

MINUTES OF THE  
MEETING OF THE  
JOINT SENATE AND ASSEMBLY  
COMMITTEES ON TAXATION

SIXTY-FIRST SESSION  
NEVADA STATE LEGISLATURE  
April 30, 1981

The Joint Senate and Assembly Committees on Taxation were called to order by Chairman Paul May, at 2:11 p.m., Thursday, April 30, 1981, in Room 131 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Assemblyman Paul May, Chairman  
Senator Keith Ashworth, Chairman  
Senator Norman D. Glaser  
Senator Don Ashworth  
Senator Virgil M. Getto  
Senator James N. Kosinski  
Senator William J. Raggio  
Assemblyman Steven A. Coulter  
Assemblyman Louis W. Bergevin  
Assemblyman Robert G. Craddock  
Assemblyman John Marvel  
Assemblyman Robert E. Price  
Assemblyman Robert F. Rusk  
Assemblyman Jan Stewart  
Assemblyman Peggy Westall

COMMITTEE MEMBERS ABSENT:

Senator Floyd R. Lamb  
Assemblyman Bill D. Brady  
Assemblyman Patty D. Cafferata

STAFF MEMBERS PRESENT:

Dan Miles, Deputy Fiscal Analyst  
Ed Shorr, Deputy Fiscal Analyst  
Colleen Crum, Committee Secretary

ASSEMBLY BILL NO. 134

Mr. Jerry Higgins, representing the Gaming Industry Association, presented a gaming fact sheet (Exhibit C) and copies of the

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minutes from the April 21, 1981 Assembly Committee on Taxation meeting (Exhibit D). He stated the gaming industry cannot withstand any type of gaming fee increases levied by local governments. He urged that the fees which local governments may levy be capped.

Mr. Robbins Cahill, representing the Nevada Resort Association, stated his organization had studied the effects of the tax shift. The sales tax increase to 5.75 cents would result in the gaming industry paying an additional \$3.8 million annually. The 50 percent reduction in property tax gives the industry a collective reduction of \$5 million. Over 70 percent of the property tax relief will be paid back through the increased sales tax. He noted the tax relief package places tight limits on property taxes, but loose limits on license fees. Local governments will increase license fees to generate additional revenue. He urged that caps be placed on the license fees which local governments can levy during the next two years.

Senator Kosinski asked whether the study took into consideration the changes in the assessment procedures under Senate Bill No. 69. Mr. Cahill stated the effects of Senate Bill No. 69 were not considered.

The chairman explained the legislature considers the bill a transitory and temporary act until a split roll is achieved. The bill is sunset for July 1, 1983.

Mr. Gary Sheerin, representing Harvey's Wagon Wheel, noted Harvey's lost \$6 million in revenues as a result of the bombing incident. It is costing Harvey's \$17.5 million to rebuild the casino. Some, but not all, of the rebuilding costs are covered by insurance. Consequently, Harvey's cannot afford an increase in gaming fees. Assembly Bill No. 134 will result in Harvey's paying an additional \$180,000 in gaming taxes next year. He urged placing caps on the gaming fees which local governments may levy. He noted Douglas County chose to raise the gaming fees rather than increase the ad valorem tax rate last year. Douglas County increased the slot machine tax from \$38 to \$50 per quarter and the

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gaming license fee from \$183 to \$350 last July. These increases resulted in Harvey's paying an additional \$136,000 in taxes. Mr. Sheerin noted that the cap on gaming fees should include a cap on the gross revenue fee Clark County charged. The other counties levy a flat fee.

The chairman presented Amendment No. 777 (Exhibit E) dealing with the cap on gaming fees. Mr. Cahill presented a suggested amendment dealing with the same subject (Exhibit F).

The chairman asked the Assembly Committee on Taxation members to indicate whether they felt the gaming industry should be protected from an increase in fees levied by local governments. Assemblyman Stewart and Westall were the only members to disagree with capping the gaming fees.

Assemblyman Craddock questioned whether Clark County's gross revenue fee applied to the unincorporated areas in the county. Mr. Cahill explained the gross revenue fee applies only to Clark County, which includes the unincorporated areas. It does not apply to the cities of Las Vegas, North Las Vegas, or Henderson.

