

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
May 28, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth, at 2:06 p.m., on Thursday, May 28, 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:

Mr. Ed Shorr, Deputy Fiscal Analyst
Nancy C. Hayslip, Committee Secretary

ASSEMBLY JOINT RESOLUTION NO. 44 (Exhibit C)- Requests Congress to exempt winnings of individual gaming patrons from income tax.

Chairman Keith Ashworth opened the meeting by asking for testimony of Assembly Joint Resolution No. 44.

Mr. Robbins Cahill, representing the Nevada Resort Association of Las Vegas, and the Gaming Industry of Reno stated that this Resolution was prepared by our Washington counsel and they requested its introduction and support. The Association had retained Washington counsel four years ago due to a difference of opinion with the IRS.

Mr. Cahill further stated that we are the only country in the world that does tax gaming winnings. The National Commission on Gaming recommended the tax on gaming be eliminated on the

Senate Committee on Taxation
May 28, 1981

grounds that any tax on gaming encourages illegal gaming. He went on to say that our gaming industry's position was that the large jackpots and keno tickets are always paid back. There is an offset of winnings under the present law. The counsel wants offset of winnings against losses, but IRS wants to withhold the taxes. There is a \$1,200 withholding on slot machines, and \$1,500 withholding on keno, or anything over that amount. An individual is required to fill out a form 1099 and send it to the federal government. The gaming industry believes that people do not walk out of a casino with that money, and it is not a wind-fall. Most of the money is returned.

Chairman Ashworth stated that this Resolution was primarily to help the counsel in Washington, and that it was a policy position for the State of Nevada. The code now reads that you have to pay taxes on your winnings, but you cannot deduct your losses from your winnings. It is not equitable to tax the winnings and not be able to take the losses in excess of your winnings. Assembly Joint Resolution No. 44 is needed by the counsel in Washington to show the Congress in connection with impending bills. If there would be a withholding on all winnings, it would close the gaming Industry in Nevada. IRS is trying to regulate Nevada's gaming through withholding tax.

Chairman Ashworth asked if there were any questions. There being none, the discussion was closed on Assembly Joint Resolution No. 44 and opened on Assembly Bill No. 680.

ASSEMBLY BILL NO. 680 (Exhibit D.) - Requires quarterly collection of sales and use tax from smaller taxpayers.

Roy Nickson, Director of the Department of Taxation stated that Chairman Ashworth issued a letter to the Department on behalf of the Senate Taxation Committee urging they adopt this policy. Based on the letter the policy was adopted on May 8th. He further stated that he had testified before the Assembly Ways and Means Committee urging them to present a bill which places into law this policy that is now in effect.

ASSEMBLY BILL NO. 680 (Exhibit D.)

Joe Midmore, representing the WW Vending Company of Las Vegas stated that the sales tax on prepared foods in vending machines is handled different ways in various states. Some states that exempt food products from taxation, as in the State of Nevada,

Senate Committee on Taxation
May 28, 1981

vending foods are exempted the same as they are sold in grocery stores. He stated that in some states they are taxed at a lower rate, the wholesale price, as is suggested in Assembly Bill No. 637.

Mr. Midmore stated that most of the vending machines were in areas such as factories or coffee rooms, therefore, the people that use them are Nevadans not the tourists.

This bill would submit to taxpayers in the general election of November, 1982 a proposal whereby the sales tax on food products only sold in vending machines would be levied at the operators wholesale price rather than the retail price. If passed by the voters, it would go into effect January, 1983.

He further stated there was one error in the bill. On the top of page 3, lines 1 and 2, "a no vote is to retain the exemption for food vended by machine from sales or use tax." It is not exempt. The bill drafters will have to reword those two lines.

Chairman Ashworth asked for questions of Mr. Midmore.

Senator Getto asked what the fiscal impact would be.

Roy Nickson stated that the Department had estimated that the fiscal impact in 1983-84 would be about \$271,000 in total revenues. Discussion on Assembly Bill No. 637 was closed.

ASSEMBLY BILL NO. 97 (Exhibit F)-Increases assistance to elderly for property taxes.

Chairman Ashworth stated that this was covered in another bill. Being that there was no discussion, he asked for testimony on Senate Joint Resolution No. 40 (Exhibit G)-Proposes constitutional amendment to permit separate taxation of property of utilities and railroads. He also called attention to subsection 9 on page 2, "no inheritance or estate tax should ever be levied".

Chuck King, representing Central Telephone Company discussed the fact that Central Telephone already paid \$2.6 million in property taxes. If there was a tax increase to utilities, there would have to be a rate increase to the public.

Senator Getto asked if Central Telephone sold telephones to their

Senate Committee on Taxation
May 28, 1981

customers.

Chuck King stated that the first telephone was from the company, any extention was sold. He further stated that the company pays sales tax on their construction and switching equipment. There is a construction budget of \$51 million. Total budget \$104 million. Central Telephone is opposed to the bill.

Chairman Ashworth asked for any other testimony on Senate Joint Resolution No. 40.

Fred Davis, representing the Greater Reno/Sparks Chamber of Commerce testified that in dealing with outside investors and warehousing that has come into the Reno/Sparks area, there is a wide variety of concerns. The most important is the trend in government, and particularly in regard to taxation, therefore, they oppose the bill.

On behalf of the Nevada Chamber of Commerce, the executive committee took action on this bill and by a 7-1 majority voted to oppose this legislation.

Ernie Newton of the Taxpayers Association stated that any bill which includes a provision such as in section 7, is an effort to hide taxation. All business taxes are hidden costs that are translated into the cost of goods and services. Taxes should be visible so the public knows what they are paying and what they are getting.

