

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
May 5, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth, at 2:13 p.m., Tuesday, May 5, 1981, in Room 213 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBER ABSENT:

Senator Floyd R. Lamb

STAFF MEMBERS PRESENT:

Ed Shorr, Deputy Fiscal Analyst
Colleen Crum, Committee Secretary

SENATE BILL NO. 593

Mr. Howard Barrett, Director, Budget Division, Department of Administration, stated Senate Bill No. 593 would generate a one-time only income of \$3 million. It would require casino owners who owe more than \$500 per month in casino entertainment taxes to remit the taxes on a monthly basis rather than on a quarterly basis. The bill would generate two additional months of income in the first year. He explained the bill would generate revenue in a more timely manner and would enable the Budget Division to invest these revenues.

Senator Raggio observed the bill is unclear as to when the report would be filed and the tax paid. He suggested specifying that the report is to be filed and the taxes paid monthly.

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The chairman explained a statute presently exists which specifies that every report which is due to the State of Nevada is due at the end of the month following.

Senator Kosinski questioned the effective date of the bill. Mr. Barrett stated this will would become effective July 1, 1981.

SENATE BILL NO. 582

Mr. Roy Nickson, Director of the Department of Taxation, stated this bill would permit the Department of Taxation to charge cigarette wholesalers the actual cost of the cigarette fuse-on stamps. The stamps are presently distributed free of charge. The Department of Taxation will require \$71,500 to procure these stamps in each year of the biennium, which is 72 percent of the total operating supply budget in the first year and 68 percent in the second year. Cigarette wholesalers are presently authorized to use either fuse-on stamps or the Pitney-Bowes ink stamp meter machines. The Deputy Attorney General assigned to the Department of Taxation has indicated the present law does not give the Nevada Tax Commission sufficient authority to require payment for the stamps. Mr. Nickson recommended establishing a revolving fund of \$30,000 to make the initial procurement of the fuse-on stamps. This would save \$100,000 in the next biennium.

The chairman noted Senate Bill No. 582 conflicts with Senate Bill No. 411. Mr. Nickson observed that NRS 370.330 is repealed in both bills.

Mr. Nickson pointed out that cigarette wholesalers are presently permitted a four percent discount against the amount of excise tax they pay for cigarette stamps. This compares with the 1.5 percent discount which is permitted to the sales and use tax accounts.

The committee discussed whether the revolving fund should be amended into Senate Bill No. 582 or whether a separate bill dealing with this subject should be drafted. It was decided to amend the revolving fund into Senate Bill No. 582.

Mr. Jack Sheehan, representing cigarette revenue stamp manufacturer Meyercord Company and tobacco wholesalers Western

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Cigar of Las Vegas and Glaser Brothers presented a prepared statement in opposition to the bill. (See Exhibit C.) He presented copies of newspaper articles on cigarette stamp counterfeiting. (See Exhibit D.) He stated his clients have indicated they will terminate their fuse-on stamp business if this bill is passed.

The chairman stated there is no cost to the state for the Pitney-Bowes ink stamp machines. There is a cost to the state in purchasing the fuse-on stamps. Mr. Sheehan agreed with the chairman's statement.

Senator Kosinski asked the cost for the Department of Taxation to administer the cigarette stamp program. Mr. Nickson stated the cost of administering the cigarette stamp program is not separately identified in the department's budget.

The chairman noted a flaw in Section One of the bill. Section One authorizes the Department of Taxation to sell cigarette stamps to a licensed dealer, but does not establish the 10-cent excise tax on cigarettes. Mr. Nickson stated the bill drafter indicated the 10-cent excise tax in form of a stamp is included in another section of the statutes.

Senator Raggio asked what percentage of stamp wholesalers are using the ink impression system. Mr. Nickson stated 25 percent of the wholesalers are using the ink impression system.

Senator Raggio asked how many counterfeiting cases had been reported in Nevada. Mr. Nickson stated there had been no cases in the last two years. Mr. Sheehan, former Director of the Department of Taxation, stated there was a suspected case several years ago when cigarettes were dumped during a train wreck. He noted it is easy to counterfeit the stamp.

The chairman asked what Mr. Sheehan's clients opinion would be if the state mandated the use of the fuse-on stamps and mandated as well that the stamp wholesaler would pay for the stamps. Mr. Sheehan stated he would have to analyze that proposal but he doubted the stamp wholesalers would support the proposal.

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Senator Kosinski asked for a comparison of Nevada's cigarette stamp rate with other states' stamp rates. Mr. Nickson stated Nevada has a relatively low stamp rate.

Senator Kosinski asked Mr. Sheehan if his clients would support a 10 percent increase in the cigarette stamp rate. Mr. Sheehan stated increasing the cigarette stamp rate would not have an economic impact on the cigarette stamp wholesalers. A stamp rate which is much higher than surrounding states encourages the purchase of cigarettes from those states with lower cigarette taxes.

SENATE BILL NO. 584

Mr. Ed Sarman, representing the Cattlemen's Association, spoke in support of the bill.

The personal liability on back taxes was discussed. The committee questioned who would be liable for the back taxes, the original owner or the second owner, if the open-space property was converted to subdivisions after being sold.

Mr. Frank Daykin, Legal Counsel, stated problems with the open-space law will be partially resolved by the changes made in Senate Bill No. 411, which provides taxes are now collected for the current year. Under past law, the taxes for the upcoming year wouldn't have been collected until the year following. Senate Bill No. 584 discharges the seller from personal liability for any deferred taxes unless the property ceased to be used for agricultural use during his ownership.

The chairman asked whether this bill was necessary. Senator Glaser stated the bill was needed because presently the former owner is responsible for the seven-year back tax differential if he sold his property to another individual who converted the property to a higher use.

The chairman asked whether the original owner or the second owner is responsible for the seven-year recapture of taxes when the second owner converts the agricultural property to a higher and best use. Mr. Daykin explained, under the present

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law, the owner who makes the conversion is liable for the back taxes. The property is actually liable for the taxes. The property is in the hands of the purchaser, however. The law also provides personal liability, which lies upon the person to whom the tax was assessed for that year. The seven years back taxes could be split between the purchaser and the seller.

The chairman asked for a definition of personal liability. Mr. Daykin explained the taxpayer could be sued for back taxes under the personal liability provision rather than putting the property up for sale. Suits can be brought against the taxpayer for back taxes of \$3,000 or more.

Senator Raggio asked whether it was permissible to place personal liability for the back taxes on the purchaser. Mr. Daykin stated it would be permissible because the purchaser is making a voluntary choice to convert the land. Mr. Daykin stated the bill must be amended to place personal liability on the purchaser.

Senator Kosinski asked whether the following phrase on lines four through eight was an adequate description: "...the seller or transferor from personal liability for any deferred taxes for which he would otherwise be liable unless the property ceased to be used exclusively for agricultural use or approved open-space use..." Mr. Daykin stated the description was adequate when the entire phrase was considered. The key words are: "The sale or transfer...discharges the seller... unless the property ceased to be used...during his ownership." He explained the "unless" clause doesn't refer to "for which he would otherwise be liable." It refers to "discharges." He explained the sentence could be divided into two sentences to clarify the language.

SENATE BILL NO. 80

Ms. Sharon Alcamo, Chief, Driver's License Division, Department of Motor Vehicles, reiterated her testimony of April 2, 1981, (See minutes for that date.)

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Mr. Ernest Newton, a private citizen, opposed providing senior citizens a 50-percent discount on their driver's license.

Senator Don Ashworth suggested amending Senate Bill No. 80 to include the \$10 motorcycle fee which had been part of the provision to repeal the motorcycle helmet requirement in Senate Bill No. 297. He noted Senate Bill No. 297 had been defeated primarily because it dealt with repealing the requirement for motorcyclists to wear helmets.

Senator Don Ashworth moved that Senate Bill No. 80 be amended to include the \$10 motorcycle fee.

The motion died due to a lack of a second.

The committee discussed whether the Driver's License Division should be permitted to break even or make a profit from the fee increase. Ms. Alcamo stated the present proposal would generate a \$1 million profit which would revert to the General Fund. Ms. Alcamo was instructed to present figures which would permit the Driver's License Division to make no more than a \$50,000 to \$100,000 profit. Ms. Alcamo stated she would present the figures at the May 7, 1981 meeting.

SENATE BILL NO. 595 and SENATE BILL NO. 596

Mr. Patrick Pine, representing Clark County, stated Clark County did not oppose either bill. He explained Senate Bill No. 595 authorizes the counties to designate the county treasurer as the collector of personal property taxes. The bill is permissive. The collection duties may remain with the assessor or the treasurer may be designated to assume the duties.

Mr. Pine said Senate Bill No. 596 has a minor fiscal impact of \$800 to Clark County. The fiscal impact may be greater if the number of appeals increase because of the new tax assessment system.

Senator Raggio stated the bill should make clear that elected officials who serve on the Board of Equalization cannot be provided compensation. Senator Don Ashworth felt the language was permissive and could be clarified by county ordinance.

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Ms. Norma Bivens, representing the Washoe County Treasurer's office, supported Senate Bill No. 595. For the past five years, the Washoe County Assessor's office has assessed the properties and the Treasurer has collected the taxes. Approximately \$6.5 million has been collected as of May 1, 1981.

Mr. Dick Franklin, Assistant Washoe County Assessor, supported Senate Bill No. 595. Mr. Franklin stated the bill should clarify that the treasurer, not the assessor, is liable for the collection of the tax as well as sale and seizure. Senator Raggio stated the liability is inferred.

SENATE BILL NO. 69 (EXHIBIT E)

Mr. Marvin Leavitt, a task force member, presented suggested amendments to Senate Bill No. 69. (See Exhibit F.)

Mr. Leavitt explained the suggested amendment on page three, Section 8, Subsection 2 (a) (1) takes into consideration zoning, whether water and sewer improvements are available, any development restrictions, the terrain, and the type of land involved. This amendment will permit assessors to use discretion in valuing property.

Senator Raggio stated the present language allows assessors to use discretion. He felt the language, "For use to which it is capable of being put," should be retained, and then the proposed amendment added.

Senator Getto moved that Section 8, Subsection 2 (a) (1) of Senate Bill No. 69 be amended with the language proposed by the task force.

Senator Kosinski seconded the motion.

The motion carried.

The possibility of amending Section Four of the bill dealing with depreciation was discussed. The chairman explained a previous reprint of the bill used estimated economic life in determining depreciation. Estimated economic life was stricken from the fourth reprint of the bill.

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Senator Raggio stated he felt the committee had made it very clear that it wanted estimated economic life to be included in this section.

Mr. Ray Knisley, a task force member, stated use of estimated economic life will necessitate the Tax Commission to write depreciation schedules. The depreciation schedules must be approved by the interim committee.

The chairman stated the legislature must eliminate the fear that people who make improvements to their homes will pay excessive taxes.

Senator Raggio asked for an explanation of the effect of a residual under the depreciation method. Mr. Nickson stated there is a residual on all property.

Mr. Leavitt suggested using depreciation plus the cost of additional improvements.

Mr. Nickson observed the assessor would be allowed to use a great deal of judgement in determining economic life. Senator Raggio stated assessors are capable of determining economic life.

Senator Raggio stated he understood the Department of Taxation would set depreciation schedule models for the assessors to use while considering the economic life over and above the depreciation schedule. Mr. Nickson stated the original intent was to classify property by the type of structure.

Mr. Knisley said two options for depreciation were available-- a straight line depreciation schedule or a manual depreciation method. He noted Senator Raggio's proposal would use the manual method.

The chairman stated the manual method would be unworkable. He felt the assessor should be given latitude to depreciate or appreciate property beyond the straight line method of depreciation.

Mr. Leavitt stated the points of debate should be separated. The points were how to determine the life of a structure and the method of depreciation.

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Senator Kosinski noted a 4.5 percent cap had been placed on ad valorem tax revenue. The property tax would be kept at a relatively level rate even if a market value approach was used because of the cap on the ad valorem tax revenue. Mr. Leavitt agreed with Senator Kosinski's statement.

Senator Getto moved that the language on page four, line 15, of Senate Bill No. 69 should not be altered. The language will read, "The taxable value of other taxable personal property must be determined by subtracting from the cost of replacement of property any depreciation."

Senator Don Ashworth seconded the motion.

The motion carried. (Senator Kosinski voted "No"; Senator Raggio was absent for the vote.)

Senator Kosinski expressed concern that the language on page three, line 49 would result in a lower assessed value for someone who decided to place a shack on a vacant lot rather than leave the property vacant. He questioned whether allowing this to occur would be uniform taxation and whether it would be constitutionally sustainable.

The chairman left the meeting and Vice Chairman Glaser took over his duties.

Mr. Nickson stated a similar situation is being studied by the State Board of Equalization. In reappraising downtown Reno, Washoe County appraised a liquor store at \$130 per square foot while the casinos next the liquor store were appraised at \$225 per square foot.

Senator Kosinski noted Senate Bill No. 69 contains a severability clause. If any of the tax package bills are declared invalid, all the bills would be invalidated. He felt the provision in question could be declared invalid.

The chairman returned to the meeting.

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Mr. Knisley proposed reinstating the obsolescence provision to Section 2.6 of the bill. This obsolescence provision may be redundant, but it is desired by certain legislators. Mr. Daykin has indicated the obsolescence clause will not harm the bill.

Mr. Franklin suggested changing the date in Section 2.6 on the third reprint of the bill from January 1 to January 15. He also suggested changing the wording of the third reprint of the bill on page two, lines 35-36, to require the Board of Equalization to adjust the factors, rather than the county assessor.

Senator Kosinski agreed with Mr. Franklin's second suggestion. This proposal would alleviate the situation which occurred in the past in Washoe County where the owners of the casinos and the assessor agreed the assessment should be less and adjusted the roll accordingly without prior consultation with the Board of Equalization.

Mr. Nickson explained the original intent was to allow the assessor to correct an obvious error in the assessment before the roll closed on December 15. The assessor would be prohibited from making a change after the roll is closed.

The chairman asked for a motion dealing with Section 2.6 of the bill.

Senator Glaser moved that Section 2.6 of Senate Bill No. 69 be restored.

Senator Getto seconded the motion.

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

Mr. Leavitt explained the proposed amendment to Section 27 eliminates the dates of transfer. He stated there is no reason to specify those dates.

There were no objections to amending Section 27.

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Mr. Leavitt stated the proposed amendment to Section 31 deals with the problem of a house as well as apartments sitting on the same piece of property. The bill presently does not permit the owner to receive the benefit of the residential factor for the house. The proposed language would allow the house only to be factored like all other residences. He noted the assessors were unhappy with having to differentiate between the residence and apartments.

There were no objections to amending Section 31.

Mr. Leavitt explained the proposed amendment to Section 31.3 will assure that the assessors begin physical reappraisal this current year.

There were no objections to amending Section 31.3.

Mr. Leavitt explained the change on page 12, line 30 was a technical correction.

There were no objections to amending page 12, line 30.

Mr. Franklin suggested inserting on page 28, line 44, the phrase, "the secured or the unsecured roll" after the word "on" and before the word "the".

There were no objections to the suggested amendment on page 28, line 44.

Mr. Franklin stated page 13, lines 15-18, provides for a special hearing of the State Board of Equalization to handle personal property protests. There is no provision for a filing deadline for this hearing. He recommended amending the bill to specify that every appeal to be heard at the special session of the State Board of Equalization must be filed no later than May 15.

There were no objections to the suggested amendment on page 13, lines 15-18.

Mr. Lee Bergstrom, a task force member, stated the lien date for the imposition of taxes is changed on page 16, lines 27-28,

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from September of the preceding year to July 1 of the current year. Those enterprises which report federal income taxes on an accrual basis would have accrued property tax for the preceding 12 months. Changing the lien date to the current year appears to invalidate the 1980-1981 property tax accruals because the 1980-1981 roll never comes into being. This situation will increase the federal income taxes for these enterprises and will make the federal government an unintended beneficiary of this measure.

Senator Glaser moved that Senate Bill No. 69 be amended and approved.

Senator Getto seconded the motion.

The motion carried. (Senator Kosinski voted "No"; Senator Raggio was absent for the vote.)

The chairman asked for consideration on Senate Bill No. 582.

Senator Kosinski suggested lowering the percentage of the tax the wholesaler is permitted to retain from four cents to three cents and giving the one cent difference to the Department of Taxation for the purchase of the stamps rather than permitting the Department of Taxation to charge for the stamps. This proposal would generate as much revenue as the other approach.

Mr. Nickson stated he was concerned for the taxpayers, not for the Department of Taxation's budget. He said non-tobacco smoking citizens should not have to subsidize the cigarette wholesalers, which is happening presently and would occur under Senator Kosinski's suggestion.

Senator Kosinski withdrew his suggestion.

Senator Kosinski asked whether Mr. Nickson agreed with Mr. Sheehan's position that the ink stamping method is open to more abuse than the fuse-on stamping method. Mr. Nickson stated he disagreed with Mr. Sheehan's assessment and felt Pitney-Bowes' representatives should have been given an opportunity to testify.

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Mr. Ed Shorr, Deputy Fiscal Analyst, stated the Department of Taxation presently has the authority to charge local governments for administering the cigarette tax provisions.

The chairman read suggested amendments to Senate Bill No. 582.
(See Exhibit G.)

Senator Glaser stated the philosophy of this bill is consistent with the present attempts to make departments self-sufficient.

Senator Don Ashworth questioned whether the proposed amendments clarify the intent to make the Department of Taxation self-sufficient.

Senator Glaser moved that Senate Bill No. 582 be amended with the proposed amendments and approved.

Senator Getto seconded the motion.

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

The chairman asked for consideration on Senate Bill No. 593.

Senator Kosinski asked what would be the impact if the tax drops below the \$500 limitation on line seven of the bill. The chairman stated the person technically would not be required to file if he is under \$500 and can prove it through an audit.

The chairman stated he would verify that the filing date is handled in another statute.

Senator Glaser moved that Senate Bill No. 593 be approved. (See Exhibit I.)

Senator Don Ashworth seconded the motion.

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

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The chairman asked for consideration on Senate Bill No. 595.

Senator Don Ashworth moved that Senate Bill No. 595 be approved. (See Exhibit J.)

Senator Getto seconded the motion.

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

The chairman asked for consideration on Senate Bill No. 596.

Senator Don Ashworth moved that Senate Bill No. 596 be amended to clarify that elected officials may not be paid, and approved. (See Exhibit K.)

Senator Kosinski seconded the motion.

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

The chairman asked for consideration of Senate Bill No. 584.

Senator Don Ashworth moved that Senate Bill No. 584 be amended to place personal liability for the back taxes on the buyer, and be approved. (See Exhibit L.)

Senator Kosinski seconded the motion.

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

In other business, Senator Glaser related that one of his constituents, Mr. Bernie Powell, indicated that he has no objections to the 5.75 cent sales tax. Mr. Powell requested that a threshold be established on the requirement to file a monthly sales tax report. Mr. Powell suggested a \$500 limitation on the quarterly sales tax collection.

The chairman and Senator Raggio stated they had received similar suggestions from their constituents. The chairman

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dictated a letter authorizing the Tax Commission to establish a threshold requirement. (See Exhibit M.)

Senator Glaser moved that the letter be sent to the Tax Commission.

Senator Raggio seconded the motion.

The motion carried.

Mr. Nickson explained the letter would permit establishing a threshold of \$575 per month. He stated this threshold would reduce the monthly reporting accounts from 11,000 to 1,700. The 1,700 accounts could be handled with the existing staff and would save the state \$150,000 each year of the biennium.

Senator Glaser stated Mr. Powell felt the 10 percent penalty for being one day late paying the tax under Assembly Bill No. 369 was overly severe. Rural post offices close at 5 p.m. Anything mailed after 5 p.m. is posted the next day.

The chairman stated deadlines are an overrated complaint among accountants. A cutoff date is necessary.