Assemblyman Price pointed out that Boulder city presently does not permit gambling. He asked what would happen if Boulder City decided to permit gambling in the next two years.

Senator Keith Ashworth stated the tax burden increased for large gambling establishments and decreased for small gambling establishments when Clark County changed from a flat fee to a gross revenue fee. The overall increase in revenue was 39 percent.

Mr. Bud Hicks, counsel for the Nevada Coin Operators Association, stated the association felt the increased tax was unreasonable and would result in a 40 percent tax increase. He urged that the fee be capped. He felt the term "license fee" should be more clearly defined. He asked for a clarification of whether the language in the capping provision was intended to mean the fee charged on the person or the fee charged on the machine.

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Mr. Rusk asked how much revenue is generated by the slot machine fee. Mr. Emmett Sullivan, a slot route operator, stated between \$550,000 and \$600,000 is generated by the slot machine fee.

Mr. Patrick Pine, representing Clark County, stated Clark County supported the proposed cap on gaming license fees. Clark County opposed the abolition of its gross revenue license fee. Fifty-five gaming establishments realized a decrease in gaming fees when the collection method was changed from a flat fee to a gross revenue fee. Fifteen establishments experienced an increase in fees. He noted Section Five of Senate Bill No. 411 requires approval by the Director of the Department of Taxation to change the method of collecting the fees. The request can also be appealed by a dissatisfied party to the interim committee. Section Five of Senate Bill No. 411 also states, "The local government may not increase any fee for a license or permit which is calculated at a fraction of a percentage of the gross revenue of the business if its total revenues from such fees have increased during the preceding calendar year by 80 percent or more of the increase in the Consumer Price Index." He stated the total gaming fees collected in the 1980-1981 fiscal year was approximately \$6.7 million. Of that \$6.7 million, approximately \$5.5 million was generated by gross revenue fees. Approximately \$1.2 million was generated by small operators who pay on a flat fee basis. The gross revenue fee supports 6.5 percent of Clark County's General Fund budget.

Assemblyman Rusk observed requiring Clark County to change from a gross revenue fee to a flat fee would not alter the amount of revenue collected. Mr. Pine replied the main point is which types of establishments should bear the burden. The flat fee forces smaller establishments to carry a bigger burden than the larger establishments.

The chairman asked the Assembly Committee on Taxation members whether Clark County should be forced to change from a gross revenue fee to a flat fee. No indication was given.

Assemblyman Craddock questioned how a gross revenue fee, which fluctuates, could be frozen.

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Mr. Mead Dixon, Chairman of Harrah's, expressed concern that local governments will attempt to enlarge the imposition of gaming fees, particularly during the two-year transitory period. A cap on gaming taxes, whether the tax is called a fee or a tax, is essential. The state would be abdicating its right to control the gaming industry if it allowed local jurisdictions to preempt the state's power of taxation.

Mr. Jack Warnecke, Carson City Supervisor, requested that the bill be amended on page one, line five, by inserting the words "average use" between the words "the" and "fee" and by inserting the words "two adjacent counties" after the word "property". He noted Carson City had shown restraint in levying gaming fees. The proposed cap would penalize Carson City for its restraint. Carson City had planned to increase its gaming fees to finance certain projects.

The meeting recessed at 3:31 p.m. and reconvened at 3:33 p.m.

The chairman asked Mr. Frank Daykin, Legal Counsel, to assist with developing the language in Section One of the bill. Senator Don Ashworth explained the controversy was over whether the term "license fee" included the gross revenue fee charged by Clark County.

Mr. Daykin explained the term "license fee" includes the gross revenue fee because a local government's authority to impose a charge upon any business enterprise is conferred by NRS Chapter 364, which refers to business licenses, and NRS Chapter 463, which refers to licenses. Therefore, the term "license fee" is all encompassing and is the only charge which can be lawfully made.

Senator Don Ashworth asked whether the word "persons" on page one, line three, could be interpreted to mean the tax would be paid for the licensee rather than the machine. Mr. Daykin explained the term goes back to the old principle that only persons pay taxes; machines don't pay taxes. Although a fee maybe measured in part by the number of machines or on an owner-operator basis, it is still a fee imposed on a person who desires to conduct a gambling business. He did not recommend itemizing each situation to which the tax would

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apply because ingenious people would call it by some other name and escape paying the fee.