Chairman Ashworth asked if there was any further discussion on the bill.

David Russell, representing Southwest Gas and Union Pacific Railroad stated these businesses are concerned about the classification concept, and oppose the bill.

George Tackett, representing Nevada Bell testified discussing the fact that split role shift disguises tax burdens every time a new classification or ratio is adopted. Split role can result in higher costs for consumer goods and services. It regressively shifts costs from the tax structure to the price structure. This bill would increase the cost of utilities to the consumer, therefore, Nevada Bell opposes the bill.

Senate Committee on Taxation
May 28, 1981

Chairman Ashworth asked for questions of Mr. Tackett. Being there were none, he asked for further testimony.

Cliff Phillips, Treasurer of Sierra Pacific Power Company stated that they were opposed to the bill, because it singled out and assessed utilities and railroads separately.

John Eck, representing Southern Pacific Transportation Company read from prepared text. (Exhibit H.)

Chairman Ashworth asked if there were questions for Mr. Eck.

Senator Kosinski questioned federal relief.

Mr. Eck stated that federal relief is under the 4-R Act which grants immediate remedy to the federal courts rather than going through the state courts. The basis of the decision was that it was discriminatory to assess railroad property at a higher ratio of assessment than any other property.

Being that there were no further questions and no further testimony, Chairman Ashworth closed the hearings.

Chairman Ashworth asked for a motion on Assembly Joint Resolution No. 44.

Senator Glaser moved that Assembly Joint Resolution No. 44 be approved.

Senator Getto seconded the motion.

The motion carried. (Senator Raggio was absent for the vote.)

Chairman Ashworth asked for a motion on Assembly Bill No. 680.

Senator Glaser moved that Assembly Bill No. 680 be approved.

Senator Getto seconded the motion.

The motion carried. (Senator Raggio was absent for the vote.)

Chairman Ashworth asked for a motion on Assembly Bill No. 97.

Senator Glaser moved to indefinitely postpone Assembly Bill No. 97.

Senate Committee on Taxation
May 28, 1981

Senator Getto seconded the motion.

The motion carried. (Senator Raggio was absent for the vote.)

Chairman Ashworth asked for a motion on Assembly Bill No. 637.

Senator Glaser moved to indefinitely postpone Assembly Bill No. 637.

Senator Getto seconded the motion.

The motion carried. (Senator Raggio was absent for the vote.)

Chairman Ashworth asked for a motion on Senate Resolution Joint No. 40.

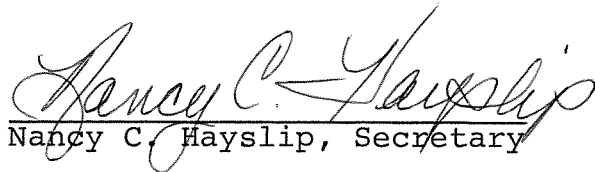
Senator Glaser moved to indefinitely postpone Senate Joint Resolution No. 40.

Senator Getto seconded the motion.

The motion carried. (Senator Raggio was absent for the vote.)

There being no further business, the meeting adjourned at 3:05 p.m.

Respectfully submitted by:


Nancy C. Hayslip, Secretary

APPROVED BY:


Senator Keith Ashworth, Chairman

DATE: 5-30-81

SENATE AGENDA

AMENDED 5/28/81

COMMITTEE MEETINGS

EXHIBIT A

Committee on TAXATION, Room 213.

Day Thursday, Date May 28, 1981, Time 2:00 p.m.

A. J. R. No. 44--Requests Congress to exempt winnings of individual gaming patrons from income tax.

A. B. No. 97--Increases assistance to elderly for property taxes.

A. B. No. 637--Provides for submission to voters of amendments to Sales and Use Tax Act.

A. B. No. 680--Requires quarterly collection of sales and use tax from smaller taxpayers.

S. J. R. No. 40--Proposes constitutional amendment to permit separate taxation of property of utilities and railroads.

A. J. R. 44

**ASSEMBLY JOINT RESOLUTION NO. 44—COMMITTEE
ON TAXATION**

MAY 13, 1981

Referred to Committee on Taxation

SUMMARY—Requests Congress to exempt winnings of individual gaming patrons from income tax. (BDR 2091)

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.

ASSEMBLY JOINT RESOLUTION—Requesting the Congress of the United States to enact legislation which exempts the winnings of individual gaming patrons from income tax.

- 1 WHEREAS, The United States is reportedly the only country in the
- 2 world which taxes gaming winnings as income; and
- 3 WHEREAS, The right to raise revenues for state purposes is reserved to
- 4 the states by the Constitution of the United States; and
- 5 WHEREAS, Gaming is a primary and vital revenue raising source in the
- 6 economy of the State of Nevada; and
- 7 WHEREAS, The people of the State of Nevada have approved, as a mat-
- 8 ter of state policy, the raising of state revenue through the imposition of
- 9 state taxes on gaming businesses; and
- 10 WHEREAS, The legalization of gaming in the State of Nevada has
- 11 resulted in the virtual elimination of illegal gaming activities in the state;
- 12 and
- 13 WHEREAS, The beneficial effects of the legalization of gaming on the
- 14 state's interests are significantly inhibited by the imposition of a discrim-
- 15 inatory federal tax which interferes with the latitude necessary for the
- 16 state to pursue its revenue raising policies and law enforcement goals;
- 17 now, therefore, be it
- 18 *Resolved by the Assembly and Senate of the State of Nevada, jointly,*
- 19 That the legislature of the State of Nevada requests the Congress of the
- 20 United States to enact legislation which exempts the winnings of individ-
- 21 ual gaming patrons from income tax; and be it further
- 22 *Resolved,* That copies of this resolution be prepared and transmitted
- 23 forthwith by the legislative counsel to the President of the Senate and the
- 24 Speaker of the House of Representatives of the United States and to each
- 25 member of the Nevada congressional delegation; and be it further
- 26 *Resolved,* That this resolution shall become effective upon passage and
- 27 approval.