Mr. Roy Nickson stated the statute dealing with deadlines was amended in 1974 at a general election to permit the Tax Commission to take into consideration the reason for delays in assessing penalties. The Tax Commission established Regulation No. 71, which provides for graduated penalties. The commission has determined there must be good and just cause for a late filing. Merely waiting until the last day to file is not considered a good and just cause. The penalties have been waived entirely and only the interest has been assessed in cases of late filing due to death, illness, and natural disasters.

The chairman asked the committee to study the net proceeds of mines issue. He proposed a constitutional amendment which would level off the proceeds of mines tax at five dollars per \$100 and eliminate the proceeds of mines from ad valorem

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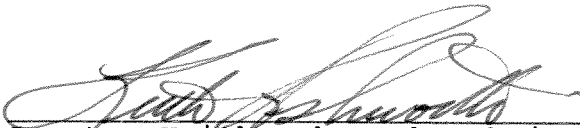
taxation. The mining industry is amenable to this proposal. The chairman has asked the task force to study a proposal which would eliminate the exemptions on the proceeds of mines tax, such as depreciation, transportation, and interest costs.

There being no further business, the meeting adjourned at 5:35 p.m.

Respectfully submitted by:


Colleen Crum, Secretary

APPROVED BY:


Senator Keith Ashworth, Chairman

DATE: May 11, 1981

SENATE AGENDA

Amended 5/5/81

COMMITTEE MEETINGS

EXHIBIT A

Committee on TAXATION , Room 213 .

Day Tuesday , Date May 5, 1981 , Time 2:00 p.m.

AMENDED AGENDA

S. B. No. 582--Authorizes department of taxation, to charge for actual costs of cigarette revenue stamps.

S. B. No. 584--Discharges seller of agricultural or open-space real property from personal liability for deferred taxes.

S. B. No. 593--Requires certain persons to pay casino entertainment tax monthly.

S. B. No. 595--Authorizes counties to designate county treasurer as collector of personal property taxes.

S. B. No. 596--Authorizes board of county commissioners to provide for compensation to members of board of equalization.

S. B. No. 80--Provides for increases in certain fees of department of motor vehicles.

JACK SHEEHAN
ATTORNEY AT LAW
P. O. BOX 1599
MINDEN, NEVADA 89423
(702) 782-5005

c
(62)
SB 582
Authorizes dept of taxation
& charge for actual costs
of cigarette revenue stamps

April 28, 1981

EXHIBIT C

Senator Keith Ashworth
Chairman, Senate Taxation
Committee
Legislative Building
Carson City, Nevada, 89710

Re: SB 582

Dear Senator Ashworth,

I am a registered lobbyist representing the Meyercord Company who manufactures cigarette revenue stamps and Western Cigar of Las Vegas and Glaser Brothers, two tobacco wholesalers. Combined those two businesses account for approximately seventy percent of the cigarette wholesale business in the state and likewise pay approximately seventy percent of the cigarette tax.

SB 582 in our opinion constitutes an unwarranted intrusion into the business of all three of the firms and will constitute such an economic burden that the use of stamps will no longer be used which will operate to the detriment of all concerned including the integrity of the present cigarette tax collecting system.

BACKGROUND

In the mid 1970's, I, as Director of the Department of Taxation, held a public hearing pursuant to Chapter 233B of N.R.S. The purpose of the hearing was to determine if the use of "revenue stamps" should be authorized in Nevada or if the state should continue with the exclusive use of the "ink impression". One of the motivating factors to conduct the hearing was growing fear that the ink impression was subject to counterfeiting. This fear later became a reality on the east coast. As a result of the hearing the use

of stamps was allowed. The State Purchasing Department submitted for bid, the purchase of stamps and the Meyercord Company submitted the successful bid.

At the same time, I incorporated within the "cigarette tax administration fund" of the Departments budget, the cost of those stamps. My recollection is that the amount was about \$60,000.00. The Legislature appropriated the amount and has continued to do so since that date.

Approximately six months ago, the Department requested authority from the Tax Commission to "sell" the stamps to the wholesalers at their fact value of ten cents (\$.10) together with the acquisition cost from the supplier.

The wholesale cigarette business is high volume and low profit by nature. If this cost is now passed on to the wholesaler, they will not use the stamps which will be to nobody's best interest.

With that by way of background, I will attempt to express the results if SB 582 passes as proposed.

1. Wholesalers will be required (by reason of economics) to forfeit their statutory right to use either revenue stamps or ink impression. (See N.R.S. 370.180)

2. The Meyercord Company will suffer economic hardship to the extent it has made an investment in Nevada. (design of stamps, etc.)

3. The two wholesalers above named will lose their investment in stamping equipment and will be forced to buy or lease ink impression devices which they found unacceptable in the past.

4. The real threat of counterfeiting will exist.

5. Not until now has it been suggested that this relatively small sigment of the Nevada business community should pay the administrative costs of a State Agency. The Legislature has accepted the responsibility of adequately funding the Department of Taxation in the past. This responsibility should not be shifted to half a dozen wholesalers.

6. No other state except with the possibility of Florida, in peculiar circumstances, charges wholesalers for the cost of the stamp because of the fear of the loss of the system.

7. The cigarette industry has been burdened and confused for a decade now because of the problems experienced when Tribal Smoke Shops came on line. While there still are some problems and unexplained procedures in Nevada, the situation has settled considerably. SB 582 may well result in additional problems that could take another decade to resolve.

For all of these reasons, I respectfully register our opposition to SB 582 and request to be advised of hearing dates on the bill.

Very Truly Yours,



Jack Sheehan
Attorney at Law

Meyercord Company
Western Cigar of Las Vegas
Glaser Brothers

Beating the cigaret tax—

EXHIBIT D

with \$169

By **VINCENT COSGROVE**
and **ARTHUR BROWNE**

First of a series

A team of Daily News reporters—starting with just a pair of pliers—has pierced the supposedly impregnable heart of the nation's \$3 billion-a-year cigaret tax collection system, raising the possibility that hundreds of millions of dollars are being looted undetected from state coffers annually.

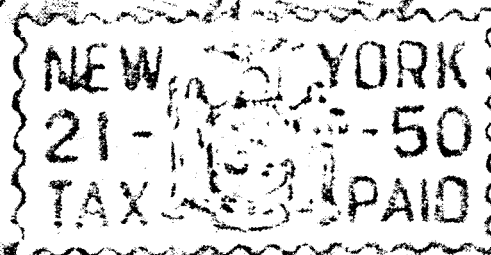
In just 10 hours, the reporters transformed the Pitney-Bowes tax stamping machine into an instrument of theft—a purportedly impossible feat that in fact is probably the easiest of several seams to evade the cigaret tax. The Pitney-Bowes machine, produced by one of America's most respected companies, is the linchpin in the cigaret tax collection systems of 40 states, including New York, New Jersey and Connecticut.

With the modest aid of a locksmith and a machinist and an outlay of \$169, the reporters cracked the rugged, cast aluminum shoebox-size machine in the course of a six-month investigation that has uncovered fraud, corruption and violence in the metropolitan area's \$1 billion-a-year wholesale cigaret industry.

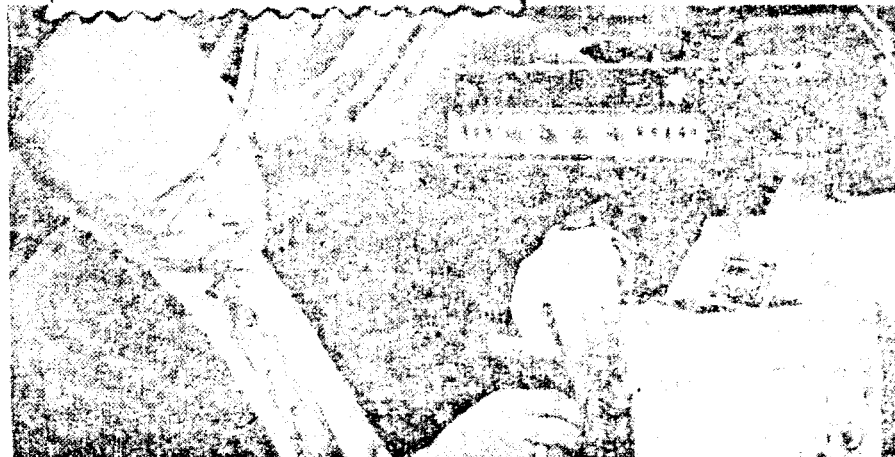
The investigation not only calls into question tax collection efforts of the great majority of states but also exposes the darker side of a multibillion-dollar industry that stretches from dignified corporate board rooms to shadowy back rooms filled with contraband, mobsters and shady operators.

CIGARET TAX RIPOFFS cost New York more than \$1 billion over the last decade and continue to cheat the state and city out of as much as \$100 million annually—enough to pay for 2,000 more city cops, cut the subway fare a dime or easily foot the bill for a state war on heroin.

For years, industry public relations men and law enforcement officials have blamed the ripoffs on organized crime "battlegging"—the hauling of untaxed cigarets from North Carolina to the streets of New York. But a key finding of The News' investigation is that battlegging was largely a myth, its proportions grossly exaggerated. The real cigaret ripoffs are concealed within the "legitimate" wholesaling industry—behind a facade of respectability bolstered by the Pitney-Bowes name and reputation.



NEWS reporters, locksmith Sal Schillizzi (below) and a machinist turned cigarette tax stamping machine into an instrument of theft.



The industry is so steeped in corruption that nine leading wholesalers—nearly 25% of the local companies—have been implicated over the last five years in plots to counterfeit the Pitney-Bowes tax stamp and pocket the cigarette tax themselves. And as corruption proliferated in the industry, these businessmen and their colleagues also launched a slick campaign to cultivate top state politicians and public officials.

The enormous take from cigarette scams has sparked at least seven mob rubouts, two cases of firebombing and arson, and tension so deep that some wholesalers fear for their lives. One Brooklyn cigarette distributor told *The News* that he and his grandchildren had been threatened with death if he talked to reporters.

IN THE FACE OF this criminal conspiracy, law enforcement has been nearly invisible. Auditors stopped auditing. Investigators stopped investigating. And top tax officials never cast a critical eye at the wholesalers.

"I'll be honest with you," said Emmanuel Urzi, chief of internal and special investigations for the state Tax Department. "We're only starting to look at the wholesalers now."

Enforcement has been so poor that investigators started to suspect one another of complicity with the industry. They even secretly recorded each other's conversations—even in the offices of top-ranking prosecutors.

With its high taxes, New York City has become the terminus of a criminal tobacco road that some law enforcement officials believe begins in the headquarters of the big tobacco manufacturers.

"Give me a prosecutor, a grand jury and 20 FBI agents and in six months I would be able to indict one or more of the major cigarette companies," said Robert Blakey, director of the Cornell Institute on Organized Crime, a unit of Cornell University's Law School.

The reasons behind this criminal invasion have been found in two places—in the myth and in the machine.

THE MYTH WAS THAT bootlegging was an all-encompassing crime affecting cigarette tax collection. The machine was the Pitney-Bowes stamping unit, which was assumed to be virtually unbeatable.

State officials or their representatives regularly set the meters on the machines which wholesalers use to affix the familiar purple or black smudgy tax stamp on each cigarette pack.

New York's bootlegging problem began in 1965 when the state's cigarette tax doubled from 5 to 10 cents a pack, steadily climbing to the 23-cent-per-pack tax now levied in New York City. That includes a 15-cent state tax and an 8-cent city tax.

Butleggers used this boost to their advantage, trucking up cigarettes from North Carolina, where the tax was a mere 2 cents per pack, and reselling them here at the going rate. That enabled the bootleggers to pocket 21 cents of what would have been the state and city tax, or \$2.10 a carton. One 30,000 carton truckload of bootlegged cigarettes could net a smuggler more than \$60,000.

ESTIMATES OF WHAT bootlegging cost the state have ranged from \$70 million to as much as \$480 million annually.

The conclusion was always the same: Stamp out bootlegging and tax revenues would increase proportionately.

In November 1978, bootlegging was made a federal crime, largely due to the efforts of New York State Tax Commissioner James H. Tully Jr. By all accounts the law has been a success. North Carolina wholesalers report that business dropped. Smuggling arrests in New York fell from an average of about 150 a year to fewer than 30. The number of contraband cartons seized in New Jersey plummeted from more than 100,000 a year to fewer than 4,000.

"We have substantially dried up the cigarette bootleg traffic," said Alfred Donati, director of special investigations for the state Tax Department.

With bootlegging stopped in its tracks, tax officials waited for revenues to skyrocket.

Their dreams went up in smoke. It never happened.

IN NEW YORK, a typical case, revenues rose by only about \$10 million—a far cry from the predicted increase of between \$100 million and \$480 million.

The explanation should have been obvious to tax officials all along: The true ripoffs were being perpetrated by wholesalers who counterfeited the Pitney-Bowes tax stamp and fed thousands of cartons of untaxed cigarettes into their distribution systems—simply adding the tax into their profits.

"Maybe the industry hoodwinked us, made us believe that bootlegging was the entire problem," Tully concedes.

Counterfeiting the Pitney-Bowes tax stamp can be accomplished in a weekend, and, since 1975, alleged tobacco rogues have been charged in nine multimillion-dollar counterfeiting cases. But counterfeiting is also haphazard and unnecessary. *The News*' investigation has found that a wholesaler can steal the cigarette tax much more easily and with little likelihood of being caught.

NEWS REPORTERS, USING no more than a pair of pliers and a screwdriver, were able to beat the device—rigging it so that it could be used to steal potentially millions of dollars in taxes from the city and state.

It was so easy that some law enforcement officials now find it hard to believe that cigarette wholesalers don't routinely subvert the device.

Here's what we did:

First we listened to the warnings.

• "In the production of our meters we have done everything over the years to defeat any attempt to tamper with the meter," said Thomas Barker, manager of meter repair and performance for Pitney-Bowes. Barker outlined the internal security miracles of the machine, from breakaway screws to delicate fuses that, he warned, would self-destruct if tampered with.

• "Any attempt to enter the machine will result in damage to the machine that could not be corrected," said Richard Brunella, chief of the forensic branch for the U.S. Bureau of Alcohol, Tobacco and Firearms.

• "We don't think it can be done," said John Mullins, a ranking state tax agent. "It can't be that easy, or everyone would be doing it."

In fact, it *was* that easy.

The reporters who tested the Pitney-Bowes machine started out with no knowledge of its inner workings. After 10 hours of work they were able to stamp as many cartons of cigarettes as they wanted and never have them recorded on the machine's meters. They also had a master key made that can open virtually any Pitney-Bowes stamping machine. And state tax agents failed to detect what had been done—even though the reporters had inadvertently left a visible part out of the machine when they opened and reassembled it.

"FRANKLY, I'M SHOCKED," said Urzi, the state Tax Department investigator.

Because 40 states still rely on the Pitney-Bowes system, *The News* won't publish exactly how we beat the machine. But this much can be said: The reporters took only actions that would be available to anyone. The only outside help needed were the services of a locksmith, a machinist and a seal maker—all approached at random.

The locksmith was Sal Schillizzi, who owns a small shop on the upper East Side. In less than 10 minutes, Schillizzi, sitting at his dining room table, was able to make a master key for all Pitney-Bowes stamping machines.

"There is nothing special about this lock," Schillizzi said.

For good measure Schillizzi then used a pick to open the lock. It took him less than five seconds.

Barker, the Pitney-Bowes expert, had said that there was one simple way to beat the machine's lock: "You could do it out if you wanted, but that would be obvious." When pressed, Barker acknowledged that what Schillizzi had pulled off was more than possible.

With Schillizzi's master key in hand, the reporters then went to work with a pair of pliers. The machine's cover was off in minutes.

According to Pitney-Bowes, it would take detailed knowledge of the machine before it could be successfully opened. "Otherwise," Barker had said, "it would be extremely difficult without damaging the machine, perhaps by using a drill to drill out some screws."

Once the Pitney-Bowes device was open, we took it to Mardiros Hatsakorzian, a machinist who recently immigrated here from Lebanon. Hatsakorzian instantly figured out how to override the machine's crucial counting meter so that it wouldn't register when cigarets were stamped. The reporters were also able to turn the counters backward and forward to any setting they wanted.

"It was nothing, nothing that anybody couldn't have done. There was no big secret," said Hatsakorzian, who was embarrassed to accept payment.

"If someone tried to jam the meters or turn them back, the machine would be pretty well screwed up as far as damage to the meters. I would expect they would see damage. A neophyte would cause internal damage," Barker had said.

The final step was to close the machine. A Long Island security seal company provided all the tools needed and a machine shop on W. 27th St. made six screws to replace some taken from the machine.

At the state Tax Department, the machine was inspected by top investigators who said it "looks fine." Ironically, those same investigators had originally provided the machine to The News.

AT THE NEWS' request, the department returned the device to Pitney-Bowes for analysis. Such detailed scrutiny is usually reserved only for machines being taken out of service or for cases in which criminal tampering is suspected. The great majority of machines now in use have never undergone such examination.

What the company described as a "cursory" examination turned up no definitive evidence of tampering. Only after highly trained Pitney-Bowes experts went to work in earnest did the company discover the ruse. The reporters had not replaced one seal correctly and the Pitney-Bowes logo on the seal was not exact. Some of the new screws placed in the old machine appeared too new and were not treated with Loctite adhesive.

Still, when informed of the "tampering," Barker said, "You did a pretty good job"—so good that Barker conceded that the tampering would not have been detected in Pitney-Bowes field inspections, which wholesalers say are rare.

*'I figured that all
the internal security issues
were resolved years ago'*

Emanuel Urzi



"I'm not impressed at all by the Pitney-Bowes report on the machine," Urzi said. "I could imagine trying to prove in court that a machine was tampered with because it didn't have Loctite. And the kinds of things Pitney-Bowes found you could probably overcome if you spent a little more money and time or used a real mechanical expert."

AFTER A WHOLESALER leases a Pitney-Bowes machine, it's likely to be years—if ever—before the device is subject to rigorous testing. And there's a surefire way of avoiding such tests: Destroy the machine and report it stolen. More than 50 Pitney-Bowes machines are now listed as having been swiped.

Barker conceded that a wholesaler could destroy a rigged machine before it is inspected, but he defends the Pitney-Bowes system.

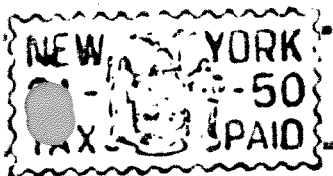
"Any mechanical device can be tampered with, be it a bank vault or a Pitney-Bowes machine. It is just a question of how hard it is to do," Barker said. "We have always said that our machines are only part of a system and that they shouldn't be relied on totally. They can only be effective with strong law enforcement and cigaret auditing."

The image of Pitney-Bowes, however, has always been one of total security and near invulnerability.

"I think everybody was surprised that you could get into the machine as easily as you did," Urzi said. "This machine has been in all these states for years. I figured that all the internal security issues were resolved years ago. Looking back I can't believe that no state, including New York, ever did independent tests on the machine. It's very embarrassing."

But other people, who apparently had a greater interest in the profits that could be made from nontaxed cigarets, have had a very good idea of the inner workings of the machines and the lethargy of law enforcement agencies. Two such people are Milton Bloomrosen, former head of the wholesale industry's trade group, and Morris Kessler, the underworld's premier cigaret schemer. Before their ingenious con game turned to ashes, they were on their way to striking it rich—tax free.

Tomorrow: Who are the tobacco rogues?



Real profits from phony wholesaling

Cigarette tax ripoffs cheat New York City and State out of as much as \$100 million annually—enough to pay for 2,000 more city cops, cut the subway fare a dime or easily foot the bill for a full-scale war on drug abuse. During a six-month investigation, Daily News reporters Vincent Cosgrove and Arthur Browne uncovered fraud, corruption and violence in the wholesale cigarette industry here and cracked the supposedly impregnable stamping machine—the linchpin in the cigarette tax collection systems of 40 states. Here is their second report:

By VINCENT COSGROVE
and ARTHUR BROWNE

Second of a series

In January 1976, a group of cigarette wholesalers donned hoods, sat behind a battery of microphones and cameras in a state Senate hearing room in Manhattan, and recounted a terrifying story of an industry under siege. Mobsters were taking over, they said, driving out legitimate businessmen and exacting reprisals from anyone who refused to go along with multimillion-dollar cigarette tax ripoff schemes.