Mr. Daykin noted Amendment No. 777 would apply only to an increase in fees and taxes based on gross revenue. It would not place a cap on flat fees.

The chairman asked Mr. Daykin to prepare an amendment to the bill using the guidelines which have been explained.

There being no further business, the meeting adjourned at 3:40 p.m.

Respectfully submitted by:

  
Colleen Crum, Secretary

APPROVED BY:

  
Senator Keith Ashworth, Chairman

DATE: May 9, 1981

AGENDA FOR COMMITTEES ON.....TAXATION.....

Date Thurs, April 30, 1981 Time 2:00pm Room 131

EXHIBIT A

Bills or Resolutions  
to be considered

Subject

Counsel  
requested\*

<u>Bills or Resolutions to be considered</u>	<u>Subject</u>	<u>Counsel requested*</u>
A.B. 134 -	Increases state license fee on gross revenue of gaming and prohibits local increases.	

\*Please do not ask for counsel unless necessary.

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON TAXATION

EXHIBIT B

DATE: 4-30-81

AB 134

PLEASE PRINT      PLEASE PRINT      PLEASE PRINT      PLEASE PRINT

NAME      ORGANIZATION & ADDRESS      TELEPHONE

Gary Sheerin      Harrey's Wagon Wheel      882 1386

C.G. MUNSON      HARRAH'S

Mead Dixon      Itanah's

JERRY HIGGINS      GAMING IND ASSOC      883-8804

Bud Hicks      Nev. Coin Operator's Assoc.      3220635

Jack Warnecke      Carson City Supervisor      882 5119

PATRICK FINE      CLARK COUNTY





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*Nevada Resort Association*

1785 E. SARARA SUITE 750 • LAS VEGAS NEVADA 89104 • PHONE 735 2811

EXHIBIT C

GAMING IN NEVADA - FACT SHEET  
FOR FISCAL YEAR ENDED JUNE 30, 1980

Gaming Privilege Taxes Paid (1)

State	\$150,000,000
Counties	17,400,000
Cities	5,700,000
Federal	<u>7,800,000</u>

\$180,900,000 (2)  
 10,300,000

NEW  
 JEWS

Taxes Generated (3)

Casino Entertainment	100%	\$ 19,655,000	
Sales and Use Tax	64%	56,123,000	
Cigarette Tax	69%	8,523,000	
Alcoholic Beverage Tax	69%	6,238,000	
Gasoline Tax	71%	<u>25,735,000</u>	\$116,274,000
	Grand Total		<u>\$297,174,000</u>

The Nevada Resort Association and the Gaming Industry Association have assembled and present these summary statistics to illustrate the impact of the Gaming/Tourism/Entertainment Complex on Nevada's total economy.

All of these figures have been available in various studies and reports, however, we believe and hope that a summary in this abbreviated form may be helpful to your deliberations on tax reform.

- (1) These are tax levies paid only by Gaming Licensees and are in addition to taxes paid by all other businesses, which Gaming pays too.
- (2) An effective tax rate of 7.9% on gross gaming revenue of \$2,273,000,000. Gross gaming revenue is properly explained as total revenue before deductions of all expenses and costs of operation.
- (3) These are estimates based on findings by Economic Research Associates in a 1976 study.

**RESOLUTION**  
**and**  
**STATEMENT OF POSITION**  
**on**  
**FINANCIAL IMPACT OF PENDING LEGISLATION**

**Submitted by**

**GAMING INDUSTRY ASSOCIATION  
OF NEVADA, INC.**

**NEVADA RESORT ASSOCIATION**

RESOLUTION

WHEREAS, the gaming industry is vital to the economy of the State of Nevada; and

WHEREAS, the industry is presently confronted with serious challenges to its continued growth and progress due to escalating airline fares, rapidly increasing gasoline prices, fire retrofitting requirements and substantial cost increases associated with inflationary wage and material cost increases; and

WHEREAS, there is presently pending before the Nevada legislature a multiplicity of legislative measures which, in total, would impose unacceptable and counter-productive cost burdens upon the industry;

NOW, THEREFORE, the Nevada Resort Association and the Gaming Industry Association of Nevada urgently request the members of the Nevada Legislature to establish a system of priorities in dealing with bills which adversely impact the gaming industry and in keeping with the spirit of this Resolution to give serious and thoughtful consideration to the attached "Statement of Position".