A. B. 680ASSEMBLY BILL NO. 680—COMMITTEE ON
WAYS AND MEANS

MAY 16, 1981

Referred to Committee on Taxation

SUMMARY—Requires quarterly collection of sales and use
tax from smaller taxpayers. (BDR 32-2077)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 sales and use tax; requiring quarterly collection from smaller
taxpayers; 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 372.380 is hereby amended to read as follows:
2 372.380 1. *The reporting and payment period of a taxpayer whose*
3 *taxable sales do not exceed \$10,000 per month is a calendar quarter.*
4 2. The department, if it deems this action necessary in order to
5 insure payment to or facilitate the collection by the state of the amount of
6 taxes, may require returns and payment of the amount of taxes for periods
7 other than calendar months [] or quarters, depending upon the princi-
8 pal place of business of the seller, retailer or purchaser, as the case may
9 be, or for other than monthly or quarterly periods.
- 10 SEC. 2. NRS 372.510 is hereby amended to read as follows:
11 372.510 1. The department, whenever it deems it necessary to
12 insure compliance with this chapter, may require any person subject to
13 the chapter to place with it such security as the department may deter-
14 mine: The department shall fix the amount of the security which, except
15 as noted below, may not be greater than *twice the estimated average*
16 *liability of persons filing returns for quarterly periods* or three times the
17 estimated average liability of persons filing returns for monthly periods,
18 determined in such manner as the department deems proper, or \$10,-
19 000, whichever amount is the lesser.
- 20 2. In the case of persons who are habitually delinquent in their obli-
21 gations under this chapter, the amount of the security may not be
22 greater than *three times the average liability of persons filing returns for*
23 *quarterly periods* or five times the average liability of persons filing
24 returns for monthly periods, or \$10,000, whichever amount is the lesser.

1 3. The limitations provided in this section apply regardless of the
2 type of security placed with the department.

3 4. The amount of the security may be increased or decreased by the
4 department subject to the limitations provided in this section.

5 5. The department may sell the security at public auction if it
6 becomes necessary to recover any tax or any amount required to be col-
7 lected, interest or penalty due. Notice of the sale may be served upon the
8 person who placed the security personally or by mail; if by mail, service
9 must be made in the manner prescribed for service of a notice of a defi-
10 ciency determination and must be addressed to the person at his address
11 as it appears in the records of the department. Security in the form of a
12 bearer bond issued by the United States or the State of Nevada which has
13 a prevailing market price may be sold by the department at a private sale
14 at a price not lower than the prevailing market price.

15 6. Upon any sale any surplus above the amounts due must be
16 returned to the person who placed the security.

17 SEC. 3. NRS 374.385 is hereby amended to read as follows:

18 374.385 1. *The reporting and payment period of a taxpayer whose*
19 *taxable sales do not exceed \$10,000 per month is a calendar quarter.*

20 2. The department, if it deems this action necessary in order to insure
21 payment to or facilitate the collection by the county of the amount of
22 taxes, may require returns and payment of the amount of taxes for
23 periods other than calendar months **[.]** or quarters, depending upon the
24 principal place of business of the seller, retailer or purchaser as the case
25 may be, or for other than monthly or quarterly periods.

26 SEC. 4. NRS 374.515 is hereby amended to read as follows:

27 374.515 1. The department, whenever it deems it necessary to
28 insure compliance with this chapter, may require any person subject to
29 the chapter to place with it such security as the department may deter-
30 mine. The amount of the security must be fixed by the department but,
31 except as noted below, may not be greater than *twice the estimated*
32 *average liability of persons filing returns for quarterly periods* or three
33 times the estimated average liability of persons filing returns for monthly
34 periods, determined in such manner as the department deems proper, or
35 \$5,000, whichever amount is the lesser.

36 2. In case of persons habitually delinquent in their obligations under
37 this chapter, the amount of the security must not be greater than *three*
38 *times the average liability of persons filing returns for quarterly periods*
39 *or five times the average liability of persons filing returns for monthly*
40 *periods, or \$5,000, whichever amount is the lesser.*

41 3. The limitations provided in this section apply regardless of the
42 type of security placed with the department.

43 4. The amount of the security may be increased or decreased by the
44 department subject to the limitations in this section.

45 5. The department may sell the security at public auction if it
46 becomes necessary to recover any tax or any amount required to be col-
47 lected, interest or penalty due. Notice of the sale may be served upon
48 the person who placed the security personally or by mail; if by mail,
49 service must be made in the manner prescribed for service of a notice
50 of a deficiency determination and must be addressed to the person at

1 his address as it appears in the records of the department. Security in
2 the form of a bearer bond issued by the United States or the State of
3 Nevada which has a prevailing market price may be sold by the depart-
4 ment at a private sale at a price not lower than the prevailing market
5 price.
6 6. Upon any sale any surplus above the amounts due must be
7 returned to the person who placed the security.

Library Note:

There is an Exhibit E attached to the meeting. This exhibit is not mentioned in the minutes. Further, Exhibit E appears to be incomplete.

Research Library
December 2014

A. B. 637

ASSEMBLY BILL NO. 637—COMMITTEE ON TAXATION

MAY 7, 1981

Referred to Committee on Taxation

SUMMARY—Provides for submission to voters of amendments to Sales and Use Tax Act. (BDR 32-1676)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: Yes.