One of the hooded wholesalers was Milton Bloomrosen, president of the city's wholesale cigarette association.

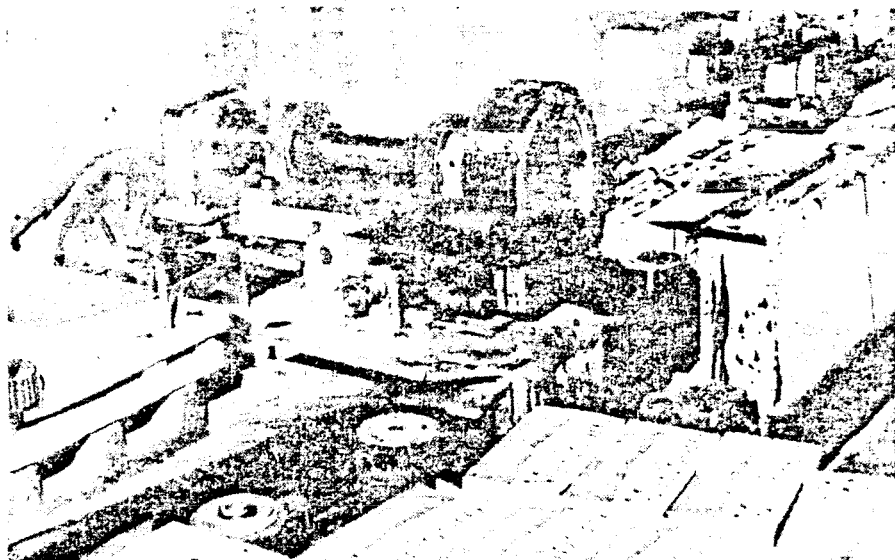
Three months later, Bloomrosen testified at another state hearing and again warned: "The way things are going, if something is not done immediately, organized crime will control the entire distribution of cigarettes throughout the state."

If any wholesaler should have known what was happening it was Bloomrosen. On a cold Friday evening in January 1976—at about the same time he testified as spokesman for the wholesalers—Bloomrosen struck a deal with Morris (Murray) Kessler, a graying, self-described salesman who had become the maestro of the mob's cigarette tax schemes.

BLOOMROSEN, A SHORT, middle-aged, unprepossessing man who oversaw a \$26 million-a-year business on Troutman St. in Brooklyn's Bushwick section, handed Kessler his Pitney Bowes cigarette tax stamping machine—a shoebox size device that affixes tax stamps to cigarette packs and counts how much tax the wholesaler owes the city and state. By the end of that weekend, Bloomrosen and Kessler had done what was widely believed to be impossible:

Kessler had made a sophisticated counterfeit of

the machine and had procured an illicit and nearly untraceable supply of cigarettes for Bloomrosen. Bloomrosen then gave Kessler the means to market the cigarettes—his distribution system as a wholesaler. They had quickly built a \$36,000-a-week operation that stretched 550 miles, beat the tax systems in two states and possibly resulted in a brutal organized crime rubout. The scheme eventually fell apart—after an anonymous tip to tax agents. But it stands as a classic example of how cigarette corruption works. It illustrates a criminal side of the industry that has been cloaked behind slick, industry-sponsored public relations campaigns, with wholesalers like Bloomro-



Counterfeit cigarette tax stamping machine at work.



Hooded wholesalers at 1976 state Senate hearing.

The campaigns promoted the myth that up to half the cigarettes sold in New York City were being buttlegged here from low tax southern states by organized crime and sold on the streets.

BUT A DAILY NEWS investigation has disclosed a more serious problem—a boom in corruption within the cigarette industry as wholesalers got into the distribution of contraband cigarettes.

This illicit activity is now virtually institutionalized and continues unchecked—and in some cases even encouraged—by ineffective law enforcement and tax collection efforts. In the meantime, the corruption has driven legitimate businessmen into bankruptcy, bred fear and spawned other serious crimes, ranging from price fixing to arson and murder. According to Bloomrosen, the crimes also include a conspiracy to bribe high state elected officials.

Counterfeiting and other tax ripoff schemes are so easy to pull off, so risk free and so lucrative that there is virtually no reason for a wholesaler not to steal cigarette tax.

• Since 1975, nine wholesalers have been impli-

Phony wholesaling rakes in real cig \$

solid evidence—including mountains of counterfeit stamped cigarettes—not one case has been successfully prosecuted. Five of the allegedly dishonest wholesalers are still in business, holding licenses from the city and state.

In the early 1970s, another wholesaler was caught in a counterfeiting operation. This one had documented ties to both Kessler and Angelo Bruno, the since assassinated boss of organized crime in Philadelphia. All of the operations cashed in on a tax stamping machine that is easy to duplicate and that produces legitimate tax stamps that are about as legible as smudged black or purple fingerprints. Forty states, including New York, New Jersey and Connecticut, rely on this supposedly secure machine, manufactured by Pitney Bowes, to collect nearly \$3 billion in cigarette taxes yearly.

What's more, News reporters found a simple way to rig a Pitney Bowes machine to stamp an unlimited number of cartons with legitimate—noncounterfeit—stamps that were never registered on the machine's counting meters. Every expert had said this would be impossible—but it was so simple that law enforcement officials now find it hard to believe that cigarette wholesalers don't routinely subvert the device.

- Thousands of cartons of cigarettes are being diverted from legitimate distribution chains, providing cigarette wholesalers with a ready supply of unreported cigarettes without the hassle of bootlegging. The News uncovered strong indications that some wholesalers may be creating this illicit traffic by making unreported interstate shipments to each other—shipments that are nearly untraceable because of a nightmare of confused accounting and reporting requirements.

The counterfeiting operation mounted by Bloomrosen and Kessler was a classic that pulled together two crucial elements: A counterfeit Pitney Bowes machine and an illicit supply of cigarettes. Here's how it worked:

IN NOVEMBER 1975, Milton Bloomrosen headed a \$26 million-a-year wholesaling business, and, a symbol of respectability, was president of the city's cigarette wholesalers association.

But Bloomrosen had hidden problems. He was being strangled by an ever-tightening cash flow squeeze caused by competition so cutthroat that it had all but eliminated legitimate profits.

Bloomrosen turned to crime. That month, he was introduced to Kessler by Dave Peltz, one of Bloomrosen's top salesmen and a well-known figure in the wholesaling industry. Kessler's manner was casual, but his message was not. He beckoned Bloomrosen into crime.

To Kessler and his mob angels, partnership with a legitimate wholesaler was the first step on the road to riches. And they couldn't find a better partner than the president of the wholesalers association.

Fearing the collapse of his business, Bloomrosen succumbed to the mob overtures. He stood to make as much as \$10,300 a week.

ON A JANUARY NIGHT in 1976, Bloomrosen handed Kessler his Pitney Bowes machine, and Kessler, without saying where he was headed, drove away. It is believed that he went to New Jersey or Philadelphia to meet a 58-year-old alcoholic and sometime loan shark with close business and personal ties to Philadelphia's Bruno crime family.

This was Michael Connolly, a nimble-fingered counterfeiter who molded his mechanical knowledge into money for the mob by duplicating the metal drum that, as the heart of the Pitney Bowes machine, can stamp more than 60 cartons a minute.

It wasn't a big job for Connolly—it took only a weekend—and he faded discreetly from the picture.

Kessler could now affix a counterfeit tax stamp to as many cartons as Bloomrosen could safely distribute. Their "phony" cigarettes bore a high-quality facsimile of the real tax logo but were never recorded on Bloomrosen's Pitney Bowes machine. The "tax"—\$2.30 per carton—was theirs for the taking.

BUT KESSLER STILL HAD to supply Bloomrosen with untraceable, unstamped cigarettes—another supposedly impossible feat.

Kessler knew that cigarette manufacturers file monthly reports with the state Tax Department detailing how many cigarettes they have sold to every wholesaler. These reports will not balance—a first indication of illegal activity—if a wholesaler puts bogus stamps on legitimately purchased cigarettes.

But Kessler easily overcame this problem.

He purchased large volumes of cigarettes from a North Carolina wholesaler who, for a premium, illegally delivered them to Kessler "virgin"—without that state's tax stamp. To keep North Carolina officials from discovering the scheme, Kessler cleverly paid the North Carolina tax of 20 cents per carton so that officials there wouldn't become suspicious.

To further throw them off the track, Kessler had the cooperative wholesaler run his stamping machine without cartons in it. That way the machine's meters registered the "virgin" cartons as stamped, and everybody's books balanced. North Carolina had its tax, and

New York had no idea that Bloomrosen's company was getting the cigarettes. As far as the state and city knew they were getting all the tax due them.

For Bloomrosen and Kessler, it meant a profit of \$2.10 per carton—the difference between the New York "tax"—\$2.30—and the 20 cent North Carolina tax that they paid.

(By contrast, bootlegged cigarettes generally carry the North Carolina tax stamp, which cannot be removed without damaging the cigarette packs. Smugglers thus are forced to sell their cigarettes outside legitimate channels.)

By MARCH 1976, THE Bloomrosen-Kessler operation was in full swing. And so were the public relations campaigns that put the spotlight on the largely mythical problem of bootlegging. That month, Bloomrosen again assumed a starring role, this time at a state Tax Commission hearing.

Speaking from recent personal experience, he said: "The counterfeiter today evidently has equipment such as to reproduce a stamp as Pitney Bowes does... the counterfeiter's impressions are much better than (wholesalers'). They are clearer, and I'm being honest."

The Bloomrosen-Kessler operation boomed until July 1976, when state tax officials received a tip about "illegal cigarette activity" in an East Side cigar store stocked with Bloomrosen's cigarettes. Some of the cigarettes turned out to be counterfeit, but tax agents still didn't know precisely who was involved. They naturally suspected Bloomrosen, and told him they wanted to have a talk.

The agents lacked hard evidence, but in a matter of minutes an intimidated Bloomrosen confessed to the whole scheme. Within hours the agents had cast him in a new starring role: Their chief undercover agent in a drive to get Kessler and his cohorts.

WEARING A HIDDEN microphone, Bloomrosen adopted a self-assured manner, persuading Kessler to bring him the most crucial piece of evidence, the counterfeit machine—which proved to be Kessler's downfall.

Thanks to Bloomrosen's information, Valley Stream Distributors of Long Island, a second wholesaler recruited into counterfeiting by Kessler, also began cooperating with authorities. But even with Bloomrosen's help, agents couldn't nab Kessler's suspected mob cohort. Frustrated, they watched almost daily as Kessler and the reputed mobster strolled around a Mill Basin shopping center parking lot out of the reach of hidden microphones.

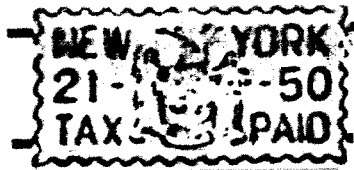
In the fall of 1976, Kessler and two of his underlings were arrested, con-

in the nine alleged counterfeiting operations uncovered since 1975.

Financial pressures generated by the case forced Bloomrosen into bankruptcy, even though—in return for his cooperation—he wasn't prosecuted. He now owns a small candy and tobacco store in a shopping mall on Long Island. Valley Stream Distributors also escaped prosecution and remains in business.

And in November 1976, at about the same time Kessler was arrested, the body of Michael Connolly, the alcoholic counterfeiting genius, was found in a mortician's bag on the grounds of a Pennsylvania hospital. His murder is still unsolved. He had been badly beaten and shot twice in the head. The tips of his fingers—the fingers that had crafted so many expert and detailed counterfeit devices for organized crime—had been burned off. ■

** Tomorrow: Why some wholesalers fear
for their lives*



Daily News, Tuesday, October 14, 1980

Scams spawn big by-product: fear

Cigarette tax ripoffs cheat New York City and State out of as much as \$100 million annually—enough to pay for 2,000 more city cops, cut the subway fare a dime or easily foot the bill for a full-scale war on drug abuse. In a six-month investigation, Daily News reporters Vincent Cosgrove and Arthur Browne uncovered fraud, corruption and violence in the wholesale cigarette industry here and cracked the workings of the supposedly impregnable stamping machine—linchpin in the cigarette tax collection systems of 40 states. Here is their third report:

By VINCENT COSGROVE and ARTHUR BROWNE

Third of a series

Organized crime had the money, the muscle and the manpower, but Michael Connolly, a 58-year-old alcoholic and sometime loan shark from New Jersey, had the brains and talent. He knew how to counterfeit the supposedly foolproof Pitney Bowes cigarette tax stamping machine—knowledge that was a gold mine for the mob.

But Connolly was armed also with more dangerous knowledge. As a master mechanic of cigarette tax ripoffs, he knew the secrets of the growing bond between organized crime and so-called legitimate cigarette wholesalers. These were the secrets that may have led to his murder.

In September 1976, Connolly was shot twice in the head and left on the grounds of a hospital near Philadelphia, his body stuffed into an undertaker's bag. He was killed just days after a major tax stamp counterfeiting ring was smashed in Brooklyn—a scheme that involved both the head of the city's cigarette wholesalers group and major organized crime figures.

CONNOLLY WAS BELIEVED to be involved, but escaped arrest. And undercover tapes from a federal investigation in Pennsylvania suggest that he was killed because the mob feared that he was cooperating with law enforcement officials.

"Cause he (Connolly) didn't listen to me to get away from certain people, that's why he's not around," said Frederick McCurry, a former partner of Connolly's who was convicted in a 1979 Pennsylvania cigarette counterfeiting case.

"I told him, I said, 'Mike, you're (expletive) with the wrong people. . . You keep playing with fire long enough, you've got to get burnt,'" McCurry said.

Connolly's murder and the slayings of at least five other organized crime figures involved in cigarette tax scams are the natural offspring of a marriage between big money and mobsters. But as an increasing number of New York cigarette wholesalers—from old-time cigarette hustlers to former highly paid executives of a major tobacco company—have been implicated in cigarette ripoffs, they too have begun to understand the message behind Connolly's murder: fear.

"Put yourself in my position. I've been threatened not to talk to you," Jack Brooks, owner of NuService

Tobacco, told Daily News reporters. Brooks had met amiably with the reporters early in The News' six-month investigation of tax ripoffs by tobacco rogues but now his tone was different.

"IT'S NOT ME THAT THEY threatened," he said. "I'm trying my best to keep everyone away. I was told to lay off. What can you do for me but get myself killed, or someone else killed? They threatened my family. Me, it doesn't bother, but my grandchildren!"

Brooks, whose company was implicated last year in a counterfeiting operation, declined all interviews.

Cigarette tax scams have stolen an estimated \$1 billion from state and city coffers over the last decade, and they continue to flourish. This despite solid evidence that the city's wholesale cigarette industry is being crippled by thievery and worse.

Law enforcement, tax officials, local and state politicians are all to blame. They chased the wrong villains. They refused to pass even one piece of reform legislation. They kept a supposedly super-secure tax stamping system in use for 15 years after they knew it was defective. And they virtually dropped all regulatory control of the industry—from licensing to auditing.

Meanwhile, with the shrewd business sense of Wall Street and the muscle of the mob, cigarette tax ripoff artists have mastered their trade—marching brazenly through the loopholes left by public officials. At first, and most primitively, they hijacked cigarette trucks. But the last time a big tractor-trailer load was hijacked in the metropolitan area was May 15, 1971. Why bother to hijack if your own fleet of trucks can smuggle cigarettes up from low-tax North Carolina?

IF YOU'RE GOING TO HAVE your own fleet, why not a full clandestine distribution system, such as the notorious one—complete with warehouses, and a six-day work week—started in the late 1960s by Anthony Granata, a member of the Colombo crime family? And finally, why run an inefficient clandestine distribution system when the doors to the legitimate distribution chain have been opened wide?

Some New York City cigarette wholesalers are willing to steal. Since 1975, nine of them—representing 20% of wholesalers here—have been linked to counterfeiting operations, including two in the last six weeks. And leading industry figures say privately that more than 25% of the remaining "legitimate" wholesalers may be involved in similar scams.

"They (tax authorities) made thieves and millionaires out of some of us, that's for sure," says one major wholesaler.

Corruption has a heavy price, however—one that is now catching up with the industry's late-blooming quick-buck artists.

For Able Tobacco, a West Islip, L.I., wholesaler, the price was an attempted arson. At 3 a.m. on March 1, 1978, three men carrying a can of gasoline climbed to the roof of the company's warehouse to burn it down. The three were caught and they eventually pleaded guilty. At the time of the incident, the company reportedly had been flooding jealously guarded retail territories with its cigarettes.

"They were coming into Brooklyn with lots of cigarettes at low prices," one investigator says. "We think that is the reason the place was going to be burned, but we were never able to prove who paid to have the job done."

FOR JOSEPH FARANO, A rotund Yonkers wholesaler who guards his warehouse with an attack dog that's trained to allow intruders in but not out, the price was Molotov cocktails tossed into his building. Two Bronx men pleaded guilty to the firebombing, but the case is still under federal investigation to determine who paid them for the service.

Early on a Sunday morning six months after the firebombing, Farano, owner of Briker Bros., placed a secretly tape-recorded phone call to Philip Ruta, a former wholesaler whose company was implicated in a major counterfeiting operation in 1978. Ruta is close friends with both Dominic Aloe Jr., one of the arsonists, and Dominic Aloe Sr., his father, a former city cop.

"You think it was nice, your friend Dominic sending his son up to try and burn me out, huh?" Farano asked on the tape.

"What makes you think it was Dominic? . . ." Ruta replied.

"Why would he want to burn you?"

"Didn't (the elder) Dominic tell me right in front of, right in my office . . . whoever doesn't go along with (a reported scheme to fix cigarette prices) we're going to burn him out," Farano said.

"He didn't mean you," Ruta replied.

"He didn't mean me? Well who did he mean?"

"I don't even remember those words," Ruta said, and he accused Farano of taking "hallucination pills."

"Well, I remember the words . . . I said to him what happens if somebody don't go along with this (price fixing) deal with the 20 cents. He said to me 'I am not worried about that. Whoever doesn't go along with the deal gets burned out.' And I put my head down and he said to me it's happened before. This is your pal Dominic, all right. . ."

"He's (Dominic) no matcher (arsonist). He's no (expletive) assassin," Ruta said, and he warned Farano to "stop drawing these filthy dirty pictures because . . . it's going to get to the wrong people and you're going to have a problem."

"Who are these people?" Farano asked.

"None of your business who they are. At the moment you don't want to know who they are, but they're telling me lay off, be a good boy, do your business . . .," Ruta answered. "You're doing too much talking for a young man. You better slow down. You're looking like a big (expletive) fink. I'm telling you, Joe, watch yourself. Slow down and lay off everything . . . Be a nice guy . . . just keep whatever you've got in your head to yourself, okay? And don't blab it to nobody. It's going back to the wrong people."



JACK SMITH DAILY NEWS

Warehouse at Second Ave. and 110th St. where agents picked up 2,300 cartons of cigarettes.



Thomas Delio was shot and stuffed in automobile trunk in Queens.

ALTHOUGH THEY HAVEN'T been the victims of arson or direct threats, other wholesalers have also paid the price of fear. One after another, industry representatives told The News that, yes, they have a good idea which of the city's wholesalers are corrupt—but they refused to divulge names even when offered strict confidentiality.

"It has gotten so bad that you just can't tell the good guys from the bad guys any more," says one wholesaler.