IN WITNESS WHEREOF, we have caused this Resolution to be signed by our duly appointed officers, this 13th day of April, 1981.

Nevada Resort Association

Gaming Industry Association of Nevada, Inc.

By /s/John T. Fitzgerald  
John T. Fitzgerald

By /s/ Phil Griffith  
Phil Griffith

Its: President

Its: President

**STATEMENT OF POSITION**  
**By**  
**NEVADA RESORT ASSOCIATION & GAMING INDUSTRY ASSOCIATION**  
**On**  
**THE FINANCIAL IMPACT OF PENDING LEGISLATION**

**INTRODUCTION**

No one remotely familiar with the facts can seriously dispute the importance of the gaming industry to Nevada's economy. In fiscal year ending June 30, 1980, the industry was responsible for generating the following revenues:

- State gaming privilege taxes of \$169,687,132
- Approximately 64% of sales/use taxes, or \$56,123,984
- Approximately 69% of cigarette taxes, or \$8,523,787
- Approximately 71% of the gasoline tax, or \$25,621,754
- Approximately 69% of the alcoholic beverage taxes, or \$6,238,927
- Virtually all of the room taxes collected by local governments, or approximately \$25,000,000

In addition to these direct contributions, the industry, by its billions of dollars invested in facilities and its multi-million dollar annual expenditures for supplies and equipment exerts a profound and beneficial influence on the economic well-being of virtually every segment of our economy. Significantly, the industry directly provides 30% of Nevada's employment or in excess of 110,000 jobs.

Despite these contributions, there appears to be developing among certain segments of our society a dangerous and irresponsible tendency to "saddle" the gaming industry with a disproportionate share of the cost of government and to impose upon it other cost burdens that threaten the industry's ability to retain Nevada's preeminent position as the entertainment and convention capital of the world.

### THE THREAT POSED BY LEGISLATIVE ACTION

In the next few weeks, Nevada's legislators will be called upon to exercise uncommon foresight, courage and restraint to avoid damaging the state's most important industry beyond repair. It is that conviction that motivates us to record the multiplicity of bills that would impose a ruinous cost burden on gaming and drastically impair its ability to provide increasing employment opportunities for our citizens.

Obviously, many of the bills have merit when considered in isolation. Unfortunately, however, legislators are not afforded the opportunity of viewing the cumulative financial impact of all bills affecting the industry. Instead, they are confronted with the necessity of voting on bills on a "piece-meal" basis. That process poses a serious threat to the viability of the industry and to the economy of the state as a whole.

We have listed below certain measures which, in total, threaten the

economic health and welfare of Nevada's principal source of jobs and revenue.

**SB 214 - Retrofitting for Fire Safety:  
(and similar measures)**

Obviously, the industry and the general public recognize the importance of improving fire safety. At the same time, we urge legislators to give serious consideration to the fact that implementing retrofitting requirements will cost high-rise properties from \$1 million to \$5 million for installation and approximately an equal amount in lost food, beverage and gaming revenues during the conversion period.

	Estimated cost to industry as a whole-----	\$75 million
AB 134	Increasing gross revenue tax from 5½ to 6%-----	\$13,750,000 per y
AB 369	Increase in sales tax will generate an in- crease in use taxes that cannot be passed on directly to customers in the estimated amount of-----	\$ 5,000,000 per y
SB 230	Failure to enact this measure will cost the gaming industry approximately-----	\$ 150,000 per y
	Passage of this measure would save employers in gaming approximately-----	\$ 1,000,000 per y

**AB 136** Pension offset provision. If not enacted  
 employers in gaming would be required to  
 contribute approximately ----- \$15,000,000 per

**AB 263** Adds other factors such as age, and occupation in  
 determination of permanent, partial disability  
 awards. Estimated cost to gaming industry----- \$ 2,000,000 per

**AB 264** Limits application of exclusive remedy to  
 employer who pays the premium thus exposing  
 all other related employers. This could  
 drastically affect convention business (cost  
 impossible to calculate).