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

AN ACT relating to taxation; providing for submission to the voters of the question whether the Sales and Use Tax Act should be amended to provide for the taxation of food vended by machine based on the price paid by the vendor; contingently making similar changes to analogous taxes; 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. At the general election on November 2, 1982, a pro-
- 2 posal must be submitted to the registered voters of this state to amend
- 3 the Sales and Use Tax Act, which was enacted by the 47th session of the
- 4 legislature of the State of Nevada and approved by the governor in 1955,
- 5 and subsequently approved by the people of this state at the general elec-
- 6 tion held on November 6, 1956.
- 7 SEC. 2. At the time and in the manner provided by law, the secretary
- 8 of state shall transmit the proposed act to the several county clerks, and
- 9 the county clerks shall cause it to be published and posted as provided by
- 10 law.
- 11 SEC. 3. The proclamation and notice to the voters given by the
- 12 county clerks pursuant to law must be in substantially the following form:
- 13 Notice is hereby given that at the general election on November
- 14 2, 1982, a question will appear on the ballot for the adoption or
- 15 rejection by the registered voters of the state of the following pro-
- 16 posed act:
- 17 AN ACT to amend an act entitled "An Act to provide revenue
- 18 for the State of Nevada; providing for sales and use taxes; pro-
- 19 viding for the manner of collection; defining certain terms; pro-
- 20 viding penalties for violation, and other matters properly
- 21 relating thereto," approved March 29, 1955, as amended.

THE PEOPLE OF THE STATE OF NEVADA
DO ENACT AS FOLLOWS:

Section 1. Sections 19 and 34 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at pages 766 and 769, respectively, and section 56.2 of the above-entitled act as added by chapter 286, Statutes of Nevada 1979, at page 410, are hereby amended to read as follows:

Sec. 19. **[For]** *Except as provided in subsection 3 of section 56.2, for the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of 2 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state on or after July 1, 1955.*

Sec. 34. **[An]** *Except as provided in subsection 3 of section 56.2, an excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer on or after July 1, 1955, for storage, use, or other consumption in this state at the rate of 2 percent of the sales price of the property.*

Section 56.2. 1. **[There]** *Except as provided in subsection 3, there are exempted from the taxes imposed by this act the gross receipts from sales and the storage, use or other consumption of food for human consumption.*

2. "Food for human consumption" does not include:

- (a) Alcoholic beverages.
- (b) Pet foods.
- (c) Tonics and vitamins.
- (d) Prepared food intended for immediate consumption.

3. *The taxes imposed by this act, calculated on the price paid for the food by the vendor, must be paid on all food for human consumption vended by machines.*

Sec. 2. This act shall become effective on January 1, 1983.

SEC. 4. The ballot page assemblies and the paper ballots to be used in voting on the question must present the question in substantially the following form:

Shall the Sales and Use Tax Act of 1955 be amended to provide for the taxation of food vended by machine based on the price paid for the food by the vendor?

Yes..... No.....

SEC. 5. The explanation of the question which must appear in each paper ballot and sample ballot and in every publication and posting of notice of the question must be in substantially the following form:

The proposed amendment to the Sales and Use Tax of 1955 would provide for the taxation of food vended by machine based on the price paid for the food by the vendor. If this proposal is adopted, the legislature has provided that the Local School Support Tax Law will be amended to provide the same provisions. A "yes" vote is a vote to subject food vended by machine to the sales and

1 use tax at the wholesale price. A "no" vote is a vote to retain the
2 exemption for food vended by machine from sales or use tax.

3 SEC. 6. If a majority of the votes cast on the question is yes, the
4 amendment to the Sales and Use Tax Act of 1955 shall become effective
5 on January 1, 1983. If a majority of votes cast on the question is no, the
6 amendments to the Sales and Use Tax Act of 1955 shall not become
7 effective.

8 SEC. 7. All general election laws not inconsistent with this act are
9 applicable.

10 SEC. 8. Any informalities, omissions or defects in the content or mak-
11 ing of the publications, proclamations or notices provided for in this act
12 and by the general election laws under which this election is held must be
13 so construed as not to invalidate the adoption of the act by a majority of
14 the registered voters voting on the question if it can be ascertained with
15 reasonable certainty from the official returns transmitted to the office of
16 the secretary of state whether the proposed amendment was adopted or
17 rejected by a majority of those registered voters.

18 SEC. 9. NRS 374.110 is hereby amended to read as follows:

19 374.110 **[For]** *Except as provided in subsection 3 of NRS 374.289,*
20 *for the privilege of selling tangible personal property at retail a tax is*
21 *hereby imposed upon all retailers at the rate of 1.5 percent of the gross*
22 *receipts of any retailer from the sale of all tangible personal property sold*
23 *at retail in a county.*

24 SEC. 10. Section 10.5 of chapter 149, Statutes of Nevada 1981, is
25 hereby amended to read as follows:

26 Sec. 10.5. NRS 374.110 is hereby amended to read as follows:

27 374.110 *Except as provided in subsection 3 of NRS 374.289,*
28 *for the privilege of selling tangible personal property at retail a tax*
29 *is hereby imposed upon all retailers at the rate of 1 percent of the*
30 *gross receipts of any retailer from the sale of all tangible personal*
31 *property sold at retail in a county.*

32 SEC. 11. NRS 374.190 is hereby amended to read as follows:

33 374.190 **[An]** *Except as provided in subsection 3 of NRS 374.289,*
34 *an excise tax is hereby imposed on the storage, use or other consumption*
35 *in a county of tangible personal property purchased from any retailer for*
36 *storage, use or other consumption in the county at the rate of 1.5 percent*
37 *of the sales price of the property.*