The lessons of fear are well-learned. Since 1975, at least six organized crime figures involved in cigaret tax ripoffs have been murdered, bringing the methods and violence of organized crime to the doorstep of a legitimate industry. The grisly litany:

In 1976—just 11 days after raids on organized crime cigaret warehouses in south Jersey—Richard Demary, who was suspected of being a police informant, was found dead in a residential neighborhood in East Hanover, N.J., victim of a shotgun blast. Rocco Frumento, a Pennsylvania wholesaler convicted in a 1976 cigaret tax scam, was shot twice in the head in his Philadelphia bedroom. Thomas Delio, nephew of a slain Genovese mob captain and a buttlegging specialist, was shot and stuffed into the trunk of a Ford parked on a Maspeth, Queens, street.

The tally of murders is seemingly enough to keep anyone away from the cigaret industry—but the profits are too tempting.

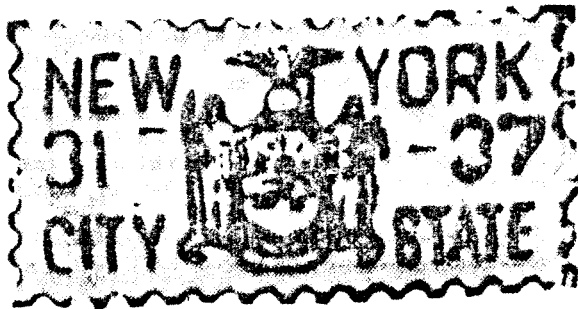
RECENTLY, FOR EXAMPLE, two former executives of the R.J. Reynolds Co. gave up their plush offices to work in a graffiti-scrawled warehouse on Second Ave. in Spanish Harlem.

In early 1979, the sharply dressed former execs, Charles LaMonte and James LaMarca, began peddling cigarets from the newly licensed Sea-Lar Trading Co., which listed its executives as the members of an Chinese-American family that was new to the business. Sea-Lar boomed from the day it opened—from nothing its sales grew to almost 200,000 cartons a month. And the company became the envy of an industry that is witnessing a growing number of business failures.

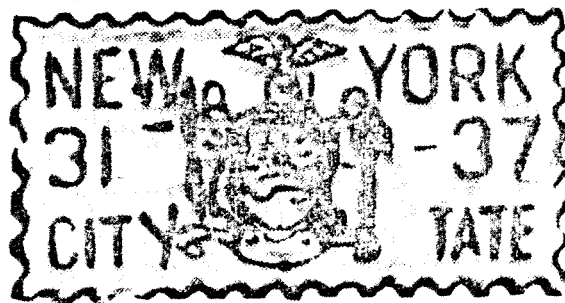
Then, last month, the roof caved in. City tax agents picked up 2,300 cartons of cigarets at Sea-Lar's warehouse that have been certified as counterfeit by both Pitney Bowes—manufacturer of the supposedly impregnable tax stamping machine that was cracked by News reporters—and the FBI laboratory. The case has been turned over to a federal grand jury that is now investigating the scope of the alleged counterfeiting operation, the roles of LaMonte and LaMarca and why they left the corporate suites for the mean streets of Spanish Harlem.

But if the sight of the nattily dressed former executives was a surprise in Sea-Lar's 110th St. neighborhood, it's even more surprising that the alleged counterfeiting operation was smoked out. State and city tax officials spend more than \$1 million a year to police the cigaret industry, but all that they've developed is a tradition of incompetence. Thanks to their failures, corruption has thrived in the city's cigaret industry. ■

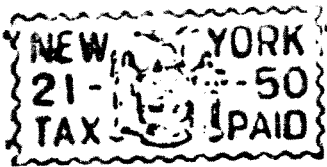
Tomorrow: How official snafus helped the tobacco rogues.



A legitimate cigaret tax stamp.



A fake cigaret tax stamp.



Daily News, Wednesday, October 15, 1980

Instead of snuffouts... snafus

Cigarette tax ripoffs cheat the city and state out of as much as \$100 million annually. In a six-month investigation, Daily News reporters Vincent Cosgrove and Arthur Browne uncovered fraud, corruption and violence in the wholesale cigarette industry. Here is their fourth report.

By VINCENT COSGROVE and ARTHUR BROWNE

Flanked by television news crews, a team of city and state tax agents stormed a nondescript two-story warehouse squatting under the elevated Broadway IRT line in the Bronx. As the cameras rolled under the eerie glare of TV lights, the agents entered the Joseph A. Schragger wholesale tobacco company and found thousands of cartons of cigarettes bearing counterfeit tax stamps.

The agents even discovered a choice of cigarette samples—some bearing counterfeit stamps and others carrying genuine ones. The schemers had

Alfred Donati called the Pilgrim State caper, which cost state more than \$60,000, "a terrible embarrassment."

conveniently labeled the counterfeits "bad" and the genuine "good."

City Finance Commissioner Harry Tishelman and Alfred Donati, chief of the state Tax Department's special investigation bureau, joyfully announced that they had smashed the largest cigarette tax stamp counterfeiting operation ever uncovered in New York.

Sept. 27, 1978, the day of the raid, was one of their shining moments. But since then, out of the glare of the TV cameras, the case collapsed. To this day, no one has been arrested—let alone convicted—as a result of the highly publicized raid.

THE OUTCOME OF THE Schragger case is not unique. A Daily News investigation has revealed that the state and city Tax Departments have been so ineffective in policing the industry that they have all but invited corruption into the business. Their blindness, bungling and bickering virtually assured the success of multimillion-dollar tax-ripoff schemes that have proliferated in New York's cigarette industry and that rob city and state tax coffers.

The record is so dismal that the chances are at least one in four and possibly 50-50 that when you

pick up your favorite brand you are buying illicit cigarettes and unknowingly pouring your money into a multimillion-dollar cigarette tax scam—money that could, for instance, pay for more cops or cut mass transit fares.

Over the last five years, tax agents found mountains of apparently irrefutable evidence—thousands upon thousands of counterfeit cigarettes—in nine counterfeiting cases allegedly involving cigarette wholesalers. But they have so far failed to make a case against a single one.

For years, state and city agents and officials have seemingly made a practice of ignoring damning evidence linking wholesalers to criminal activity—even though The News easily found such evidence right in the files of the tax departments.

SAMPLES OF COUNTERFEIT cigarette stamps found in one warehouse were filed by the city and apparently forgotten. Tax returns that were patently fraudulent were never audited by the city or state. Official reports that spelled out monthly the workings of one operation were accepted by the state Tax Department, routinely stamped "Received", and just as routinely tossed on shelves—never to be read.

Investigations were cut short. Crucial and obvious questions went unasked. Surveillances were blown. Field agents failed to recognize illicit cigarettes even when the contraband was stacked 12 feet high in a suspect warehouse. And cigarette tax audits—a key tool in policing the industry—were virtually eliminated.

Tax officials blame their failures on confusing laws, on statutes that had prevented them from using sophisticated techniques such as wiretaps and on budget problems—even though the state and city spend a total of more than \$1 million annually to investigate cigarette tax violations.

THE OFFICIALS BLAME ALSO a bureaucracy that was so byzantine that investigators didn't know what auditors were doing, auditors were kept in the dark about who was being licensed and not even the commissioner knew exactly how his department was regulating the cigarette industry.

Emanuel Urzi, a ranking state tax prober, now admits, however, that "even a baboon should have seen there was a real problem."

"We thought there may have been a few problems, that the back door was open on us," says Donati, the state's chief tax investigator. "But when we really looked, we found that the whole wall was down..."

When they privately assess their own dismal records, officials conclude that there may be more sinister explanations for their failings.

These darker explanations are shaped by blatant hostility, fueled by suspicions and even paranoia, that has bitterly divided the state and city tax departments.



Confiscated cigaret machines are brought into the World Trade Center (above). City and state tax agents (right) look at samples of bogus stamps after Bronx warehouse raid.

The atmosphere has been so poisoned that state tax agents—who were stung in 1974 by a publicized but unproductive probe of alleged internal corruption—frequently wear hidden tape recorders, not to undercover sessions with criminals but to cover meetings with fellow law enforcement officials. Informed by The News that state agents had secretly taped conversations with his staff, Bronx District Attorney Mario Merola called the tactic “insulting and disgusting.”

MUTUAL SUSPICIONS and bitter rivalries have paralyzed cooperative cigaret tax enforcement. State and city agents hide information from each other. They stumble over each other investigating the same cases while trying to keep their activities secret. And

top state agents believe that David Durk, the ex-city cop who starred at the Knapp Commission police corruption investigation and who now heads the city tax probe, is out to get them. Those agents, including Alfred Donati, label Durk a publicity-minded crusader with a fixation on corruption that verges on paranoia.

After boiling privately over the charges of his law enforcement rivals, Durk replied with an uncharacteristically tempered prepared statement: “I am not out to get any other law enforcement agency. I have studiously avoided issuing press releases.”

The bitter interagency backstabbing doesn't tell the whole story, however—the story behind a series of blown cases and shoddy law enforcement work that would stun even a novice cop:

● THE PILGRIM STATE CAPER

Here's a classic case in which justice was literally blind. The alleged scam, which cost the state more than \$60,000, began when the community store at the state's Pilgrim Psychiatric Center in Brentwood, L.I., was given approval to distribute a limited amount of untaxed cigarets for hospital charities. According to state records, however, the store's private operator used that approval to sell increasing amounts of untaxed cigarets to hospital staff and visitors at full price—including the \$1.50 per carton state tax. The tax money was never turned over to state tax officials, however.

The scam wouldn't have worked if officials had read their own files—including monthly reports from cigaret manufacturers detailing exactly what was going on. The reports were piled high on shelves in Albany, collecting dust. The scheme came to light only after a published report that, in addition to the cigarets, the store was selling bows and arrows to the hospital's patients. Donati, the state's chief tax agent, now describes the case as “a terrible embarrassment.”



● THE SCHRAGER CASE

If awards were given out for ineffective cigaret tax enforcement, the highly publicized Schragger case would fill a trophy case. Here is its sorry history:

In 1976, state and city agents inspected the Schragger warehouse at 5760 Broadway, at W. 236th St., in the Kingsbridge section, found nothing, and left with samples of the company's cigaret stamp. The samples were filed away and forgotten—a major mistake, because the samples were in fact counterfeit.

“I really don't think that they knew what they had,” says one city investigator who recently stumbled on the counterfeit stamps.

That wasn't the only evidence that was ignored. In 1977, the Schragger company filed tax returns showing an increase in sales volume that is all but impossible in the legitimate market. That lead was never pursued.

Schragger also filed city tax returns reporting that it sold a large volume of its cigarets outside the city and therefore wasn't subject to the 80-cents-per-carton city tax. According to Schragger's returns, they were being shipped to the suburbs. But the reported shipments were so large that city agents should have suspected that the records were probably false, as a state audit subsequently showed them to be.

IN ONE CASE, SCHRAGER maintained that that it was sending an awesome amount of cigarets—more than 8,000 cartons a month—to a small Westchester barber shop. The shop's bills later showed that it received only about 500 cartons. Schragger allegedly sold the remaining 7,500 cartons in New York City with a counterfeit stamp and pocketed the 80-cent tax.

NEW YORK
21-50
TAX PAID

Daily News, Thursday, October 16, 1980

Did cig man filter payoffs to pols?

Cigarette tax ripoffs cheat the city and state out of as much as \$100 million annually. In a six-month investigation, Daily News reporters Vincent Cosgrove and Arthur Browne uncovered fraud, corruption and violence in the wholesale cigarette industry. Here is their fifth report:

By VINCENT COSGROVE and ARTHUR BROWNE

The former president of the city's wholesale cigarette association, embittered at the loss of his \$25 million-a-year business, has told the Daily News that he conspired over a five-year period to funnel tens of thousands of dollars in payoffs to elected state officials and city bureaucrats.

"...the deal didn't go through only because an honest civic servant objected."

In an unusual public admission, Milton Bloomrosen—for 12 years the city's most prominent cigarette distributor until he was caught in a mob-connected crime scam—said that between 1970 and 1975 he gave a "bagman" as much as \$7,500 at a shot to distribute to state legislators. He said also that he had given that same conduit \$3,000 to pass to city officials to get his cigarette tax bill reduced. When the alleged fix fell through, Bloomrosen said, his money was returned.

The News has uncovered independent evidence that tends to support Bloomrosen's account that he tried to fix the city audit—a fix that would have slashed \$48,000, more than 50%, from a 1973 tax assessment levied against him. The evidence suggests also that the purported deal didn't go through only because an honest civil servant objected.

BLOOMROSEN'S STATEMENTS have sparked a full FBI probe to resolve open questions in his story—especially who, if anyone, actually was paid off.

Bloomrosen said that, asking as few questions as possible, he gave the bagman whatever he asked for to make the payoffs. He said that he doesn't know what happened to the money after it left his hands and that he never wanted to know.

Bloomrosen's allegations are only the most extreme example of a web of sometimes questionable links between the corruption-ridden wholesale cigarette industry and politically connected lawyers and well-know politicians—many of the same politicians responsible for the criminally tempting cigarette tax structure that has allowed tobacco rogues to rip off as much as \$100 million a year from New York city and state tax coffers.

AMONG THE POLITICIANS and politically connected lawyers who have gone to bat for the industry in one way or another are Assembly Speaker Stanley Fink; former Assembly Majority Leader Albert Blumenthal, who represents both the industry as a group and individual wholesalers; Bernard Ruggieri, a paid lobbyist and a partner in the Democratic-dominated powerhouse firm of Shea & Gould; former State Tax Commissioner Mario Procaccino; former Brooklyn Assemblyman George Cincotta; Harlem Assemblyman George Miller and the law firm of former Bronx Democratic boss Patrick Cunningham.

Miller's performance as a lawyer on behalf of Briker Bros. wholesalers typifies in many ways the lengths to which political strings can be pulled by the cigarette industry.

Last spring, Joseph Farano, owner of Briker Bros., knew that he needed just the right lawyer to handle a sensitive problem.

The paunchy Yonkers businessman was in the hole for \$501,000, a debt to the state he had built up by welshing on cigarette tax payments for two years and by bouncing checks when pressed for the money.

TAX OFFICIALS had never been sympathetic toward Farano—they describe him as a frequent complainer given to theatrical displays, such as stripping to his undershorts in city offices to prove he wasn't wearing a hidden tape recorder. They know him also as a man they arrested in 1976 but had to release when cigarette tax ripoff charges against him were dismissed for lack of evidence.

Now, with no other cigarette wholesaler even a week in arrears on taxes, they were out to collect from Farano.

So he reached out to Miller, a Harlem Democrat. As an attorney, Miller had little cigarette tax experience. But his political savvy had taught him other legal maneuvers. For instance, he warned the tax officials who were pressing for Farano's payments that he had the power to go over their heads to the governor if they didn't back off. According to those officials, Miller also identified Farano, who lives and works in Westchester, as his constituent—not as his paying law client.

KNOWLEDGEABLE ASSEMBLY officials say that Miller's statements, while not illegal, raise serious ethical questions about his conduct both as a lawyer and as an elected official. When questioned by The News, Miller initially denied that he had ever made such remarks and threatened to sue state tax officials for defamation. When pressed a few minutes later, however, he changed his story.

"If the state can't do its job fairly the way it is supposed to, I will go to the governor," Miller explained. "That's all I meant. I am Farano's attorney. I have made no secret about that."

Miller was aided in his cause by former Assemblyman Cincotta, who was recruited by Farano as a kind of unpaid personal advocate before the state Tax Department.

"I just wanted to make sure that he (Farano) was treated fairly," said Cincotta, who is not a lawyer and who serves as chairman of the state's Cable Television Commission.

The investigation that finally led to the publicized September 1978 raid began when city tax agents inspected Schragger retail outlets and found counterfeit cigarettes. It ended in bitter recriminations and no prosecutions. No one could answer three crucial questions: Who in the company had actually stamped the cigarettes? Where was the counterfeit machine they used? And what was the source of their illicit supply of cigarettes?

Since 1975, eight other wholesalers have been linked to counterfeiting operations, but the same key questions have gone unanswered. And nobody has been prosecuted.

"Everybody in this industry now has a tinge," says Leonard Schwartz, a leading wholesaler. "Why haven't there been any successful prosecutions? And just about every single person who got caught in this thing is still stamping cigarettes for the State of New York. Why—that's what I want to know."

● THE B&W CANDY AND TOBACCO CASE

In February 1975, city tax agents inspected the warehouse of B&W Candy & Tobacco at 1235 St. Nicholas Ave. They were surprised to find 25,000 cartons of cigarettes bearing the tax stamp of a Queens wholesaler, Jamaica Tobacco, stashed away in a dusty second-floor room. It seemed strange to find such a big load of cigarettes at a relatively small company—but apparently not strange enough to merit attention. When the agents returned two days later, they were again surprised. All the cigarettes were gone. This seemed even stranger, but again there was no investigation.

Late that year, however, undercover city detectives raided the B&W warehouse and found 28,500 cartons—all bearing the same Jamaica Tobacco tax stamp that the city agents had found. This time the stamp was tested and certified as counterfeit.

Three men were arrested on counterfeiting charges. One was fined \$400. The cases against the other two were dismissed. The question of Jamaica Tobacco's role was never fully pursued. The company denies any involvement and says that it was merely "an innocent victim."

● THE EAGLE VENDING CASE

This was an outgrowth of the B&W investigation. Cigarettes bearing the same Jamaica Tobacco counterfeit were found at Eagle Vending in Mill Basin, Brooklyn, and the company's three top officers were arrested in 1975 on charges of possession of counterfeit cigarettes amid heavy press coverage orchestrated by state agents. But a Brooklyn grand jury dismissed the case because the agents had failed to prove that the men knew they were dealing in counterfeits.

● NuSERVICE TOBACCO

Early last year, city agents found more than 1,300 counterfeit cartons in retail outlets serviced by NuService Tobacco. Many were found in discount cigaret concessions in branches of the Woolworth chain—a discovery that immediately raised the agents' suspicions. In the Schragger case, counterfeits had also been discovered in in the Woolworth concessions.

The concessions are leased from Woolworth's by Joseph Kaplan, a cigaret dealer who shared the same warehouse with Schragger. Soon after the Schragger case broke in 1978, Kaplan moved to NuService, which still lists him as an employe. Another employe of NuService is Dave Peltz, a short, bespectacled salesman well known to probers as the man who had introduced another major wholesaler to mob counterfeits.

City tax agents and police raided the NuService warehouse in February last year, expecting to find it stocked with counterfeit cigarettes. They found nothing.

"We were sure there would be something there," says one investigator. "But there wasn't."

There were no arrests. And one more counterfeiting investigation was unsuccessfully closed. ■

Tomorrow: How tobacco rogues pack political punch.

MILLER AND CINCOTTA weren't the only politicians tapped by Farano. In 1976, he retained Procaccino, a former city controller as well as former state tax commissioner, when he was charged in a cigaret tax ripoff scheme and the state and city moved to revoke his wholesaler's license. Procaccino won dismissal of the criminal charges, and the license revocation was dropped.

"I represented him," said Procaccino. "He was referred to me by (Bronx State Sen.) John Calandra, who knew I was familiar with tax matters." Procaccino added that he had to sue Farano for his \$10,000 fee.

Equally successful in representing a cigaret client was the law firm of Pat Cunningham. The former Democratic boss' firm was able to clear up, in just a matter of days, a 1979 counterfeiting case involving a client—even winning an agreement from the city to drop a pending criminal investigation.

THAT INVESTIGATION was launched after city agents discovered thousands of cartons of counterfeit-stamp cigarets that allegedly were sold to retail outlets by NuService Tobacco Co. After a raid on the company's Crown Heights, Brooklyn, warehouse failed to produce any evidence, the probe stalled, and the city moved to slap NuService with a civil penalty.

At that point, NuService hired new lawyers—Cunningham's firm. In just two days, according to city documents, the firm set a settlement process in motion. NuService Tobacco agreed to pay a \$25,000 civil penalty. In return, the city promised to "cease and desist" its criminal investigation. It also guaranteed that no "corporate or personal liability" would result from the case.

That agreement terminating an investigation was described as unusual by some officials in both the city and state tax departments.

"I WOULD NEVER consent to dropping an investigation or excuse liability," said one city official.