**AB 390** Retroactively increases awards for total dis-  
**AB 433** ability and death benefits. Estimated costs to  
 gaming industry----- \$ 2,000,000+per

**SB 465** Increases permanent partial disability benefits  
**AB 407** from  $\frac{1}{2}$  of 1% to  $\frac{2}{3}$  of 1% for each 1% of dis-  
 ability. Estimated cost for gaming industry----- \$ 2,000,000 per

**SB 195** Includes travel between employers' places of  
 business and employees' homes as covered em-  
 ployment for workmens compensation purposes.  
 Seriously increases exposure to claims for injuries  
 sustained before and after work. No cost estimates possible.

- SB242 Would include tips as wages for purposes of  
SB243 determining disability benefits and unemployment  
benefits. Cost to gaming industry difficult to pre-  
dict, but would amount to several millions of  
dollars per year to industry as a whole.

OTHER MEASURES

- SB 312 Would repeal constitutional provision prohibiting  
SJR 23 lotteries. Would place the state in competition  
AJR 24 with industry and drain off gaming revenues.

Estimate of lost revenue impossible.

- AB 233 Polygraph bill as amended and passed by assembly.  
If polygraph examinations were to be prohibited  
the loss of revenues occasioned by dishonest  
employees would be incalculable.



CONCLUSION

We do not claim that the cost estimates listed above are precise, but the magnitude is such that no responsible legislator can justify action on any of these measures without weighing the adverse impact on Nevada's most important industry.

The importance of exercising restraint is underlined by the fact that now more than ever before the industry must remain competitive with other tourist destinations. Further, there is ample evidence to support the argument that our principal industry is experiencing a slowdown in growth.

Consider, for example, the fact that five Las Vegas properties are in bankruptcy and several others are faced with financial difficulties. Consider too that in the first two months of the first quarter of 1981, airline traffic in Las Vegas was down some 13% and that visitor volume was off by approximately 5%.

Finally, legislators are encouraged to study the attached report which summarizes the performance of gaming establishments in northern and southern Nevada. It is not encouraging and when coupled with the heavy costs associated with retrofitting, suggests that the industry should not be called upon to assume any additional costs that are not absolutely necessary to preserve the fiscal integrity of the state.

Respectfully Submitted

Nevada Resort Association  
Gaming Industry Association of  
Nevada, Inc.

**Library Note:**

During the examination of this set of minutes, Exhibit D was found to be missing. It also appears to have been missing at the time this set of minutes was numbered, as the numbering does not have a gap where these pages should be. The pages are also missing from the microfiche.

Research Library  
September 2012

1981 REGULAR SESSION (61st)

EXHIBIT E

ASSEMBLY ACTION

SENATE ACTION

.....Assembly.....AMENDMENT BLANK

Adopted   
Lost   
Date:  
Initial:  
Concurred in   
Not concurred in   
Date:  
Initial:

Adopted   
Lost   
Date:  
Initial:  
Concurred in   
Not concurred in   
Date:  
Initial:

AMENDMENTS to.....Assembly.....  
~~Joint~~  
Bill No.....134.....~~Resolution No.~~  
BDR.....41-1348.....  
Proposed by.....Assemblyman May.....

Amendment N<sup>o</sup> 777

Consistent with Amendment No. 778.

Amend section 1, page 1, by deleting line 3 and inserting:

"1. The rate at which a fee or tax based on gross revenue charged by a local government for persons who desire".

Amend section 1, page 1, line 5, by deleting "fee" and inserting "rate".

Amend section 1, page 1, by inserting below line 6:

"2. No fee or tax based on gross revenue of any gambling game, slot machine or game of chance may be imposed by a local government. This subsection does not prohibit the collection of such a fee or tax which was imposed before April 27, 1981."

Amend the title of the bill on the second line by deleting "local increases of those fees;" and inserting:

"increases of fees or taxes based on gross revenue and the imposition of new fees and taxes based on gross revenue;"

AMEND SECTION 1 OF A.B. 134 TO READ AS FOLLOWS:

SECTION 1. Chapter 463 of NRS is hereby amended by adding thereto a new section which shall read as follows:

No local government shall charge a license fee to conduct, operate or carry on any game, slot machine, device or game of chance based upon the gross revenue of the licensee.