38 SEC. 12. Section 11.5 of chapter 149, Statutes of Nevada 1981, is
39 hereby amended to read as follows:

40 Sec. 11.5. NRS 374.190 is hereby amended to read as follows:

41 374.190 *Except as provided in subsection 3 of NRS 374.289,*
42 *an excise tax is hereby imposed on the storage, use or other con-*
43 *sumption in a county of tangible personal property purchased from*
44 *any retailer for storage, use or other consumption in the county at*
45 *the rate of 1 percent of the sales price of the property.*

46 SEC. 13. NRS 374.289 is hereby amended to read as follows:

47 374.289 1. **[There]** *Except as provided in subsection 3, there are*
48 *exempted from the taxes imposed by this chapter the gross receipts from*
49 *sales and the storage, use or other consumption of food for human con-*
50 *sumption.*

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

A. B. 97

ASSEMBLY BILL NO. 97—ASSEMBLYMEN COULTER, VERGIELS, SCHOFIELD, BANNER, HAM, RUSK, ROBINSON, CAFFERATA, HORN, HAYES, THOMPSON, MARVEL, BEYER, JEFFREY, BRADY, STEWART, BARENGO, KOVACS, POLISH, NICHOLAS, GLOVER, WESTALL, PRICE, PRENGAMAN, MELLO, BERGEVIN AND FOLEY

FEBRUARY 3, 1981

Referred to Committee on Taxation

SUMMARY—Increases assistance to elderly for property taxes. (BDR 32-521)

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

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

AN ACT relating to the property tax; increasing assistance to the elderly; 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 361.833 is hereby amended to read as follows:
2 361.833 1. A senior citizen whose home is placed upon the secured
3 or unsecured tax roll, who has owned and maintained as his primary resi-
4 dence the home for at least 6 months immediately preceding the filing of
5 his claim and whose household income is not over ~~[\$11,000]~~ \$12,000
6 is entitled to an allowance against the property tax accrued against his
7 home to the extent determined by the percentage shown opposite his
8 household income range on the schedule below:

INCOME RANGE	PERCENT TAX
If the Amount of Applicant's Household Income Is Over	Percent of Claimant's Property Tax Accrued Allowable as Assistance Is
\$0	90
[3,000] 4,500	75] 75
[5,000] 7,000	[50] 50
10,000	[25] 25
11,000	[10] 10

1 2. The amount of the allowance must not exceed the amount of the
2 accrued property tax paid by the claimant or \$500, whichever is less.

3 SEC. 2. NRS 361.835 is hereby amended to read as follows:

4 361.835 A senior citizen who has rented and maintained his pri-
5 mary residence in a home or on a mobile home lot for at least 6 months
6 of the preceding calendar year and whose household income is not over
7 ~~[\$11,000]~~ \$12,000 is entitled to a refund as determined in accordance
8 with the schedule in NRS 361.833, but only with respect to that portion
9 of his rent which is rent deemed to constitute accrued property tax.

10 SEC. 3. Notwithstanding the provisions of NRS 361.838, a person
11 who became eligible for an allowance or refund for the fiscal year begin-
12 ning July 1, 1981, pursuant to NRS 361.833 or 361.835 by reason of
13 this act may file a claim for an allowance or refund on or before June 30,
14 1981, and the department may act upon it as promptly as practicable.

15 SEC. 4. Section 3 of this act shall become effective upon passage and
16 approval.

S. J. R. 40

SENATE JOINT RESOLUTION NO. 40—COMMITTEE ON TAXATION

MAY 27, 1981

Referred to Committee on Taxation

SUMMARY—Proposes constitutional amendment to permit separate taxation of property of utilities and railroads. (BDR C-2142)

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.

SENATE JOINT RESOLUTION—Proposing an amendment to article 10 of the constitution of the State of Nevada, relating to taxation, which would permit separate taxation of property of utilities and railroads and certain other property.

- 1 *Resolved by the Senate and Assembly of the State of Nevada, jointly,*
- 2 That section 1 of article 10 of the constitution of the State of Nevada be
- 3 amended to read as follows:
- 4 SECTION 1. **[The]** 1. *Except as otherwise provided in this section,*
- 5 *the legislature shall provide by law for a uniform and equal rate of assess-*
- 6 *ment and taxation, and shall prescribe such regulations as shall secure a*
- 7 *just valuation for taxation of all property, real, personal and possessory,*
- 8 *except mines and mining claims, when not patented, the proceeds alone*
- 9 *of which shall be assessed and taxed, and when patented, each patented*
- 10 *mine shall be assessed at not less than five hundred dollars (\$500), except*
- 11 *when one hundred dollars (\$100) in labor has been actually performed*
- 12 *on such patented mine during the year, in addition to the tax upon the net*
- 13 *proceeds. [; shares]*
- 14 2. *Shares* of stock (except shares of stock in banking corporations),
- 15 bonds, mortgages, notes, bank deposits, book accounts and credits, and
- 16 securities and choses in action of like character are deemed to represent
- 17 interest in property already assessed and taxed, either in Nevada or else-
- 18 where, and shall be exempt. **[Notwithstanding the provisions of this sec-**
- 19 **tion, the]**
- 20 3. *The legislature may constitute agricultural and open-space real*
- 21 *property having a greater value for another use than that for which it is*
- 22 *being used, as a separate class for taxation purposes and may provide a*
- 23 *separate uniform plan for appraisal and valuation of such property for*
- 24 *assessment purposes. If such plan is provided, the legislature shall also*
- 25 *provide for retroactive assessment for a period of not less than 7 years*

1 when agricultural and open-space real property is converted to a higher
2 use conforming to the use for which other nearby property is used.

