am a geologist employed by CER Corporation in Las Vegas, Nevada. I represent Mr. J. Erich Evered, also of CER Corporation, who is Nevada Vice President of the Independent Petroleum Association of Mountain States, a trade association of independent oil and gas producers with 1400 members spread throughout the Rocky Mountain region. The potential harm of Senate Joint Resolution No. 27 spreads far beyond our state lines, so it is important that I bring to you the views of our regional producer association.

Perhaps I should briefly explain the role of the independent producer in the U.S. oil and gas industry, since it is the independent who stands to lose the most as a result of the proposed constitutional amendment. By definition, an independent producer is a small businessman who is primarily concerned with the finding and producing of oil and gas. Unlike the larger integrated companies, the independent is not involved in refining or marketing crude oil. His profit center is at the wellhead.

The independent producer segment of the U.S. oil industry is credited with drilling 90% of all onshore exploratory or wildcat wells and almost 80% of the total wells drilled on land in the U.S. There are about 16,000 of these individuals throughout the country, and they have been credited by the Annual Oil and Gas Survey of the U.S. Bureau of the Census with investing at least 100% of wellhead revenues each year in new production projects. They have done so by leveraging with the banks the production they own, and by seeking outside investors.

The independents generally have made their mark by getting a relatively large number of wells to produce relatively small amounts of oil. In other words, the producing conditions in Nevada are just the kind which offer opportunity for independents. In many cases, we can successfully operate marginally producing wells by keeping costs low and by reworking them at certain intervals. It is seldom realized that the smaller wells, which are most often the province of the independent producer, contribute a substantial portion of total U.S. production. For instance, the so-called stripper well, which averages nationwide a little less than three barrels a day in production, provides about 12% of U.S. production. Roughly another 12% is provided by so-called marginal wells which produce between 10 - 35 barrels per day at depths below 2000 feet.

What does all this mean in terms of Nevada? Our 30 producing wells average about 120 barrels of crude oil per day. We are not Saudi Arabia, but each of these wells saves the country the equivalent of \$4,500 a day or a total of \$135,000 a day in imported oil. To the degree that we can increase domestic crude oil production in our state, it will be because many more of these smaller wells are brought into production.

As you gentlemen are so well aware, tax policy shapes economic action. It either creates incentives which move capital into a particular geographic region or economic endeavor, or it has the opposite effect. Right now the country is waiting to see the effect which the massive federal windfall profits tax is going to have on our domestic oil and gas production. Presently we have only the projections of various studies to provide indications of the windfall tax's potential impact, but the range of possibilities is very discouraging.

For instance, a study completed late last year by the Interstate Oil Compact Commission, a federally funded agency, predicted that the federal tax on crude would result in the abandonment of \$17.16 billion worth of domestically

produced crude.

It can only be presumed that a tax increase on Nevada's fledgling oil and gas industry will compound the production loss in our state. Not only will such an action make oil and gas production here less economically attractive, it will make production in other states more so.

I am sure that many of you gentlemen are aware of the explosion in oil and gas activity which is now going on in the West, and particularly the Rocky Mountain Region. North Dakota recently surpassed 125,000 barrels a day in production and Montana is nearing 110,000 a day. I remind you that our own figure is about 3500 barrels per day.

Many areas in the Rockies are very attractive production centers, both from a geological and state tax standpoint. New Mexico, for instance, which is experiencing increased oil and gas activity in both the eastern and western portions of the state, recently reduced its state severance tax.

If the level of activity and the small level of production continues to decrease in our state, it will not be the geology which is at fault, but rather, the kind of impediment which is embodied by the tax policy initiated by Senate Joint Resolution No. 27.

You are sure to hear the argument that the long period needed to adopt a constitutional amendment in our state will allow ample time to fully test the effect of the idea. I can assure you, Mr. Chairman, that the process of adoption will only exasperate the unpleasant economic effects which will surely result from this proposal.

Any arm of business abhors a vacuum. Perhaps more so with the oil exploration and production business, because of the terrible inflation we have been experiencing in the costs of drilling, equipment and labor. The cost of drilling a well is going up monthly. With this fluid situation, investors and exploration managers must have some sense of the return they might expect

should their well be successful.

The effect of Senate Joint Resolution No. 27 is to create a period of uncertainty of five years or more before producers can have any sense of what the actual outcome of this amendment may be. How can anyone plan under that circumstance? Very simply, they can't.

In a state which must have a continued, active exploration program in order to increase oil and gas production -- and subsequent revenues to the state -- we are sending exactly the wrong signal to industry with this proposed amendment.

I urge you ladies and gentlemen to send a favorable signal by stopping this effort in its tracks.

Thank you for this opportunity to bring these comments to your attention. If we at CER Corporation in Las Vegas can be of any assistance to you or your staff, please do not hesitate to call on us.