However, William Howard, the former city tax deputy commissioner who handled the case, insisted that "it was the best settlement that we could get under the circumstances."

"The investigation and the raid hadn't produced anything, and we recouped the money we spent chasing the case," Howard said. "The presence of the Cunningham firm played no role at all."

Cunningham's firm declined comment.

For Leonard Schwartz, a lawyer and a principal in three large wholesale companies, a college and law school friendship with Stanley Fink has opened the doors to the Assembly speaker's office.

In 1979, when city tax officials were summoned to the 66th floor of 2 World Trade Center by their state tax counterparts to discuss "legislative priorities," they were surprised to find Fink sitting at one end of a conference table and his "good friend," Schwartz, acting as an unofficial industry spokesman, at the other end. They were surprised also to find that the legislative priorities they were called there to discuss were Schwartz' ideas about what was good for both him and the cigaret industry.

"LENNY SCHWARTZ came to see me, and he was afraid that criminals like bootleggers were grinding out (destroying) the industry," Fink said. "He was talking about horrible industry problems. I called (State Tax Commissioner James) Tully and asked, 'Is it true what Lenny is saying and, if so, you guys solve the problem and come up with legislation for us to work on.'"

Virtually every wholesaler interviewed by The News pointed to the life-and-death power that tax officials hold over the highly regulated cigaret industry. They describe political influence as a matter of survival—whether in knowing the right lawyers or making sizable and strategically placed campaign contributions. But every wholesaler denies knowledge of the illegal conspiracy described by their former president, Bloomrosen.



George Miller—lawyer for cigaret wholesalers.

"I know of no such thing, I don't think that any thing like it ever happend, and I know that I never participated," said Morris Weintraub, who was managing director of the wholesale association when Bloomrosen was its president.

BLOOMROSEN HAS DECLINED to publicly name the purported bagman who allegedly funneled his cash into the hands of politicians and bureaucrats, but he reportedly has identified him for the FBI.

However, municipal records and interviews with city civil servants who asked not to be identified independently support one of Bloomrosen's contentions—that he gave the bagman \$3,000 to fix a city audit.

Bloomrosen said that he decided to make the payoff in 1973 when an audit showed that he owed the city approximately \$80,000 in cigaret tax and the city was moving to collect the money. He said that through the bagman he arranged this deal with city tax officials: In return for \$3,000 cash, they would have the assessment slashed by between \$40,000 to \$50,000. But the deal fell through, he said.

City tax workers independently told The News a similar story, but from a far different perspective. The audit, they said, was completed and sent routinely to an assistant commissioner for approval. An accountant who worked on the case said the papers were returned several weeks later with a directive to cut the assessment.

THE WORKERS SAID that they were customarily told to reduce their assessments by 10% to prevent unintentional overcharges and to make a settlement more likely. That would have reduced Bloomrosen's assessment to about \$72,000. But this time, the accountant recalled, he was told to apply the 10% adjustment to a complicated formula used to calculate the amount of the assessment. That shift would have made an enormous difference—Bloomrosen's tax bill would have been cut by \$46,000, and he would have ended up paying only \$34,000.

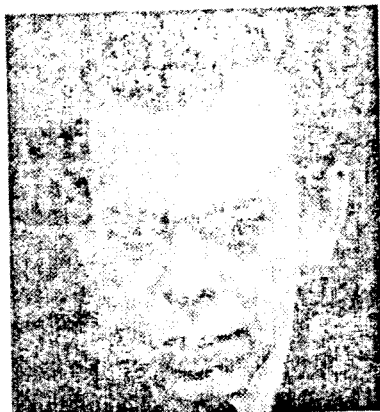
"When I heard what they wanted, I thought they couldn't mean it," the accountant said. "When I questioned it, I was told that I had misled people with my figures and was told to do it however I wanted."

The accountant's final approved assessment was \$76,300.

Paul Leonard, a 32-year city civil servant who was the assistant commissioner who reportedly ordered the audit slashed, said he doesn't remember the audit. But, he said: "I have never taken a payment to reduce an audit, no sir."

Leonard called the story "very, very peculiar. I have no recollection of anything like that ever happening." ■

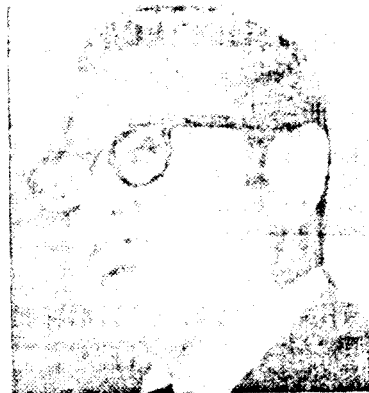
Tomorrow: Are cigaret manufacturers the real tobacco rogues?



Albert Blumenthal



John Calandra



Mario Procaccino

Daily News, Friday, October 17, 1980

Cig makers facing probbers' heat

Cigaret tax ripoffs cheat the city and state out of as much as \$100 million annually. In a six-month investigation of "tobacco rogues," Daily News reporters Vincent Cosgrove and Arthur Browne uncovered fraud, corruption and violence in the wholesale cigaret industry. Here is their final report:

By VINCENT COSGROVE and ARTHUR BROWNE

The nation's Big Six tobacco companies—among America's most powerful and prestigious corporations—have committed "a pattern of business frauds" that have cost the city and state millions of dollars, a confidential city investigation has concluded.

And Mayor Koch suggests the tobacco giants may be guilty of "a corruption of the soul" for perpetuating a distribution system that feeds billions of cigarets every year into criminal conspiracies that bilk New York City and states across the country of hundreds of millions of dollars annually.

"They are preventing us from collecting our taxes by refusing to cooperate," Koch says.

The mayor's charges and the preliminary findings of the ongoing city probe are the centerpiece of a new thrust against the national problem of cigaret tax frauds—an attack born partly out of an absolute frustration in dealing with the multimillion-dollar problem at the retail level. So far, this revised game plan is built upon a unique legal strategy, circumstantial evidence and serious but unanswered questions about the legal responsibilities of the Big Six tobacco companies.

IT HAS NOT PRODUCED hard evidence of complicity between the manufacturers and corrupt wholesalers—and the six companies adamantly deny that there is any.

The mayor made his charges to the Daily News during its six-month investigation into a multimillion-dollar web of corruption that pervades the industry, including: ripoffs by retailers who pocket the cigaret sales tax; wholesalers who team up with organized crime to steal millions of dollars through cigaret tax stamp counterfeiting scams; fear bred by mob muscle and arson; and alleged political payoffs.

The News probe focuses the blame on state and city law enforcement agents whose ineptness virtually guaranteed the success of criminal schemes, on politicians who established a cigaret tax structure that made tax ripoffs lucrative and almost irresistible, and on tax authorities for relying on the Pitney-Bowes cigaret tax stamping machine that News reporters discovered is easy to subvert and is routinely counterfeited.

But, according to critics and some law enforcement officials, a big part of the blame also belongs to cigaret manufacturers—Philip Morris, Lorillard, R.J. Reynolds, Liggett, American Tobacco and Brown & Williamson.

"Give me a prosecutor, a grand jury and 20 FBI agents and in six months I would be able to indict one or more of the major cigaret companies," says Robert Blakey, a respected law professor and former federal prosecutor who was one of the authors of the principal federal racketeering statute. He now serves as director of the Cornell Institute of Organized Crime, a unit of Cornell University Law School.

The tobacco companies scoff at allegations that they are responsible—either legally or morally—for the industry's criminal side.

"IT MUST BE APPARENT TO anyone who even casually looks at it, the last thing any legitimate operator would want is to turn over the honest legal channels of trade to anything other than the best, the straightest, the most dependable," says James Bowling, senior vice president and assistant to the chairman of Philip Morris. "It is astonishing to me that anyone might think otherwise."

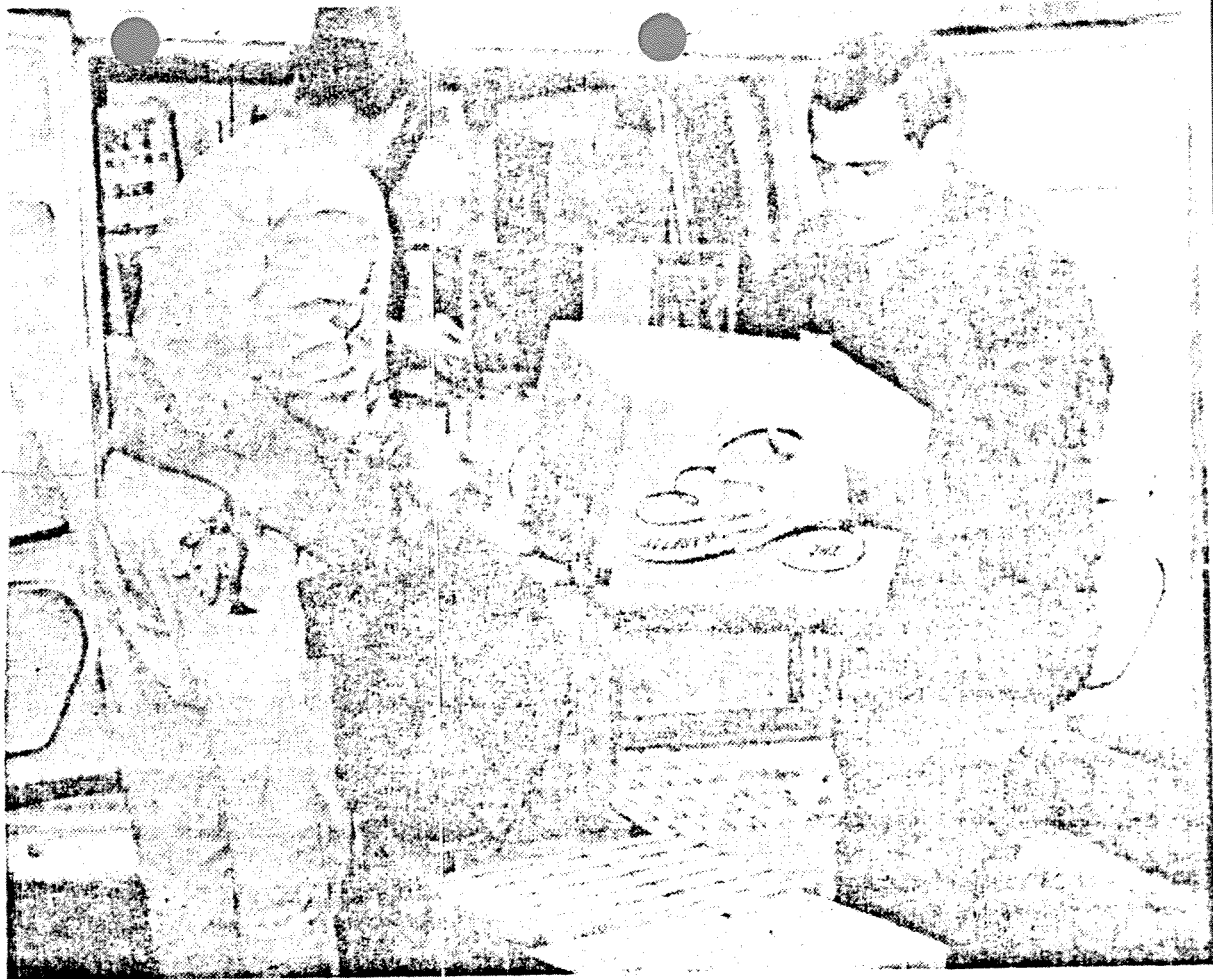
But that denial doesn't wash with the manufacturers' critics, who point out that virtually all of the 650 billion cigarets sold in America yearly come from just six powerful sources. These companies, they charge, not only know about the rampant crime but benefit from it, and could easily curb it. Consider this:

- For years, the manufacturers have supplied, knowingly or unknowingly, corrupt wholesalers with cigarets destined for illicit channels. According to publicized congressional testimony, for example, 40% of all cigarets purchased from North Carolina wholesalers wind up in cigaret tax ripoff schemes—an enormous amount that critics insist is well known to the manufacturers. But the Big Six companies continue to supply them.

In a frequently cited New York case, the Big Six continued to supply a Bronx wholesaler, Joseph A. Schragger Tobacco, for two years after evidence began accumulating that should have suggested that the firm might be involved in tax ripoffs. The evidence was contained in Schragger's cigaret purchase orders, which showed that the wholesaler doubled its volume in just a matter of months—a phenomenal increase that industry experts say can happen only if the company suddenly plunges into the illicit market.

In 1978, the Schragger company was busted in a massive alleged cigaret tax stamp counterfeiting scheme. Not one of the Big Six companies contacted law enforcement agents before the bust to specifically alert them to Schragger's unusual purchase patterns.

- Despite the manufacturers' assertion that legally they must sell to all licensed wholesalers, cigaret distributors charge that, in fact, the Big Six exert tight control on who is allowed to handle their products—a control critics say isn't exercised nearly enough to keep criminality out of the industry. In New York, where some leading industry figures say that as many as a fourth of the wholesalers are crooked, a prospective wholesaler is licensed only after three of the six manufacturers grant the wholesaler credit and promise to supply cigarets.



Police unloading cartons of illegal cigarettes—**are manufacturers responsible?**

● According to some economic analyses—hotly contested by the manufacturers—the tobacco companies actually benefit from cigaret tax schemes such as buttlegging and counterfeiting. In New York, a crooked wholesaler can steal as much as \$2.30 in tax for every illicit carton he sells—an enormous profit that permits crooked dealers to undercut the legitimate market. That forces honest wholesalers to slash their own prices. The retail price of cigarets is driven down while the manufacturers continue to reap the same rate of profit, and sales may even increase.

"The manufacturers actually make more money because of bootlegging," says Blakey. "They have a viable economic stake in tax evasion."

● Cigaret tax officials in New York and other states believe that there is a sure-fire way to stop the illicit traffic in cigarets and boost cigaret tax revenues across the country by almost \$400 million annually, but the manufacturers have steadfastly fought it. The plan would make two changes. First, the manufacturers—not the wholesaler—would stamp the cigarets. Second, the stamp would be affixed under the cellophane wrapper—and not on it, where the familiar smudgy purple or black stamp is now easily counterfeited.

Last winter, Koch asked the nation's leading tobacco firm—New York-based Philip Morris—to adopt the under-the-cellophane method on an experimental basis. Philip Morris refused, even when the mayor sweetened the offer by promising to pay all extra costs involved and even pledged to eliminate the eight-cent city tax—as the industry wants—if the experiment failed.

One fact is undisputed—that many of the cigarets produced by the Big Six every year enter illicit distribution schemes almost from the moment they leave the factory. The city investigation and a similar one being conducted by Pennsylvania's attorney general are seeking to determine whether the manufacturers know of the illegal schemes and are intentionally supplying them. Along the way, investigators are raising serious new questions about the companies' legal responsibilities. And they are applying a little-used and ingenious legal theory that they believe could clean up the industry and end cigaret tax fraud.

THE THEORY IS THE SAME one that stands behind a commonly enforced law that makes it illegal for a person to sell a gun to a criminal to help him commit a crime. According to legal experts, this same prosecutorial line could apply to the manufacturers if they sell their cigarets to corrupt wholesalers with the intent to help them in illicit schemes.

Both Koch and Deputy Investigation Commissioner Philip Michael say that the city's investigation has not produced enough evidence so far to file either criminal or civil charges against any cigaret manufacturer.

But a confidential report made to the mayor last December from Assistant Finance Commissioner David Durk, obtained by The News under the Freedom of Information Law, says that the investigation has uncovered evidence of "business frauds" by the manufacturers. The report says that there is "evidence of . . . (cigaret) diversion channels and illicit distribution methods, including the use of fictitious shipping manifests, fictitious wholesaler invoices and improper, or at best, careless processing of cigaret inventories."

Koch says that whether a criminal or civil case is made or not, the industry has already shown a lack of regard for the city's efforts to end cigaret tax frauds and bring in sorely needed revenues. He is particularly irked that the industry refuses what he sees as a risk-free proposal to give under-the-cellophane stamping a try.

"We asked them to cooperate and they're not cooperating," says Koch. "I don't happen to think they're very good citizens, myself."

THE MANUFACTURERS BELIEVE that they are being set up as conglomerate fall guys for the failure of the state and city to deal with their own law enforcement problems. In interviews and in written responses to questions, the six companies say, for example, that they are not law enforcement experts and don't have the ability to determine which of their wholesalers are corrupt. And even if they did know, the manufacturers say, they couldn't legally refuse to sell to anyone who was not convicted of a crime and stripped of his wholesale license.

Second, they say that they furnish law enforcement officials across the country with detailed monthly reports on cigaret sales—exactly the raw material they need to combat tax stamp counterfeiting. They point out accurately that in the much-criticized Schragger case they had handed over to state officials the very information that should have set them on the road to a successful prosecution.

"I believe that our responsibility is discharged when we supply the state with sales data," says Paul Jeb-Lee, vice president of marketing services for Philip Morris.

All six of the companies also reject Koch's under-the-cellophane stamping proposal as nearly impossible without drastically increasing cigaret prices and restructuring their national distribution system. They say that if they stamped for New York City, all 50 states and more than 275 cities would ask for the same service—forcing the firms into a logistical nightmare of affixing 325 different stamps to the more than 200 cigaret brands on the market.

THE MANUFACTURERS SAY ALSO that the cellophane proposal would dump the failures of law enforcement and government unfairly on their shoulders. And they say that these failures could best be overcome by one simple solution: reduce cigaret taxes. That reduction, they say, would take the financial incentives out of cigaret tax schemes and increase legitimate cigaret traffic.

But several studies caution that such a reduction could cost the city and state even more than they are now losing to tax crooks.

Sadly, after a six-month investigation, The News probe has concluded that despite some positive efforts by the state and city tax departments, this money will continue to elude local governments. Without a massive industry-wide cleanup, the cigaret ripoff artists will continue to pile up their illegal profits and fiscally aching New York will remain the hub of the criminal conspiracies that bilk states and cities across the country of as much as \$400 million a year in tax revenue. ■

(REPRINTED WITH ADOPTED AMENDMENTS)
FIFTH REPRINT

S. B. 69

SENATE BILL NO. 69—COMMITTEE ON TAXATION

JANUARY 23, 1981

Referred to Committee on Taxation

SUMMARY—Revises factors which may be used in determining full cash value of real property for taxation. (BDR 32-689)

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 the taxation of property; revising the factors which must be used in determining its taxable value; changing the year for which taxes are levied; making special provisions for the fiscal biennium 1981-83; 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 360.215 is hereby amended to read as follows:
2 360.215 The department may:
3 1. Assist the county assessors in appraising property within their
4 respective counties which the ratio study shows to be assessed at more
5 or less than 35 percent of its [full cash] taxable value.
6 2. Consult with and assist county assessors to develop and maintain
7 standard assessment procedures to be applied and used in all of the coun-
8 ties of the state, to the end that assessments of property by county asses-
9 sors [shall be] *are made* equal in each of the several counties of this
10 state.
11 3. Visit a selective cross-section of assessable properties within the
12 various counties in cooperation with the county assessor and examine
13 these properties and compare them with the tax roll and assist the various
14 county assessors in correcting any inequalities found to exist with factors
15 of equal value and actual assessed value considered, and place upon the
16 rolls any property found to be omitted from the tax roll.
17 4. Carry on a continuing study, the object of which is the equalization
18 of property values between counties.
19 5. Carry on a program of in-service training for county assessors
20 of the several counties of the state, and each year hold classes of
21 instruction in assessing procedure for the purpose of bringing each
22 county assessor and his authorized personnel the newest methods, pro-
23 cedures and practices in assessing property. Expenses of attending such

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1 classes [shall be] are a proper and allowable charge by the board of
2 county commissioners in each county.

3 6. Continually supervise assessment procedures which are carried
4 on in the several counties of the [State of Nevada] state and advise
5 county assessors in the application of such procedures. The department
6 shall make a complete written report to each session of the legislature,
7 which [shall] must include all reports of its activities and findings and
8 all recommendations which it has made to the several county assess-
9 sors, and the extent to which such recommendations have been followed.