3 4. Personal property which is moving in interstate commerce through
4 or over the territory of the State of Nevada, or which was consigned to a
5 warehouse, public or private, within the State of Nevada from outside the
6 State of Nevada for storage in transit to a final destination outside the
7 State of Nevada, whether specified when transportation begins or after-
8 ward, shall be deemed to have acquired no situs in Nevada for purposes
9 of taxation and shall be exempt from taxation. Such property shall not be
10 deprived of such exemption because while in the warehouse the property
11 is assembled, bound, joined, processed, disassembled, divided, cut, broken
12 in bulk, relabeled or repackaged.

13 5. The legislature may exempt motor vehicles from the provisions of
14 the tax required by this section, and in lieu thereof, if such exemption is
15 granted, shall provide for a uniform and equal rate of assessment and
16 taxation of motor vehicles, which rate shall not exceed five cents on one
17 dollar of assessed valuation.

18 6. The legislature shall provide by law for a progressive reduction in
19 the tax upon business inventories by 20 percent in each year following the
20 adoption of this provision, and after the expiration of the 4th year such
21 inventories are exempt from taxation. The legislature may exempt any
22 other personal property, including livestock. [No inheritance or estate tax
23 shall ever be levied, and there shall also be excepted such property as may
24 be exempted by law]

25 7. *The legislature may provide separately for assessment or valuation*
26 *of the property of water, telephone, telegraph and electric power com-*
27 *panies and other public utilities and the property of railroad and air trans-*
28 *port companies, together with their franchises.*

29 8. *The legislature may exempt by law property used for municipal,*
30 *educational, literary, scientific or other charitable purposes.*

31 9. *No inheritance or estate tax shall ever be levied.*

Southern Pacific Transportation Company

One East First Street • Suite 905 • Reno, Nevada 89501 • (702) 329-2492

JOHN L. ECK
ASST. TAX COMMISSIONER

MAY 28, 1981

EXHIBIT H

CHAIRMAN ASHWORTH AND MEMBERS OF THE SENATE TAXATION COMMITTEE:

FOR THE RECORD, MY NAME IS JOHN ECK REPRESENTING SOUTHERN PACIFIC TRANSPORTATION COMPANY. I AM TESTIFYING IN OPPOSITION TO SJR 40, WHICH WOULD PROVIDE CONSTITUTIONALLY FOR SEPERATE VALUATION OR ASSESSMENT OF RAILROAD PROPERTY.

I AM SOMEWHAT PERPLEXED BY THE INTRODUCTION OF SJR 40 AND CAN ONLY SURMISE THAT I HAVE SOMEHOW BEEN REMISS IN MY OBLIGATION TO FULLY INFORM THE COMMITTEE OF THE FACTS AS REGARDS MY COMPANY IN THE AREA OF TAXATION. IF THAT IS THE CASE, I APOLOGIZE TO THE COMMITTEE FOR MY INADEQUACIES AND WILL, WITH YOUR PERMISSION ATTEMPT TO CLARIFY ALL ASPECTS OF OUR POSITION IN THIS AREA.

ARTICLE I, SECTION 10 OF THE NEVADA CONSTITUTION PROVIDES IN PART, THAT "THE LEGISLATURE SHALL PROVIDE BY LAW FOR A UNIFORM AND EQUAL RATE OF ASSESSMENT AND TAXATION, AND SHAL PRESCRIBE SUCH REGULATIONS AS SHALL SECURE A JUST VALUATION FOR TAXATION OF ALL PROPERTY, REAL, PERSONAL AND POSSESSORY EXCEPT MINES," ETC.

AFTER THE DEFEAT OF QUESTION SIX, THE NEVADA LEGISLATURE DETERMINED THAT PROPERTY TAX RELIEF WAS ONE OF ITS PRIMARY GOALS, MORE ESPECIALLY PROPERTY TAX RELIEF TO THE HOMROWNER. HOWEVER, EARLY ON IN THE SESSION, YOU WERE ADVISED BY MR. DAYKIN THAT UNDER THE PROVISIONS OF OUR PRESENT CONSTITUTION A UNIFORM AND EQUAL APPLICATION OF TAX RELIEF MUST BE GRANTED TO ALL TAXPAYERS. SINCE THAT TIME WHAT HAS BEEN TAX RELIEF TO ONE SEGMENT OF TAXPAYER HAS SOMEHOW BEEN CONSIDERED A "WINDFALL" TO OTHERS.

SOUTHERN PACIFIC AND ITS PREDECESSOR THE CENTRAL PACIFIC, HAVE IN EXCESS OF 125 YEARS OF HISTORY IN NEVADA AND FEEL THEY HAVE CONTRIBUTED A GREAT DEAL TO, AS WELL AS BENEFITED FROM THE PROGRESS AND PROSPERITY OF THIS GREAT STATE. ONE WOULD THINK THAT 125 YEARS OF CONTRIBUTION WOULD ALLOW ONE TO BE CONSIDERED AT LEAST A GOOD CORPORATE CITIZEN.

IN MY BRIEF TESTIMONIES BEFORE THE SENATE AND ASSEMBLY TAXATION COMMITTEES AND IN PRIVATE CONVERSATIONS WITH EACH OF YOU, I HAVE NEVER ONCE REQUESTED TAX RELIEF, A TAX BREAK OR SPECIAL TREATMENT OF ANY KIND. I HAVE BEEN CONSISTENT IN REQUESTING ONLY ONE THING; EQUAL APPLICATION OF THE LAW AS IS REQUIRED BY THE NEVADA CONSTITUTION AND APPLICABLE FEDERAL LAW.