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STATEMENT OF A. A. (BUDDY) ARRAS, JR., TO COMMITTEE ON TAXATION
NEVADA STATE SENATE

EXHIBIT G

Mr. Chairman, thank you for allowing me to speak to you today. My name is Buddy Arras. I am Vice-President of Concept Resources, Inc., an oil and gas producing company with operations throughout the western states. We are listed over-the-counter on the New York Exchange.

I am appearing, in my own interests, on behalf of Bill Pennington, who is in the hospital, and on behalf of the Independent Petroleum Association of Mountain States, the group of independent oil and gas producers which operate in the states east and west of the Rockies. I am a director of this association, commonly referred to as IPAMS, as is Bill Pennington.

The constitutional amendment proposed in Senate Joint Resolution No. 27 presents many possible shortcomings for our state and for independent petroleum producers. I would like to briefly review some of these with you.

It may already be clear to you, Mr. Chairman, that U. S. independents are in effect the exploratory arm of the oil industry in this country. 90% of the wildcat wells drilled onshore in our country are drilled by independents. There is a kind of herd instinct among this group. When a lot of small independent producers start showing up in town, you know that an oil and gas boom is on, or just about to begin.

This is the situation we would like to have, and need in Nevada. We need to have far more independent geologists and petroleum engineers walking the ground and discovering how to unlock the geological codes which govern our oil and gas formations.

This kind of activity grows out of two conditions: a set of

favorable geological indicators -- and there are enough of them present to keep a modest rate of exploration going on. Secondly, there must be a favorable business environment. This latter condition has diminished with the presence of Senate Joint Resolution No. 27.

The open-ended tax policy contained in this constitutional amendment is a large, bold-lettered sign which says "Go Look for Oil and Gas Somewhere Else." The small independents, who must husband their capital, have been forced more and more to take state taxing policies into consideration. In a state like ours, where the ratio of successful wildcats has been running one in ten, we cannot hope to lure these smaller entrepreneurs if we say through the proposed amendment that we are definitely going to tax you unequally. Just how unequally, you will have to wait several years to see.

It is understandable that the independents must move toward the path of least resistance when they chart out their exploratory program. There are a number of examples in the oil and gas producing states of this region which show that tax policy has a direct bearing on the level of activity.

Perhaps the most dramatic of them is the major movement of Canadian oil and gas producers and capital into the U.S. as they flee onerous new tax policies of the Trudeau government.

Along the Canadian border, our own states of North Dakota and Montana have adopted tax policies which are causing producers there to look to the emerging oil play in the Southwest and East.

And, in Colorado, two counties which have begun to implement their own levies on oil and gas activity have seen new exploration slow considerably. [Douglas and Routt Counties]

It is not just the state or county taxes which cause this reaction, but it is these taxes piled upon the Federal "windfall profit tax" which does it. There is generally little understanding of the overall level of taxation which our industry now bears. Depending on the tax bracket of the individual or corporate tax payer, the total in federal, state and local taxes can take as much as 70% of the gross value of the oil. As with other industries, the active producer has the best opportunity to lower the level of this tax bite through the various deductions which are available; yet on the basis of calculations we have done, it does not appear possible in any part of the Western U.S. producing region, to reduce the tax take to less than 40% of gross income after all possible deductions are taken.

You should not be surprised that those who must consistently pay at the highest tax rates are the royalty owners -- large and small. They are placed in the highest tax bracket of the federal crude oil tax, and they do not have available many of the deductions that an active producer can take. It should be made clear to your colleagues that if they proceed with the proposed constitutional amendment, the royalty owners of this state will pay a disproportionate level of any tax increase which might follow.

Mr. Chairman, in the aftermath of the 1973 Arab oil embargo we painfully understood just how vulnerable our nation was, because its domestic energy production had fallen so low. The story since that time, and particularly in the last three years, has been one of regeneration and now a very healthy recovery of the domestic oil and gas industry. We are operating at the highest levels ever; and yet this success seems to be the very source of the undoing of both domestic industry and our hopes for any form of national energy self

sufficiency. No sooner has the public become aware that the industry is generating capital, then many hands at many different levels reach out to take that capital for their own purposes.

The independent producer industry in the U.S. has been re-investing at a rate greater than 100% of its wellhead revenues. That is how we got to our present level of activity. Now let me remind you of another industry that has somewhat paralleled the ups and downs of our own -- the U.S. railroad industry. Some can remember, and others know from their history books, that in decades past the railroad industry epitomized the height of financial power and achievement. Government intervention in that industry has brought it to where it is today, a broken, sick and heavily subsidized system.

There is every present chance that the combination of federal and state tax policies which are now forming can do the same to my industry. Only, in this case, the country has no alternatives to the national security problems which result.

If additional state revenues must be found -- for whatever reason -- then I urge you gentlemen to fully consider the consequences of any taxes you levy on energy resources.