10 7. Carry on a continuing program to maintain and study the assess-
11 ment of public utilities and all other property assessed by the depart-
12 ment to the end that such assessment [shall be] is equalized with the
13 property assessable by county assessors.

14 8. Conduct appraisals at the request of and in conjunction with
15 any county assessor when such assessor considers such assistance neces-
16 sary. One-half of the cost of such appraisal [shall] must be paid by the
17 county. In lieu of a cash payment, the county may provide labor, mate-
18 rial or services having a value equal to one-half of the appraisal cost.

19 SEC. 2. Chapter 361 of NRS is hereby amended by adding thereto
20 the provisions set forth as sections 2.3 and 2.6 of this act.

21 SEC. 2.3. "Taxable value" means:

22 1. The value of shares of stock in a bank determined in the manner
23 provided in NRS 367.025.

24 2. The value of property of an interstate and intercounty nature deter-
25 mined in the manner provided in NRS 361.320.

26 3. The value of all other property determined in the manner provided
27 in NRS 361.227.

28 SEC. 2.6. 1. The owner of any property who believes that the full
29 cash value of his property is less than the taxable value computed for the
30 property in the current assessment year, may, before January 15 of the
31 fiscal year in which the assessment was made, appeal to the county board
32 of equalization. If the county board of equalization finds that the full cash
33 value of the property is less than the taxable value computed for the
34 property, the board shall adjust the factors applied to the property pur-
35 suant to NRS 361.227, particularly the rate of depreciation, to make the
36 taxable value of the property correspond as closely as possible to its full
37 cash value.

38 2. No appeal under this section may result in an increase in the tax-
39 able value of the property.

40 3. Property found to be obsolete must be listed on a separate roll
41 and reappraised for each year while it is so listed.

42 SEC. 3. NRS 361.010 is hereby amended to read as follows:

43 361.010 [When] As used in this chapter, unless the context other-
44 wise requires, the words and terms defined in NRS 361.015 to 361.040,
45 inclusive, [shall] and sections 2.3 and 2.6 of this act have the meanings
46 [set forth in NRS 361.015 to 361.040, inclusive, and no other mean-
47 ings.] ascribed to them in those sections.

48 SEC. 4. NRS 361.025 is hereby amended to read as follows:

49 361.025 [Except as provided in NRS 361.227, "full] "Full cash

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1 value" means the amount at which the property would be appraised if
2 taken in payment of a just debt due from a solvent debtor.

3 SEC. 5. NRS 361.055 is hereby amended to read as follows:

4 361.055 1. All lands and other property owned by the state are
5 exempt from taxation, except real property acquired by the State of
6 Nevada and assigned to the department of wildlife which is or was sub-
7 ject to taxation under the provisions of this chapter at the time of
8 acquisition and except as provided in subsection 4.

9 2. In lieu of payment of taxes on each parcel of real property
10 acquired by it which is subject to assessment and taxation pursuant to
11 subsection 1, the department of wildlife shall make annual payment to
12 the county tax receiver of the county wherein each such parcel of real
13 property is located of an amount equal to the total taxes levied and
14 assessed against each such parcel of real property in the year in which
15 title to it was acquired by the State of Nevada.

16 3. Such payments in lieu of taxes must be collected and accounted for
17 in the same manner as taxes levied and assessed against real property pur-
18 suant to this chapter are collected and accounted for.

19 4. [After July 1, 1978, all] All real estate owned by the State of
20 Nevada located in each county must be listed in a separate tax list and
21 assessment roll book of that county at its [full cash] taxable value. If the
22 total taxable value of such real estate owned by the state in a county is
23 greater than 17 percent of the total taxable value of all other real estate
24 listed in the county's tax list and assessment roll books, that portion of
25 the value of the real estate owned by the state which is in excess of such
26 17 percent may be taxed by the county as other property is taxed.

27 5. Money received pursuant to this section must be apportioned each
28 year to the counties, school districts and cities wherein each such parcel
29 of real property is located in the proportion that the tax rate of each such
30 political subdivision bears to the total combined tax rate in effect for such
31 year.

32 SEC. 6. NRS 361.225 is hereby amended to read as follows:

33 361.225 Except as otherwise provided in NRS 361.249, all property
34 subject to taxation must be assessed at 35 percent of its [full cash] tax-
35 able value.

36 SEC. 7. Section 5 of chapter 62, Statutes of Nevada 1979, at page 79,
37 is hereby amended to read as follows:

38 Sec. 5. NRS 361.225 is hereby amended to read as follows:

39 361.225 [Except as otherwise provided in section 2 of this act,
40 all] All property subject to taxation must be assessed at 35 percent
41 of its taxable value.

42 SEC. 8. NRS 361.227 is hereby amended to read as follows:

43 361.227 1. Any person determining the [full cash] taxable value of
44 real property shall [compute that value by using each of the following
45 factors for which information is available and shall give such weight to
46 each applicable factor as, in his judgment, is proper:

47 (a) The estimate of the value of the vacant land, plus any improve-
48 ments made and minus any depreciation computed according to the esti-
49 mated life of the improvements.

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- 1 (b) The market value of the property, as evidenced by:
2 (1) Comparable sales in the vicinity;
3 (2) The price at which the property was sold to the present owner;
4 and
5 (3) The value of the property for the use to which it was actually
6 put during the fiscal year of assessment.
7 (c) The value of the property estimated by capitalization of the fair
8 economic income expectancy.
9 2. The county assessor shall, upon request of the owner, furnish
10 within 15 days to the owner a copy of the most recent appraisal of the
11 property.
12 3. appraise:
13 (a) The full cash value of:
14 (1) Vacant land by considering the uses to which it may lawfully be
15 put, any legal or physical restrictions upon those uses, the character of
16 the terrain, and the uses of other land in the vicinity.
17 (2) Improved land consistently with the use to which the improve-
18 ments are being put.
19 (b) Any improvements made on the land by subtracting from the cost
20 of replacement of the improvements all applicable depreciation and obso-
21 lescence.
22 2. The taxable value of a possessory interest for the purpose of NRS
23 361.157 or 361.159 may be determined:
24 (a) By subtracting from the cost of replacement of the improvements
25 all applicable depreciation and obsolescence; or
26 (b) By capitalizing the fair economic income expectancy.
27 3. In determining the [full cash] taxable value of a merchant's or
28 dealer's stock in trade, the county assessor shall use the average full cash
29 value over the 12 months immediately preceding the date of assessment.
30 For this purpose, the county assessor may require from the merchant or
31 dealer a verified report of the value of his stock in trade at any time or
32 reasonable number of times during the year.
33 4. The taxable value of other taxable personal property must be
34 determined by subtracting from the cost of replacement of the property
35 any depreciation.
36 5. The computed taxable value of any property must not exceed its
37 full cash value.
38 6. The Nevada tax commission shall by regulation establish:
39 (a) Standards for determining the cost of replacement of improvements
40 and personal property of various kinds.
41 (b) Schedules of depreciation based on the estimated life of each kind
42 of property. Depreciation must be determined according to the actual age
43 of the improvements or other depreciable property.
44 The standards and schedules must be approved by the interim legislative
45 committee on local governmental finance before they are used. Each
46 county assessor shall adhere strictly to these standards and schedules.
47 7. The county assessor shall, upon the request of the owner, furnish
48 within 15 days to the owner a copy of the most recent appraisal of the
49 property.

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1 SEC. 9. Section 6 of chapter 62, Statutes of Nevada 1979, at page
2 79, is hereby amended to read as follows:

3 Sec. 6. NRS 361.227 is hereby amended to read as follows:

4 361.227 1. Any person determining the taxable value of real
5 property shall appraise:

6 (a) The full cash value of:

7 (1) Vacant land by considering the uses to which it may lawfully
8 be put, any legal or physical restrictions upon those uses, the character of
9 the terrain, and the uses of other land in the vicinity.

10 (2) Improved land consistently with the use to which the improve-
11 ments are being put.

12 (b) Any improvements made on the land by subtracting from the
13 cost of replacement of the improvements all applicable depreciation
14 and obsolescence.

15 2. The taxable value of a possessory interest for the purpose of
16 NRS 361.157 or 361.159 may be determined:

17 (a) By subtracting from the cost of replacement of the improvements
18 all applicable depreciation and obsolescence; or

19 (b) By capitalizing the fair economic income expectancy.

20 3. [In determining the taxable value of a merchant's or dealer's
21 stock in trade, the county assessor shall use the average full cash
22 value over the 12 months immediately preceding the date of assess-
23 ment. For this purpose, the county assessor may require from the
24 merchant or dealer a verified report of the value of his stock in
25 trade at any time or reasonable number of times during the year.

26 4.] The taxable value of other taxable personal property must
27 be determined by subtracting from the cost of replacement of the
28 property any depreciation.

29 [5.] 4. The computed taxable value of any property must not
30 exceed its full cash value.

31 [6.] 5. The Nevada tax commission shall by regulation estab-
32 lish:

33 (a) Standards for determining the cost of replacement of improve-
34 ments and personal property of various kinds.

35 6. The Nevada tax commission shall by regulation establish:

36 (a) Standards for determining the cost of replacement of improve-
37 ments and personal property of various kinds.

38 (b) Schedules of depreciation based on the estimated life of each
39 kind of property. Depreciation must be determined according to the
40 actual age of the improvements or other depreciable property.

41 The standards and schedules must be approved by the interim legislative
42 committee on local governmental finance before they are used. Each
43 county assessor shall adhere strictly to these standards and schedules.

44 [7.] 6. The county assessor shall, upon the request of the
45 owner, furnish within 15 days to the owner a copy of the most recent
46 appraisal of the property.

47 SEC. 10. NRS 361.249 is hereby amended to read as follows:

48 361.249 1. The section applies to:

49 (a) Personal property held for sale by a merchant;

50 (b) Personal property held for sale by a manufacturer;

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1 (c) Raw materials and components held by a manufacturer for manu-
2 facture into products, and supplies to be consumed in the process of
3 manufacture; and

4 (d) Livestock held for business purposes.

5 2. The personal property described in subsection 1 must be assessed
6 as follows:

7 (a) In the fiscal year 1979-80, at 28 percent of its [full cash] taxable
8 value;

9 (b) In the fiscal year 1980-81, at 21 percent of its [full cash] taxable
10 value;

11 (c) In the fiscal year 1981-82, at 14 percent of its [full cash] taxable
12 value; and

13 (d) In the fiscal year 1982-83, at 7 percent of its [full cash] taxable
14 value.

15 SEC. 11. NRS 361.260 is hereby amended to read as follows:

16 361.260 1. Between [July 1] *January 1* and December 15 in each
17 year, the county assessor, except [when otherwise required by special
18 enactment,] *as otherwise required by a particular statute*, shall ascertain
19 by diligent inquiry and examination all real and *secured* personal prop-
20 erty in his county subject to taxation, and also the names of all persons,
21 corporations, associations, companies or firms owning the property. He
22 shall then determine the [full cash] taxable value of all such property
23 and he shall then list and assess it to the person, firm, corporation, associ-
24 ation or company owning it. *He shall take the same action between May*
25 *1 and the following April 30, with respect to personal property which is*
26 *to be placed on the unsecured tax roll.*

27 2. In arriving at the taxable value of all public utilities of an intra-
28 county nature, the intangible or franchise element must be considered as
29 an addition to the physical value and a portion of the [full cash] taxable
30 value.

31 3. In addition to the inquiry and examination required in subsection
32 1, [the county assessor shall appraise property using standards approved
33 by the department and reappraise all property at least once every 5 years
34 thereafter using the same standards. Such appraisals and reappraisals at
35 5-year intervals must be accepted as the examination required under
36 subsection 1, for the intervening 4 years.] *for any property not physically*
37 *reappraised in the current assessment year, the county assessor shall*
38 *determine its assessed value for that year by applying to the assessed value*
39 *derived from the last preceding physical appraisal or reappraisal a factor*
40 *established by regulation of the Nevada tax commission which reason-*
41 *ably represents the change, if any, in the taxable value of the property or*
42 *of similar property in the area since that appraisal or reappraisal and*
43 *taking into account all applicable depreciation and obsolescence. The*
44 *county assessor shall physically reappraise all property at least once every*
45 *5 years.*

46 SEC. 12. NRS 361.300 is hereby amended to read as follows:

47 361.300 1. On or before January 1 of each year, the county assessor
48 shall post at the front door of the courthouse and publish in a newspaper
49 published in the county a notice to the effect that the *secured* tax roll is
50 completed and open for inspection by interested persons of the county.

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1 2. Except as otherwise provided in subsection 3, each board of
2 county commissioners shall by resolution, [prior to] before December 1
3 of any fiscal year in which assessment is made, require the county assessor
4 to prepare a list of all the taxpayers on the secured roll in the county
5 and the total valuation of property on which they severally pay taxes
6 and direct the county assessor:

7 (a) To cause such list and valuations to be printed and delivered by
8 the county assessor or mailed by him on or before January 1 of the
9 fiscal year in which assessment is made to each taxpayer in the county; or

10 (b) To cause such list and valuations to be published once on or
11 before January 1 of the fiscal year in which assessment is made in a
12 newspaper of general circulation in the county.

13 3. A board of county commissioners may, in the resolution required
14 by subsection 2, authorize the county assessor not to deliver or mail the
15 list, as provided in paragraph (a) of subsection 2, to taxpayers whose
16 property is assessed at \$1,000 or less and direct the county assessor to
17 mail to each such taxpayer a statement of the amount of his assessment.
18 Failure by a taxpayer to receive such a mailed statement [shall] does
19 not invalidate any assessment.

20 4. The several boards of county commissioners in the state [are
21 authorized to] may allow the bill contracted with their approval by the
22 county assessor under this section on a claim to be allowed and paid as
23 are other claims against the county.

24 5. Whenever property is appraised or reappraised pursuant to NRS
25 361.260, the county assessor shall, on or before January 1 of the fiscal
26 year in which the appraisal or reappraisal is made, deliver or mail to each
27 owner of such property a written notice stating its assessed valuation as
28 determined from the appraisal or reappraisal. Failure by the taxpayer to
29 receive such notice [shall] does not invalidate the appraisal or reap-
30 praisal.

31 SEC. 13. NRS 361.320 is hereby amended to read as follows:

32 361.320 1. At the regular session of the Nevada tax commission
33 commencing on the 1st Monday in October of each year, the Nevada tax
34 commission shall establish the valuation for assessment purposes of any
35 property of an interstate and intercounty nature, which shall in any event
36 include the property of all interstate or intercounty railroad, sleeping car,
37 private car, street railway, traction, telegraph, water, telephone, air trans-
38 port, electric light and power companies, together with their franchises,
39 and the property and franchises of all railway express companies operat-
40 ing on any common or contract carrier in this state. Such valuation
41 [shall] must not include the value of vehicles as defined in NRS 371.020.

42 2. Except as otherwise provided in subsections 3 and 4, the foregoing
43 [shall] must be assessed as follows: The Nevada tax commission shall
44 establish and fix the valuation of the franchise, if any, and all physical
45 property used directly in the operation of any such business of any such
46 company in this state, as a collective unit; and if operating in more than
47 one county, on establishing such unit valuation for the collective prop-
48 erty, the Nevada tax commission shall then determine the total aggregate
49 mileage operated within the state and within its several counties, and
50 apportion the mileage upon a mile-unit valuation basis, and the number

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1 of miles apportioned to any county shall be subject to assessment in that
2 county according to the mile-unit valuation established by the Nevada tax
3 commission.

4 3. Where 75 percent or more of the physical property of an electric
5 light and power company is devoted to the generation or transmission of
6 electricity for use outside the State of Nevada and the physical property
7 also includes three or more operating units which are not interconnected
8 at any point within the State of Nevada, the Nevada tax commission shall
9 successively:

10 (a) Determine separately the valuation of each operating unit, using
11 the valuation criteria provided in subsection 2.

12 (b) Apportion 15 percent of the valuation of each operating unit
13 which generates electricity predominantly for use outside Nevada to each
14 other operating unit within the State of Nevada.

15 (c) Apportion the valuation of each operating unit, adjusted as
16 required by paragraph (b) upon a mile-unit basis among the counties in
17 which such operating unit is located.

18 4. Where 75 percent or more of the physical property of an electric
19 light and power company is devoted to the generation or transmission of
20 electricity for use outside the State of Nevada and the physical property
21 also includes two but not more than two operating units which are not
22 interconnected at any point within the State of Nevada, the Nevada tax
23 commission shall successively:

24 (a) Determine separately the valuation of each operating unit, using
25 the valuation criteria provided in subsection 2.

26 (b) Apportion 20 percent of the valuation of each operating unit
27 which generates electricity predominantly for use outside Nevada to each
28 other operating unit within the State of Nevada.

29 (c) Apportion the valuation of each operating unit, adjusted as
30 required by paragraph (b) upon a mile-unit basis among the counties in
31 which such operating unit is located.

32 5. The Nevada tax commission shall adopt formulas, and cause them
33 to be incorporated in its records, providing the method or methods pur-
34 sued in fixing and establishing the ~~[[full cash]]~~ taxable value of all fran-
35 chises and property assessed by it. The formulas ~~[[shall]]~~ must be adopted
36 and may be changed from time to time upon its own motion or when
37 made necessary by judicial decisions, but the formulas ~~[[shall]]~~ must in
38 any event show all the elements of value considered by the Nevada tax
39 commission in arriving at and fixing the value for any class of property
40 assessed by it. *These formulas must take into account, as indicators of*
41 *value, the company's income, stock and debt, and the cost of its assets.*

42 6. As used in this section the word "company" means any person, ~~[[or~~
43 ~~persons,]]~~ company, corporation or association engaged in the business
44 described.

45 7. In case of an omission by the Nevada tax commission to establish
46 a valuation for assessment purposes upon the property mentioned in this
47 section, the county assessors of any counties wherein the property is
48 situated shall assess it.

49 8. All other property ~~[[shall]]~~ must be assessed by the county asses-
50 sors, except as provided in NRS 362.100 and except that the valuation of

EXHIBIT E

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— 9 —

1 land, livestock and mobile homes [shall] *must* be established for assess-
2 ment purposes by the Nevada tax commission as provided in NRS
3 361.325.

4 9. On or before the 1st Monday in December the department shall
5 transmit to the several county assessors the assessed valuation found on
6 such classes of property as are enumerated in this section, except for pri-
7 vate car lines, together with the apportionment of each county of the
8 assessment. The several county assessors shall enter on the roll all such
9 assessments transmitted to them by the department.

10 10. On or before November 1 of each year the department shall for-
11 ward a tax statement to each private car line company based on the val-
12 uation established pursuant to this section and in accordance with the
13 tax levies of the several districts in each county. The company shall remit
14 the ad valorem taxes due on or before December 15 to the department
15 which shall allocate the taxes due each county on a mile-unit basis and
16 remit the taxes to the counties no later than January 31. The portion of
17 the taxes which is due the state [shall] *must* be transmitted directly to
18 the state treasurer. As an alternative to any other method of recovering
19 delinquent taxes provided by this chapter, the attorney general may bring
20 a civil action in a court of competent jurisdiction to recover delinquent
21 taxes due under this subsection in the manner provided in NRS 361.560.

22 SEC. 14. NRS 361.333 is hereby amended to read as follows:

23 361.333 1. Not later than May 1 of each year, the department shall:
24 (a) Determine the ratio of the assessed value of each type or class of
25 property for which the county assessor has the responsibility of assessing
26 in each county to:

27 (1) The assessed value of comparable property in the remaining
28 counties.

29 (2) The [full cash] *taxable* value of [such] *that* type or class of
30 property within that county.

31 (b) Publish and [certify] *deliver* to the county assessors and the
32 boards of county commissioners of the counties of this state:

33 (1) The average ratio of assessed valuation to the [full cash] *tax-*
34 *able* value of property in each county and the state.