BECAUSE I HAVE ATTEMPTED TO INVOKE THESE PROTECTIONS, MY COMPANY AND INDUSTRY HAVE BEEN HIGHLY CHASTISED AND TOLD WE WERE GETTING AWAY WITH MURDER.

WITH YOUR PERMISSION, MR. CHAIRMAN, I WOULD LIKE TO GIVE YOU A SHORT HISTORY OF MY INDUSTRY, IN WHICH MY COMPANY PLAYED A SIGNIFICANT PART.

IN ORDER THAT THE WEST COULD BE OPENED UP TO ALL OF THE PEOPLE OF THIS GREAT COUNTRY, THE U. S. CONGRESS, IN THE MID 1800'S MADE GRANTS OF VAST QUANTITIES OF VIRTUALLY WORTHLESS GOVERNMENT LAND TO THE WESTERN RAILROADS TO ASSIST THEM IN SECURING FINANCING FOR WHAT WAS SEEN AS AN IMPOSSIBLE TASK - BUILDING A TRANSCONTINENTAL RAILROAD. (I MIGHT ADD THAT GRANTS WERE GIVEN TO OTHER MODES OF TRANSPORTATION AS WELL, SPECIFICALLY, BARGE LINES AND WAGON COMPANIES.) THOSE RAILROAD PIONEERS PREVAILED AND AGAINST OVERWHELMING ODDS, THE IMPOSSIBLE WAS ACCOMPLISHED.

ONE LITTLE KNOWN CONDITION ON THE GRANTS TO RAILROADS WAS THAT IF THE PROJECT WAS COMPLETED, THE RAILROADS WOULD PROVIDE TRANSPORTATION TO THE GOVERNMENT AT GREATLY REDUCED RATES. IN 1946 THE U. S. CONGRESS REPEALED THAT PROVISION AND DETERMINED THAT IN THE INTERVENING YEARS THE RAILROADS HAD REPAID THEIR OBLIGATION TO THE U. S. GOVERNMENT IN THE AMOUNT OF \$1,250,000,000 (1946 DOLLARS). SO MUCH FOR THE "FREE

LAND" SO MANY PEOPLE REFER TO. IN ADDITION TO THAT REPAYMENT, PROPERTY TAXES WERE PAID ON THAT LAND AND STILL ARE TODAY. I THINK YOU WILL FIND THAT IN THE COUNTIES WHERE THAT LAND IS SITUATED, THE TAXES WE PAY ARE AT LEAST EQUAL TO AND IN MANY INSTANCES HIGHER THAN SIMILAR PROPERTIES. WE HAVE NEVER AVAILED OURSELVES OF THE CONSTITUTIONAL "GREENBELT" PROVISION AS DID MANY LANDOWNERS. WE CHOSE NOT TO SEEK THAT TAX BREAK.

UNDER MORE REGULATION AT ALL LEVELS OF GOVERNMENT THAT ONE CAN IMAGINE, THE RAILROADS PROSPERED UNTIL THE MID 1950'S. WITH THE INCEPTION OF THE FEDERAL HIGHWAYS AND THE BARGE AND WATERWAY SYSTEMS WHICH WERE TAXPAYER FINANCED AS WELL AS THE ADVANCEMENT OF OTHER COMPETING MODES OF TRANSPORTATION AND INCREASED RAILROAD REGULATION TO KEEP US FROM PUTTING THEM OUT OF BUSINESS THE STRUGGLE FOR SURVIVAL WAS ON. IT REMAINS A STRUGGLE TODAY.

NOT THE LEAST OF THE PROBLEMS FACING OUR VERY VISIBLE INDUSTRY, WAS DISCRIMINATION IN TAXATION. DESPITE SERIOUS FINANCIAL PROBLEMS, THE CONSENSUS OF TAX ADMINISTRATORS WAS " IF THEY ARE BIG, THEY MUST BE RICH."

RECENT HISTORY HAS SEEN THE DEMISE OF MANY OF THE BIG NAMES IN RAILROAD HISTORY.

FOR THE PAST 5 YEARS SOUTHERN PACIFIC TRANSPORTATION COMPANYS RATE OF RETURN ON RAILROAD OPERATIONS HAS NOT EXCEEDED 2.5%. IN 1980 IT WAS 1.9% AND VOLUME-WISE THAT WAS OUR SECOND LARGEST YEAR IN HISTORY. OUR RAILROAD OPERATIONS FAILED TO PRODUCE ENOUGH REVENUE TO PAY THE INTREST ON ITS DEBT BY ALMOST 15 MILLION DOLLARS. THAT REVENUE HAD TO COME FROM NON-OPERATING SOURCES.

THE 94TH CONGRESS, RECOGNIZING IN 1976, THAT IF THE RAILROAD INDUSTRY WAS GOING TO REMAIN VIABLE OR AT LEAST SURVIVE, IT WOULD HAVE TO REFORM MANY OF THE REGULATIONS GOVERNING THE RAILS.

AS A RESULT OF THAT RECOGNITION, CONGRESS ENACTED PUBLIC LAW 94-210, KNOWN AS THE RAILROAD REVITALIZATION AND REGULATORY REFORM ACT OF 1976. (GENERALLY REFERRED TO AS THE 4-R ACT).