It makes no sense to place more downward pressure on our state's oil producing industry. If you have no other alternative than to take more state revenues from the petroleum industry, look to the gasoline pump instead of the well site. Just as any new tax will in all likelihood inhibit Nevada oil production and thus the revenues which come to the state and its citizens from this production, so will a gasoline pump tax reduce consumption. Given the prospects for our country's domestic energy supplies and our national security future, it makes far more sense to husband available gasoline than it does to force abandonment of crude oil which could be produced.

Our state provides less than 0.1% of the country's oil production, yet we consume 0.4% of the available petroleum. Clearly there are far more gallons of gasoline in this state to tax than there are barrels of crude oil.

What may now appear to be a politically easy taxing plan, by singling out oil and gas revenues, will ultimately pay a large disservice to Nevada and to the country.

I thank you for the opportunity to present these comments, and I urge rejection of Senate Joint Resolution No. 27.

A. B. 162

**ASSEMBLY BILL NO. 162—ASSEMBLYMEN ROBINSON,
RUSK, BARENGO AND BREMNER**

FEBRUARY 13, 1981

Referred to Committee on Taxation

SUMMARY—Removes requirement for oath in declaration of personal property for purposes of assessment of property tax. (BDR 32-667)

**FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.**

EXPLANATION—Matter in italics is new; matter in brackets [] is material to be omitted.

AN ACT relating to property tax; removing the requirement for an oath when a declaration of personal property is made for purposes of an assessment; and providing other matters properly relating thereto.

***The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:***

- 1 **SECTION 1. NRS 361.265 is hereby amended to read as follows:**
2 **361.265 1. For the purpose of enabling the county assessor to make**
3 **assessments, he shall demand from each person or firm, and from the**
4 **president, cashier, treasurer or managing agent of each corporation, asso-**
5 **ciation or company, including all banking institutions, associations or**
6 **firms within his county, a [statement under oath or affirmation] *written***
7 ***statement, signed under penalty of perjury, on forms to be furnished by***
8 **the county assessor of all the personal property within the county, owned**
9 **or claimed by such persons, firms, corporations, associations or com-**
10 **panies.**
11 **2. If the owners of any property not listed by another person [shall**
12 **be] *are* absent or unknown, or fail to [make the statement under oath**
13 **or affirmation as herein provided] *provide the written statement* within**
14 **15 days after demand is made therefor, the county assessor shall make an**
15 **estimate of the value of [such] *the* property and assess [the same] *it***
16 **accordingly. If the name of [such] *the* absent owner is known to the**
17 **county assessor, the property [shall] *must* be assessed in his name. If**
18 **the name of the owner is unknown to the county assessor, the property**
19 **[shall] *must* be assessed to "unknown owner"; but no mistake [hereto-**
20 **fore or hereafter] made in the name of the owner or the supposed owner**
21 **of personal property [shall render] *renders* the assessment or any sale**
22 **of such property for taxes invalid.**

Assembly Bill No. 162 (cont'd)

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1 3. At the end of each month the county assessor shall report to the
2 district attorney of the county the names of all persons neglecting or
3 refusing to give the statement as required by this section, and the district
4 attorney shall prosecute all persons so offending.

5 4. If any person, officer or agent [shall neglect or refuse] neglects
6 or refuses on demand of the county assessor or his deputy to give [under
7 oath or affirmation] the statement required by this section, or [shall
8 give] gives a false name, or [shall refuse to give his name, or shall refuse
9 to swear or affirm.] refuses to give his name or to sign the statement,
10 he [shall be] is guilty of a misdemeanor and [shall] must be arrested
11 upon the complaint of the county assessor or his deputy.

12 Sec. 2. NRS 361.285 is hereby amended to read as follows:

13 361.285 1. At the same time and in the same manner as other lists
14 of property required by this chapter are given, each person shall [deliver,
15 under oath or affirmation,] deliver to the county assessor a similar list
16 of all real estate, with the improvements thereon, and all personal prop-
17 erty which such person, and the firm of which he is a member, and the
18 corporation of which he is president, cashier, treasurer, secretary, trustee
19 or managing agent, owns, claims or has the charge, possession or control
20 of, in any other county of the state, and which he does not, of his own
21 personal knowledge, know has been assessed in [such] the other county
22 for that year.

23 2. The list [shall:] must:

24 (a) Describe particularly each tract of land and each city or town lot
25 contained therein (so that [the same] it may be found or known by
26 [such] the description), and all vessels, steamers and other watercraft,
27 and shall also specify each and all deposits, if any, and persons with whom
28 such deposit or deposits are made, and the place in which [the same]
29 they may be found, unless he [shall have] has included all such money,
30 gold dust, gold and silver bars and bullion in the list of property in his
31 county, which it [shall be] is lawful to do.

32 (b) Specify the kind and nature of all other personal property in
33 [such] the other county belonging to or under the charge, control or in
34 the possession of him or them.

35 (c) Be signed, under penalty of perjury, by the declarant.

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