35 (2) The [adjusted] average ratio of assessed valuation to the [full
36 cash] *taxable* value of property in each county.

37 [The department may take into account the interval between the current
38 determination and the last assessment of property by the county assessor,
39 and it may appropriately discount or otherwise adjust the full cash valua-
40 tion determined by it or take any other appropriate action.]

41 2. The ratio study must be conducted on nine counties in one year
42 and eight counties in the next year with the same combination of counties
43 being tested in alternate years.

44 3. The formulas and standard procedures used by the department in
45 conducting the ratio study must include a random sampling of property
46 and sales and the use of the mean, median, standard deviation and any
47 other statistical criteria that will indicate an accurate ratio of [full cash]
48 *taxable* value to assessed value and an accurate measure of assessment
49 equality. The formulas and standard procedures are the mandatory for-
50 mulas and procedures to be used by the county assessors.

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1 4. During the month of May of each year, the [Nevada tax commis-
2 sion shall meet with the] board of county commissioners and the county
3 assessor of each county [.] in which the ratio study was conducted shall
4 meet with the Nevada tax commission. The board of county commis-
5 sioners and the county assessor shall:

6 (a) Present evidence to the Nevada tax commission of the steps taken
7 to insure that all property subject to taxation within the county has been
8 assessed as required by law.

9 (b) Demonstrate to the Nevada tax commission that any adjustments
10 in assessments ordered in the preceding year as a result of the appraisal
11 procedure provided in paragraph (c) of subsection 5 have been complied
12 with.

13 5. At the conclusion of each meeting with the board of county com-
14 missioners and the county assessor, the Nevada tax commission shall:

15 (a) If it finds that all property subject to taxation within the county has
16 been assessed at the proper percentage, take no further action.

17 (b) If it finds that any class of property, as designated in the segrega-
18 tion of the tax roll filed with the secretary of the state board of equaliza-
19 tion pursuant to NRS 361.390, is assessed at less or more than the proper
20 percentage, and if the board of county commissioners approves, order a
21 specified percentage increase or decrease in the assessed valuation of
22 [such] that class on the succeeding tax list and assessment roll.

23 (c) If it finds the existence of underassessment or overassessment
24 wherein the ratio of assessed value to [full cash] taxable value is less
25 than 30 percent or more than 37½ percent within each of the several
26 classes of property of the county which are required by law to be assessed
27 at 35 percent of their [full cash] taxable value, or if the board of county
28 commissioners does not agree to an increase or decrease in assessed value
29 as provided in paragraph (b), order the board of county commissioners
30 to employ forthwith one or more qualified appraisers approved by the
31 department. The payment of such appraisers' fees is a proper charge
32 against the funds of the county notwithstanding that the amount of such
33 fees has not been budgeted in accordance with law. The appraisers shall
34 determine whether or not the county assessor has assessed all real and
35 personal property in the county subject to taxation at the rate of assess-
36 ment required by law. The appraisers may cooperate with the department
37 in making their determination if so agreed by the appraisers and the
38 department, and shall cooperate with the department in preparing a
39 report to the Nevada tax commission. The report to the Nevada tax com-
40 mission must be made on or before October 1 following the date of the
41 order. If the report indicates that any real or personal property in the
42 county subject to taxation has not been assessed at the rate required by
43 law, a copy of the report must be transmitted to the board of county
44 commissioners by the department before November 1. The board of
45 county commissioners shall then order the county assessor to raise or
46 lower the assessment of such property to the rate required by law on the
47 succeeding tax list and assessment roll.

48 6. The Nevada tax commission may adopt regulations reasonably
49 necessary to carry out the provisions of this section.

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1 7. Any county assessor who refuses to increase or decrease the
2 assessment of any property pursuant to an order of the Nevada tax com-
3 mission or the board of county commissioners as provided in this section
4 is guilty of malfeasance in office.

5 SEC. 14.5. NRS 361.340 is hereby amended to read as follows:

6 361.340 1. Except as provided in subsection 2, the board of equal-
7 ization of each county ~~shall~~ *must* consist of:

8 (a) Five members, only two of whom may be elected public officers, in
9 counties having a population of 10,000 or more; and

10 (b) Three members, only one of whom may be an elected public offi-
11 cer, in counties having a population of less than 10,000.

12 2. A district attorney, county treasurer or county assessor or any of
13 their deputies or employees ~~shall~~ *may* not be appointed to the county
14 board of equalization.

15 3. The chairman of the board of county commissioners shall nomi-
16 nate persons to serve on the county board of equalization who are suffi-
17 ciently experienced in business generally to be able to bring knowledge
18 and sound judgment to the deliberations of the board or who are elected
19 public officers. The nominees ~~shall~~ *must* be appointed upon a majority
20 vote of the board of county commissioners. The chairman of the board of
21 county commissioners shall designate one of the appointees to serve as
22 chairman of the county board of equalization.

23 4. Except as otherwise provided in this subsection, the term of each
24 member is 4 years and any vacancy must be filled by appointment for the
25 unexpired term. The term of any elected public officer expires upon the
26 expiration of the term of his elected office.

27 5. The county clerk ~~shall be~~ *is* the clerk of the county board of
28 equalization.

29 6. Any member of the county board of equalization may be removed
30 by the board of county commissioners if, in its opinion, the member is
31 guilty of malfeasance in office or neglect of duty.

32 7. The members of the county board of equalization are entitled to
33 receive per diem allowance and travel expenses as provided by law.

34 8. A majority of the members of the county board of equalization
35 constitutes a quorum, and a majority of the board determines the action
36 of the board.

37 9. The county board of equalization of each county shall meet during
38 January of each year, and shall hold such number of meetings during that
39 month as may be necessary to care for the business of equalization pre-
40 sented to it. ~~It shall~~ *and in any event shall meet at least once each week dur-*
41 *ing the time provided by this section.] Every appeal to the county board*
42 *of equalization must be filed not later than January 15. Each county*
43 *board shall cause to be published, in a newspaper of general circulation*
44 *published in that county, a schedule of dates, times and places of the*
45 *board meetings at least 5 days before the first meeting. The county board*
46 *of equalization shall conclude the business of equalization on or before*
47 *[the 31st day of January] February 15 of each year. The state board of*
48 *equalization may establish procedures for the county boards, including*
49 *setting the period for hearing appeals and for setting aside time to allow*
50 *the county board to review and make final determinations. The district*

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1 attorney or his deputy shall be present at all meetings of the county board
2 of equalization to explain the law and the board's authority.

3 10. The county assessor or his deputy shall attend all meetings of the
4 county board of equalization.

5 **SEC. 15.** NRS 361.345 is hereby amended to read as follows:

6 361.345 1. The county board of equalization [shall have power to]
7 may determine the valuation of any property assessed by the county
8 assessor, and may change and correct any valuation found to be incorrect
9 either by adding thereto or deducting therefrom such sum as [shall be] is
10 necessary to make it conform to the [actual or full cash] taxable value
11 of the property assessed, whether such valuation was fixed by the owner
12 or the county assessor. Where the person complaining of the assessment
13 of his property has refused to give the county assessor his list under oath,
14 as required by this chapter, no reduction [shall] may be made by the
15 county board of equalization from the assessment of the county assessor.

16 2. If the county board of equalization finds it necessary to add to the
17 assessed valuation of any property on the assessment roll, it shall direct
18 the clerk to give notice to the person so interested by registered or certi-
19 fied letter, [deposited in the post office,] or by personal service, naming
20 the day when it [shall] will act on the matter [,] and allowing a reason-
21 able time for the interested person to appear.

22 **SEC. 16.** NRS 361.355 is hereby amended to read as follows:

23 361.355 1. Any person, firm, company, association or corporation,
24 claiming overvaluation or excessive valuation of its *real or secured per-*
25 *sonal* property in the state, whether assessed by the Nevada tax commis-
26 sion or by the county assessor or assessors, by reason of undervaluation
27 for taxation purposes of the property of any other person, firm, company,
28 association or corporation within any county of the state or by reason of
29 any such property not being so assessed, shall appear before the county
30 board of equalization of the county or counties [wherein such] where the
31 undervalued or nonassessed property [may be] is located and make com-
32 plaint concerning [the same] it and submit proof thereon. The complaint
33 and proof [shall] must show the name of the owner or owners, the loca-
34 tion, the description, and the [full cash] taxable value of the property
35 claimed to be undervalued or nonassessed.

36 2. Any person, firm, company, association or corporation wishing to
37 protest the valuation of personal property placed on the unsecured tax
38 roll which is assessed between May 1 and December 15 shall likewise
39 appear before the county board of equalization.

40 3. The county board of equalization forthwith shall examine [such]
41 the proof and all data and evidence submitted by the complainant,
42 together with any evidence submitted thereon by the county assessor or
43 any other person. If the county board of equalization determines that the
44 complainant has just cause for making [such] the complaint it shall
45 immediately make such increase in valuation of the property complained
46 of as [shall conform] conforms to its [full cash] taxable value, or cause
47 such property to be placed on the assessment roll at its [full cash] tax-
48 able value, as the case may be, and make proper equalization thereof.

49 [3.] 4. Except as provided in subsection 4 and NRS 361.403, any
50 such person, firm, company, association or corporation failing to make a

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1 complaint and submit proof to the county board of equalization of each
2 county wherein it is claimed property is undervalued or nonassessed as
3 provided in this section, ~~shall not thereafter be permitted to make com-~~
4 ~~plaint of~~ *is not entitled to file a complaint with*, or offer proof concern-
5 ~~ing~~ *[such]* that undervalued or nonassessed property to, the state board
6 of equalization.

7 ~~[4.]~~ 5. If the fact that there is such undervalued or nonassessed
8 property in any county has become known to the complainant after the
9 final adjournment of the county board of equalization of that county for
10 that year, the complainant may ~~make its~~ *file his* complaint ~~by~~ *no*
11 *later than* the 4th Monday of February ~~to~~ *with* the state board of
12 equalization and submit its proof as provided in this section at a session
13 of the state board of equalization, upon complainant proving to the satis-
14 faction of the state board of equalization it had no knowledge of such
15 undervalued or nonassessed property prior to the final adjournment of
16 the county board of equalization. The state board of equalization shall
17 proceed in the matter in like manner as provided in this section for a
18 county board of equalization in such case, and cause its order thereon to
19 be certified to the county auditor with direction therein to change the
20 assessment roll accordingly.

21 SEC. 17. NRS 361.360 is hereby amended to read as follows:

22 361.360 1. Any taxpayer ~~being~~ aggrieved at the action of the
23 county board of equalization in equalizing, or failing to equalize, the
24 value of his property, or property of others, or a county assessor, may
25 *file an appeal* ~~to~~ *with* the state board of equalization ~~by~~ *no later*
26 *than* the 4th Monday of February and present to the state board of
27 equalization the matters complained of at one of its sessions.

28 2. All such appeals ~~shall~~ *must* be presented upon the same facts
29 and evidence as were submitted to the county board of equalization in the
30 first instance, unless there ~~shall be~~ *is* discovered new evidence pertain-
31 ing to the matter which could not, by due diligence, have been discovered
32 prior to the final adjournment of the county board of equalization.

33 3. *Any taxpayer whose personal property placed on the unsecured*
34 *tax roll was assessed after December 15 but before or on the following*
35 *April 30 may likewise protest to the state board of equalization, which*
36 *shall meet before May 31 to hear these protests. Every such appeal must*
37 *be filed on or before May 15.*

38 SEC. 17.3. NRS 361.365 is hereby amended to read as follows:

39 361.365 1. Each county board of equalization shall, at the expense
40 of the county, cause complete minutes to be taken at each hearing. These
41 minutes ~~shall~~ *must* include the title of all exhibits, papers, reports and
42 other documentary evidence submitted to the county board of equalization
43 by the complainant. The clerk of the county board of equalization shall
44 forward ~~such~~ *the* minutes to the secretary of the state board of equal-
45 ation.

46 2. If a transcript of any hearing held before the county board of
47 equalization is requested by the complainant, he shall furnish the reporter,
48 pay for the transcript and deliver a copy of the transcript to the clerk of
49 the county board of equalization and the secretary of the state board of

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1 equalization [at least 2 days before his hearing with the state board
2 of equalization.] upon filing an appeal.

3 SEC. 17.5. NRS 361.380 is hereby amended to read as follows:

4 361.380 1. Except as otherwise provided in subsection 3, annually,
5 the state board of equalization shall convene on the 1st Monday in [Feb-
6 ruary] March in Carson City, Nevada, and shall hold such number of
7 meetings as may be necessary to care for the business of equalization pre-
8 sented to it. [All protests to the state board of equalization shall be made
9 on or before the 4th Monday of February.] The state board of equaliza-
10 tion shall conclude the business of equalization on cases that in its opinion
11 have a substantial effect on tax revenues on or before [March 4.] April
12 10. Cases having less than a substantial effect on tax revenues may be
13 heard at additional meetings which may be held at any time and place in
14 the state prior to October 1.

15 2. The publication in the statutes of the foregoing time, place and
16 purpose of each regular session of the state board of equalization [shall
17 be deemed] is notice of such sessions, or if it so elects, the state board of
18 equalization may cause published notices of such regular sessions to be
19 made in the press, or may notify parties in interest by letter or otherwise.

20 3. The state board of equalization may designate some place other
21 than Carson City, Nevada, for any of the meetings specified in subsec-
22 tion 1. If such other place is so designated, notice thereof [shall] must
23 be given by publication of a notice once a week for 2 consecutive weeks
24 in some newspaper of general circulation in the county in which such
25 meeting or meetings are to be held.

26 SEC. 17.7. NRS 361.390 is hereby amended to read as follows:

27 361.390 Each county assessor shall:

28 1. File with or cause to be filed with the secretary of the state board
29 of equalization, on or before the [first Monday in February] 1st Mon-
30 day in March of each year, the tax roll, or a true copy thereof, of his
31 county [; and] for the current year as corrected by the county board of
32 equalization.

33 2. Prepare and file with the secretary of the state board of equaliza-
34 tion, on or before [March 25] the 4th Monday in March of each year,
35 a report showing the segregation of property and the assessment thereof
36 shown on the tax roll for the current year.

37 SEC. 18. NRS 361.395 is hereby amended to read as follows:

38 361.395 1. During the annual session of the state board of equaliza-
39 tion beginning on the 1st Monday in [February] March of each year,
40 the state board of equalization shall:

41 (a) Equalize property valuations in the state, including the valuation
42 of livestock theretofore established by the Nevada tax commission.

43 (b) Review the tax rolls of the various counties as corrected by the
44 county boards of equalization thereof and raise or lower, equalizing and
45 establishing the [full cash] taxable value of the property, for the purpose
46 of the valuations therein established by all the county assessors and
47 county boards of equalization and the Nevada tax commission, of any
48 class or piece of property in whole or in part in any county, including
49 also livestock and those classes of property enumerated in NRS 361.320.

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1 2. If the state board of equalization proposes to increase the valuation
2 of any property on the assessment roll, it shall give 10 days' notice
3 to interested persons by registered or certified mail or by personal service.
4 The notice shall state the time when and place where the person may
5 appear and submit proof concerning the valuation of the property. A person
6 waives the notice requirement if he personally appears before the
7 board and is notified of the proposed increase in valuation.

8 SEC. 18.5. NRS 361.405 is hereby amended to read as follows:

9 361.405 1. The secretary of the state board of equalization forthwith
10 shall certify any change made by the board in the assessed valuation of
11 any property in whole or in part to the county auditor of the county
12 [wherein such] where the property is assessed, and whenever the valuation
13 of any property is raised, the secretary of the state board of equalization
14 shall forward by certified mail to the property owner or owners
15 affected, notice of [such] the increased valuation.

16 2. As soon as changes resulting from cases having a substantial effect
17 on tax revenues have been certified to him by the secretary of the state
18 board of equalization, the county auditor shall:

19 (a) Enter all such changes on the assessment roll prior to the delivery
20 thereof to the tax receiver.

21 (b) Add up the valuations and enter the total valuation of each kind
22 of property and the total valuation of all property on the assessment roll.

23 (c) Certify the results to the board of county commissioners and the
24 department on or before [March] April 15 of each year.

25 3. As soon as changes resulting from cases having less than a substantial
26 effect on tax revenue have been certified to him by the secretary
27 of the state board of equalization, the county tax receiver shall adjust the
28 assessment roll or the tax statement or make a tax refund, as directed by
29 the state board of equalization.

30 SEC. 19. NRS 361.420 is hereby amended to read as follows:

31 361.420 1. Any property owner whose taxes are in excess of the
32 amount which the owner claims justly to be due may pay each installment
33 of taxes as it becomes due under protest in writing. [, which protest
34 shall] The protest must be in triplicate and filed with the county treasurer
35 at the time of the payment of the installment of taxes. The county
36 treasurer forthwith shall forward one copy of the protest to the attorney
37 general and one copy to the state controller.

38 2. The property owner, having protested the payment of taxes as
39 provided in subsection 1 and having been denied relief by the state board
40 of equalization, may commence a suit in any court of competent jurisdiction
41 in the State of Nevada against the state and county in which the
42 taxes were paid, and, in a proper case, both the Nevada tax commission
43 and the department may be joined as a defendant for a recovery of the
44 difference between the amount of taxes paid and the amount which the
45 owner claims justly to be due, and the owner may complain upon any of
46 the grounds contained in subsection 4.

47 3. Every action commenced under the provisions of this section
48 [shall] must be commenced within 3 months after the date of the payment
49 of the last installment of taxes, and if not so commenced [shall be]
50 is forever barred. If the tax complained of is paid in full and under the

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1 written protest provided for in this section, at the time of the payment of
2 the first installment of taxes, suit for the recovery of the difference
3 between the amount paid and the amount claimed to be justly due [shall]
4 *must* be commenced within 3 months after the date of the full payment of
5 the tax, and if not so commenced [shall be] *is* forever barred.

6 4. In any suit brought under the provisions of this section, the person
7 assessed may complain or defend upon any of the following grounds:

8 (a) That the taxes have been paid before the suit;

9 (b) That the property is exempt from taxation under the provisions of
10 the revenue or tax laws of the state, specifying in detail the claim of
11 exemption;

12 (c) That the person assessed was not the owner and had no right, title
13 or interest in the property assessed at the time of assessment;

14 (d) That the property is situate in and has been [duly] assessed in
15 another county, and the taxes thereon paid;

16 (e) That there was fraud in the assessment or that the assessment is
17 out of proportion to and above the [actual] *taxable* cash value of the
18 property assessed;

19 (f) That the assessment is out of proportion to and above the valuation
20 fixed by the Nevada tax commission for the year in which the taxes were
21 levied and the property assessed; or

22 (g) That the assessment complained of is discriminatory in that it is
23 not in accordance with a uniform and equal rate of assessment and taxa-
24 tion, but is at a higher rate of the [full cash] *taxable* value of the property
25 so assessed than that at which the other property in the state is assessed.

26 5. In a suit based upon any one of the grounds mentioned in para-
27 graphs (e) to (g), inclusive, of subsection 4, the court shall conduct the
28 trial without a jury and confine its review to the record before the state
29 board of equalization. Where procedural irregularities by the board are
30 alleged and are not shown in the record, the court may take evidence
31 respecting the allegation and, upon the request of either party, shall hear
32 oral argument and receive written briefs on the matter.

33 6. In all cases mentioned in this section where the complaint is based
34 upon any grounds mentioned in subsection 4, the entire assessment
35 [shall] *must* not be declared void but [shall only be void] *is void only*
36 as to the excess in valuation.

37 7. In any judgment recovered by the taxpayer under this section, the
38 court may provide for interest thereon not to exceed 6 percent per annum
39 from and after the date of payment of the tax complained of.

40 SEC. 19.3. NRS 361.450 is hereby amended to read as follows:

41 361.450 1. Except as provided in subsection 3, every tax levied
42 under the provisions of or authority of this chapter [shall be] *is* a per-
43 petual lien against the property assessed until [such taxes] *the tax* and
44 any penalty charges and interest which may accrue thereon [shall be] *are*
45 paid.