THE REVISED INTERSTATE COMMERCE ACT, 49 U.S. CODE ANNOTATED, SEC. 11503 PROVIDES VERY SIMPLY THAT IT IS AN UNDUE BURDEN ON INTERSTATE COMMERCE AND DISCRIMINATORY TO ASSESS RAILROAD TRANSPORTATION PROPERTY AT A HIGHER RATIO OF ASSESSMENT OR TAXATION THAN OTHER COMMERCIAL AND INDUSTRIAL PROPERTY. IF YOU SO DESIRE I WILL BE HAPPY TO CITE YOU THE EXACT PROVISION VER BATUM SO THAT THERE CAN BE NO MISUNDERSTANDING.

REGARDING OUR NON-OPERATING PROPERTIES OR THOSE WHICH MAY BE CONDIDERED COMMERCIAL OR INDUSTRIAL IN NATURE, THEY ARE ALL APPRAISED AND ASSESSED BY THE LOCAL ASSESSOR IN THE JURISDICTION WHERE THEY ARE SITUATED IN THE MANNER PROVIDED FOR BY LAW. NOT ONCE HAVE I EVER TAKEN EXCEPTION WITH OR PROTESTED A VALUE ON ALOCALLY ASSESSED PROPERTY.

AS TO OUR CENTRALLY ASSESSED PROPERTY, WE HAVE ON MANY OCCASIONS DIS-AGREED WITH THE DECISIONS MADE BY THE DEPARTMENT OF TAXATION AND THE NEVADA TAX COMMISSION AS WELL AS THE STATE BOARD OF EQUALIZATION. REASONABLE AND WELL INFORMED MEN CAN OFTEN DISAGREE WHERE JUDGEMENT CAN PLAY AN IMPORTANT PART IN A HIGHLY TECHNICAL AREA. VALUATION OF RAILROADS IS NOT AN EXACT SCIENCE ALTHOUGH RAILROAD VALUATION PROCEDURES HAVE A HISTORY THROUGH THE COURTS DATING BACK TO 1896 IN THE U.S. SUPREME COURT. VALUATION OF RAILROADS IS A MATTER BEST LEFT TO THE EXPERTS AND THE COURTS IF ALL ELSE FAILS.

IT IS THE PEROGATIVE OF THE LEGISLATURE AND THE PEOPLE OF NEVADA TO CHANGE THE PROVISIONS OF ITS CONSTITUTION AND THOSE PROVISIONS ARE SUBJECT ONLY TO THE CONSTITUTION OF THE UNITED STATES AND THE POWERS OF CONGRESS GRANTED BY THE U.S. CONSTITUTION.

THIS LEGISLATURE HAS PASSED AJR 27 WHICH PROVIDES FOR SEPERATE ASSESSMENT OF OWNER OCCUPIED RESIDENTIAL PROPERTY. WHILE I HAVE ADVISED YOU, IN PREVIOUS TESTIMONY, OF THE PIT FALLS WHICH CAN BE EXPECTED IN ANY TYPE OF CLASSIFICATION, NEVER ONCE HAVE I OPPOSED OR CRITICISED YOUR ACTION OR CHALLENGED THE RIGHT OF THE LEGISLATURE OR THE PEOPLE TO ENACT THAT PROVISION. IN FACT, I HAVE STATED OPENLY THAT IF YOU WERE TO TAKE THE STEP TO CLASSIFICATION, AJR 27 WAS THE WAY TO DO IT. BY NO MEANS SHOULD THAT BE CONSTRUED AS SUPPORT IN ANY FASHON FOR THAT MEASURE.

ONLY NOW OR WHEN THERE WAS AN ATTEMPT TO RUN A BILL OF A FEDERAL LAW
HAVE I SPOKEN IN OPPOSITION TO SUCH A PROPOSAL.

FOR YOUR INFORMATION AND GUIDANCE I SUBMIT TO YOU THAT FEDERAL RELIEF
HAS BEEN GRANTED FROM THE VERY TYPE OF PROVISION THAT IS PROPOSED
IN SJR 40 IN AS MUCH AS IT APPLIES TO RAILROAD PROPERTY IN THE FOLLOW-
ING STATES:

ARIZONA, TENNESSEE, ALABAMA, NORTH DAKOTA, AND MOST RECENTLY
LOUISIANA.

MONTANA AND ARKANSAS PROVIDED RELIEF BEFORE THE COURT HANDED
DOWN ITS DECISION.

ADMINISTRATIVE RELIEF WAS GRANTED BEFORE COURT ACTION WAS
INSTITUTED IN THE STATES OF COLORADO, KENTUCKY, MICHIGAN
MISSOURI, NEBRASKA AND NEW MEXICO.

LEGISLATIVE RELIEF WAS PROVIDED IN MINNESOTA, MARYLAND, OHIO
VIRGINIA AND IOWA.

THE INDUSTRY IS WATCHING AND CONSIDERING ACTION IN FLORIDA
IDAHO, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA, MISSISSIPPI,
WYOMING AND UTAH.

IN MY CAPACITY AS A LEGISLATIVE REPRESENTATIVE FOR MY COMPANY TO THE
STATE OF NEVADA, I AM UNDER THE IMPRESSION THAT IT IS MY OBLIGATION
TO YOU TO ADVISE YOU OF THE FACTS SO YOU CAN MAKE AN INFORMED DECISION.
I OFFER TO YOU THE FACTS, THE DECISION OF COURSE, IS YOURS TO MAKE.

I MAKE ONLY ONE REQUEST, THE SAME AS I HAVE IN THE PAST:
"EQUAL AND UNIFORM TREATMENT UNDER STATE AND FEDERAL PROVISIONS FOR
PROTECTION". NOTHING MORE, NOTHING LESS.

I WILL BE HAPPY TO TRY AND ANSWER ANY QUESTIONS YOU MIGHT HAVE.