46 2. The lien [shall attach on the 1st Monday in September prior to the
47 date on] *attaches on July 1 of the year for which the taxes are levied,*
48 [and shall be] upon all property then within the county. The lien [shall
49 attach] *attaches* upon all other property on the day it is moved into the

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1 county [.] whether or not the owner has real estate within the county of
2 sufficient value to pay the taxes on both his real and personal property. If
3 real and personal property are assessed against the same owner, a lien
4 [shall attach] attaches upon such real property also for the tax levied
5 upon the personal property within the county; and a lien for taxes on per-
6 sonal property [shall also attach] also attaches upon real property
7 assessed against the same owner in any other county of the state from the
8 date on which a certified copy of any unpaid property assessment is filed
9 for record with the county recorder in the county in which the real prop-
10 erty is situated.

11 3. All liens for taxes levied under this chapter which have already
12 attached to a mobile home expire on the date when the mobile home is
13 sold, except the liens for personal property taxes due in the county in
14 which the mobile home was situate at the time of sale, for any part of the
15 12 months immediately preceding the date of sale.

16 4. All special taxes levied for city, town, school, road or other pur-
17 poses throughout the different counties of this state [shall be] are a lien
18 on the property so assessed, and [shall] must be assessed and collected
19 by the same officer at the same time and in the same manner as the state
20 and county taxes are [now or may hereafter be] assessed and collected.

21 SEC. 19.4. NRS 361.465 is hereby amended to read as follows:

22 361.465 1. Immediately upon the levy of the tax rate the county
23 clerk shall inform the county auditor of the action of the board of county
24 commissioners. The county auditor shall proceed to extend the tax roll by
25 applying the tax rate levied to the total valuation and ascertaining the
26 total taxes to be collected from each property owner.

27 2. When the tax roll has been so extended, and not later than June
28 [1] 15 of each year, the county auditor shall deliver [the same,] it, with
29 his certificate attached, to the ex officio tax receiver of the county.

30 SEC. 19.5. NRS 361.483 is hereby amended to read as follows:

31 361.483 1. Except as provided in subsection 4, taxes assessed upon
32 the real property tax roll and upon mobile homes as defined in NRS
33 361.561 are due [and payable] on the [1st] 3rd Monday of July.

34 2. Taxes assessed upon the real property tax roll may be paid in four
35 equal installments.

36 3. In any county having a population of 100,000 or more, taxes
37 assessed upon a mobile home may be paid in four equal installments if
38 the taxes assessed exceed \$100.

39 4. If a person elects to pay in quarterly installments, the first install-
40 ment is due [and payable] on the 3rd Monday of July, the second install-
41 ment on the 1st Monday of October, the third installment on the 1st
42 Monday of January, and the fourth installment on the 1st Monday of
43 March.

44 5. If any person charged with taxes which are a lien on real property
45 fails to pay:

46 (a) Any one quarter of such taxes on or within 10 days following the
47 day such taxes become due [and payable], there [shall] must be added
48 thereto a penalty of 4 percent.

49 (b) Any two quarters of such taxes, together with accumulated penal-
50 ties, on or within 10 days following the day the later [of such quarters]

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1 quarter of taxes becomes due, there ~~shall~~ must be added thereto a pen-
2 alty of 5 percent of the two quarters due.

3 (c) Any three quarters of such taxes, together with accumulated pen-
4 alties, on or within 10 days following the day the latest ~~of such quarters~~
5 quarter of taxes becomes due, there ~~shall~~ must be added thereto a pen-
6 alty of 6 percent of the three quarters due.

7 (d) The full amount of such taxes, together with accumulated pen-
8 alties, on or within 10 days following the 1st Monday of March, there
9 ~~shall~~ must be added thereto a penalty of 7 percent of the full amount
10 of such taxes.

11 6. Any person charged with taxes which are a lien on a mobile home
12 as defined in NRS 361.561, who fails to pay the taxes within 10 days after
13 the quarterly payment is due is subject to the following provisions:

14 (a) The entire amount of the taxes are due; ~~and payable;~~

15 (b) A penalty of 10 percent of the taxes due; ~~and payable;~~

16 (c) An additional penalty of \$3 per month or any portion thereof,
17 until the taxes are paid; and

18 (d) The county assessor may proceed under NRS 361.535.

19 SEC. 19.6. NRS 361.505 is hereby amended to read as follows:

20 361.505 1. Each county assessor, when he assesses the property of
21 any person ~~or persons, company or corporation~~ liable to taxation who
22 does not own real estate within the county of sufficient value, in the
23 county assessor's judgment, to pay the taxes on both his ~~or their~~ real
24 and personal property, shall proceed immediately to collect the taxes on
25 the personal property so assessed, except as to mobile homes as provided
26 in subsection 3 of NRS 361.483.

27 2. The county assessor shall prorate the tax on personal property
28 brought into or entering the state or county for the first time during the
29 fiscal year by reducing the tax one-twelfth for each full month which has
30 elapsed since the beginning of the fiscal year. *Where such property is*
31 *owned by a person who does own real estate in the county of sufficient*
32 *value in the county assessor's judgment to pay the taxes on both his real*
33 *and personal property, the tax on the personal property for the fiscal year*
34 *in which the property was moved into the state or county, prorated, may*
35 *be collected all at once or by installments as permitted by NRS 361.483*
36 *for property assessed upon the real property tax roll. The tax on personal*
37 *property first assessed in May or June may be added to the tax on that*
38 *property for the ensuing fiscal year and collected concurrently with it.*

39 3. The person paying such taxes ~~shall not be~~ is not thereby
40 deprived of his right to have such assessment equalized, and if, upon
41 such equalization, the value is reduced, the taxes paid ~~shall~~ must be
42 refunded to such person from the county treasury, upon the order of the
43 ~~board of county commissioners,~~ county or state board of equalization
44 in proportion to the reduction of the value made.

45 ~~2.~~ If, at the time of such assessment of personal property, the
46 board of county commissioners has not as yet levied the tax based upon
47 the full combined tax rate for the taxable year to which such assessment
48 is applicable, the total amount of the tax to be collected by the county
49 assessor shall be determined by use of the then current state ad valorem

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1 tax rate and the regular combined tax rate for the county, city and
2 school district as levied and applied for the preceding taxable year. The
3 county treasurer shall apportion the tax as other taxes are apportioned.

4 3. Nothing contained] 4. *Nothing* in this section or any other
5 statute [shall be construed as prohibiting] *prohibits* the county assessor
6 from prorating the count on livestock situated within the state for a por-
7 tion of a year.

8 SEC. 19.7. NRS 361.535 is hereby amended to read as follows:

9 361.535 1. If the person, [or persons,] company or corporation so
10 assessed [shall neglect or refuse to pay such taxes on demand of the
11 county assessor, the county assessor or his deputy shall seize sufficient]
12 *neglects or refuses to pay the taxes within 30 days after demand, a penalty*
13 *of 10 percent must be added. If the tax and penalty are not paid on*
14 *demand, the county assessor or his deputy shall seize, seal or lock enough*
15 *of the personal property of the person, [or persons,] company or cor-*
16 *poration so neglecting or refusing to pay to satisfy the taxes and costs.*

17 2. The county assessor shall post a notice of [such] *the* seizure, with
18 a description of the property, in three public places in the township or
19 district where it is seized, and shall, at the expiration of 5 days, proceed
20 to sell at public auction, at the time and place mentioned in the notice, to
21 the highest bidder, for lawful money of the United States, a sufficient
22 quantity of such property to pay the taxes and expenses incurred. For this
23 service the county assessor [shall] *must* be allowed from the delinquent
24 person a fee of \$3.

25 3. If the personal property seized by the county assessor or his
26 deputy [,] consists of a mobile home, house trailer or boat, the county
27 assessor shall publish a notice of such seizure once during each of 2 suc-
28 cessive weeks in a newspaper of general circulation in the county. If the
29 legal owner of such property is someone other than the registered owner
30 and the name and address of the legal owner can be ascertained from the
31 records of the department of motor vehicles, the county assessor shall,
32 prior to such publication, send a copy of such notice by registered or
33 certified mail to such legal owner. The cost of such publication and
34 notice [shall] *must* be charged to the delinquent taxpayer. Such notice
35 [shall] *must* state:

36 (a) The name of the owner, if known.

37 (b) The description of the property seized, including the make, model
38 and color and the serial number, motor number, body number or other
39 identifying number.

40 (c) The fact that [such] *the* property has been seized and the reason
41 for [such] seizure.

42 (d) The amount of the taxes due on [such] *the* property and the
43 penalties and costs as provided by law.

44 (e) The time and place at which such property is to be sold.

45 After the expiration of 5 days from the date of the second publication of
46 such notice, [such property shall] *the property must* be sold at public
47 auction in the manner provided in subsection 2 for the sale of other per-
48 sonal property by the county assessor.

49 4. Upon payment of the purchase money, the county assessor shall
50 deliver to the purchaser of the property sold, with a certificate of the sale,

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1 a statement of the amount of taxes or assessment and the expenses
2 thereon for which the property was sold, whereupon the title of the prop-
3 erty so sold ~~shall vest~~ vests absolutely in the purchaser.

4 SEC. 19.8. NRS 361.562 is hereby amended to read as follows:

5 361.562 1. If the purchaser of a mobile home or slide-in camper
6 does not pay the personal property tax thereon, upon taking possession,
7 he shall, within 30 days from the date of its purchase:

8 (a) Pay to the county assessor all personal property taxes which the
9 assessor is required to collect against such mobile home or slide-in
10 camper and its contents, except as provided in subsection 3 of NRS
11 361.483; or

12 (b) Satisfy the county assessor that he owns real estate within the
13 county of sufficient value, in the county assessor's judgment, to pay the
14 taxes on both his real and personal property. *In this case, the personal*
15 *property taxes which the county assessor is required to collect against*
16 *the mobile home or slide-in camper and its contents for the fiscal year in*
17 *which it is purchased, may be collected all at once or by installments as*
18 *permitted by NRS 361.483 for property assessed upon the real property*
19 *tax roll.*

20 2. The county assessor shall collect the tax required to be paid by
21 subsection 1, in the manner prescribed by law for the collection of other
22 personal property taxes, *except as provided in paragraph (b) of subsec-*
23 *tion 1 and except as to mobile homes as provided in subsection 3 of NRS*
24 *361.483.*

25 SEC. 20. NRS 361.695 is hereby amended to read as follows:

26 361.695 The defendant may answer ~~],~~ which answer shall be veri-
27 fied: ~~]~~ by a verified pleading:

28 1. That the taxes and penalties have been paid before suit.

29 2. That the taxes with penalties and costs have been paid since suit,
30 or that such property is exempt from taxation under the provisions of
31 this chapter.

32 3. Denying all claim, title or interest in the property assessed at the
33 time of the assessment.

34 4. That the land is situate in, and has been ~~]~~ ~~duly~~ assessed in,
35 another county, and the taxes thereon paid.

36 5. Fraud in the assessment, or that the assessment is out of propor-
37 tion to and above the ~~]~~ ~~actual cash~~ taxable value of the property
38 assessed. ~~]~~ ~~In the last-mentioned case, where~~ *Where* the defense is based
39 upon the ground that the assessment is above the ~~]~~ ~~actual cash~~ taxable
40 value of the property, the defense ~~]~~ ~~shall only be~~ *is only* effectual as to
41 the proportion of the tax based upon such excess of valuation; but in no
42 such case ~~]~~ ~~shall~~ *may* an entire assessment be declared void.

43 SEC. 20.5. NRS 361.795 is hereby amended to read as follows:

44 361.795 1. As used in this section, "qualified system" means any
45 system, method, construction, installation, machinery, equipment, device
46 or appliance which is designed, constructed or installed in a residential
47 building to heat or cool the building by using:

48 (a) Solar or wind energy;

49 (b) Geothermal resources;

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1 (c) Energy derived from conversion of solid wastes; or
2 (d) Water power,
3 which conforms to standards established by regulation of the department.
4 2. The owner of a residential building which is heated or cooled with
5 a qualified system is entitled to an allowance against the property tax
6 accrued:
7 (a) During the current assessment year if the building is placed upon
8 the secured tax roll; or
9 (b) In the next following assessment year if the building is placed
10 upon the unsecured tax roll,
11 in an amount equal to the difference between the tax on the property at
12 its assessed value with the system and the tax on the property at its
13 assessed value without the system.
14 3. In no event may the allowance:
15 (a) Exceed the amount of the accrued property tax paid by the claim-
16 ant on the building or \$2,000, whichever is less; or
17 (b) Be granted in any assessment year in which the qualified system is
18 not actually used to heat or cool the building.
19 4. Only one owner of the building may file a claim for an assessment
20 year. A claim may be filed with the county assessor of the county in
21 which the building is located. The claim must be [made under oath or
22 affirmation] signed under penalty of perjury and filed in such form and
23 content, and accompanied by such proof, as the department may pre-
24 scribe. The county assessor shall furnish the appropriate form to each
25 claimant.
26 5. The claim must be filed [between January 15 and March 15,
27 inclusive:
28 (a) Of each assessment year for which an allowance is claimed
29 against the tax on property placed upon the secured tax roll.
30 (b) Next preceding each assessment year for which an allowance is
31 claimed against the tax on property placed upon the unsecured tax roll.]
32 on or before the 1st Monday in August for the ensuing fiscal year. The
33 claim remains effective until the ownership of the property is changed or
34 the system is removed.
35 6. [By not] Not later than May 25 of the assessment year or, if
36 May 25 falls on a Saturday or Sunday or on a legal holiday, on the Mon-
37 day or [Tuesday,] day other than Saturday, Sunday or a legal holiday,
38 respectively, next following, the county assessor shall provide the auditor
39 of his county a statement showing the property description or parcel num-
40 ber, name and address of claimant, and the dollar allowances of each
41 claim granted for the assessment year under this section with respect to
42 property placed upon the secured tax roll. After the county auditor
43 extends the secured tax roll, he shall adjust the roll to show the dollar
44 allowances and the amounts of tax, if any, remaining due as a result of
45 claims granted under this section. By not later than June [1] 15 of the
46 assessment year, the county auditor shall deliver the extended tax roll, so
47 adjusted, to the ex officio tax receiver of the county.
48 7. The ex officio tax receiver of the county shall make such cor-
49 responding adjustments to the individual property tax bills, prepared from

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1 the secured tax rolls, as are necessary to notify the taxpayers of the allow-
2 ances granted them under this section.

3 8. After granting the claim of a taxpayer whose building is placed
4 upon the unsecured tax roll, the county assessor shall determine the
5 amount of the allowance to which the claimant is entitled under this sec-
6 tion and shall credit the claimant's individual property tax account
7 accordingly.

8 9. The county assessor shall send to the department, for each assess-
9 ment year, a statement showing the allowances granted pursuant to this
10 section. Upon verification and audit of the allowances, the department
11 shall authorize reimbursement to the county by the state from money
12 appropriated for the purpose.

13 10. Any person who willfully makes a materially false statement on
14 a claim filed under this section or produces false proof, and as a result
15 of that false statement or false proof, a tax allowance is granted to a person
16 not entitled to the allowance, is guilty of a gross misdemeanor.

17 SEC. 21. NRS 361A.020 is hereby amended to read as follows:

18 361A.020 1. "Agricultural real property" means:

19 (a) Land:

20 (1) Devoted exclusively for at least 3 consecutive years immediately
21 preceding the assessment date to:

22 (I) Agricultural use; or

23 (II) Activities which prepare the land for agricultural use; and

24 (2) Having a greater value for another use than for agricultural use.

25 For the purposes of this subparagraph, agricultural land devoted to agri-
26 cultural use has a greater value for another use if its [full cash] taxable
27 value determined pursuant to NRS 361.227 and 361.260 exceeds its
28 value for agricultural use determined on the basis provided in NRS 361.-
29 325.

30 (b) The improvements on such land which support accepted agricul-
31 tural practices except any structures or any portion of a structure used
32 primarily as a human dwelling.

33 The term does not apply to any land with respect to which the owner has
34 granted and has outstanding any lease or option to buy the surface rights
35 for other than agricultural use, except leases for the exploration of geo-
36 thermal resources as defined in NRS 361.027, mineral resources or other
37 subsurface resources, or options to purchase such resources, if such explo-
38 ration does not interfere with the agricultural use of the land.

39 2. As used in this section, "accepted agricultural practices" means a
40 mode of operation that is common to farms or ranches of a similar nature,
41 necessary for the operation of such farms or ranches to obtain a profit in
42 money and customarily utilized in conjunction with agricultural use.

43 SEC. 22. NRS 361A.130 is hereby amended to read as follows:

44 361A.130 1. If the property is found to be agricultural real property,
45 the county assessor shall determine its value for agricultural use and
46 assess it for taxes to be collected in the ensuing fiscal year at 35 percent
47 of that value. At the same time the assessor shall make a separate deter-
48 mination of its [full cash] taxable value pursuant to NRS 361.227 and
49 361.260 if he determines that the property is located in a higher use area.

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1 If the assessor determines that the property is not located in a higher use
2 area, he shall make the agricultural use assessment only, and shall not
3 make the [full cash] taxable value assessment, except as provided in
4 NRS 361A.155.

5 2. The [full cash] taxable value assessment [shall] must be main-
6 tained in the assessor's records, and [shall] must be made available to
7 any person upon request. The property owner shall be notified of the
8 [full cash] taxable value assessment each year the property is reap-
9 praised, together with the agricultural use assessment, in the manner pre-
10 scribed by the department.

11 3. The entitlement of agricultural real property to agricultural use
12 assessment [shall] must be determined as of [the first Monday in
13 September] December 15 in each year. If the property becomes disquali-
14 fied for such assessment [prior to the first Monday in September in the
15 same year, it shall] before that date, it must be assessed as all other real
16 property is assessed [.] and taxed in the ensuing fiscal year upon the basis
17 of this regular assessment.

18 SEC. 23. NRS 361A.155 is hereby amended to read as follows:

19 361A.155 1. When any agricultural real property whose [full cash]
20 taxable value as determined pursuant to NRS 361.227 and 361.260 has
21 not been separately determined for each year in which agricultural use
22 assessment was in effect for the property is:

23 (a) Determined by the county assessor to be located in a higher use
24 area; or

25 (b) Converted in whole or in part to a higher use,
26 the county assessor shall determine its [full cash] taxable value at the
27 time the location in a higher use area is determined or at the time of
28 conversion, respectively, and discount that valuation as appropriate to
29 determine the valuation against which to compute the deferred tax.

30 2. The department shall prescribe by regulation an appropriate pro-
31 cedure for determining [full cash] taxable value assessment under this
32 section.

33 SEC. 24. NRS 361A.160 is hereby amended to read as follows:

34 361A.160 1. The determination of use, the agricultural use assess-
35 ment and the [full cash] taxable value assessment in each year are final
36 unless appealed in the manner provided in chapter 361 of NRS for com-
37 plaints of overvaluation, excessive valuation or undervaluation.

38 2. Any person desiring to have his property assessed for agricultural
39 use who fails to file a timely application may petition the county board
40 of equalization which, upon good cause shown, may accept an applica-
41 tion, and, if appropriate, allow that application. The assessor shall then
42 assess the property consistently with the decision of the county board of
43 equalization on the next assessment roll.

44 SEC. 25. NRS 361A.220 is hereby amended to read as follows:

45 361A.220 1. If the property is found by the board of county com-
46 missioners to be open-space real property, the county assessor shall deter-
47 mine its value for open-space use and assess it for taxes to be collected in
48 the ensuing fiscal year at 35 percent of that value. At the same time, the
49 assessor shall make a separate determination of its [full cash] taxable
50 value pursuant to NRS 361.227 and 361.260.

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1 2. The **[[full cash]] taxable** value assessment **[[shall]] must** be main-
2 tained in the assessor's records and **[[shall]] must** be made available to any
3 person upon request. The property owner shall be notified of the **[[full**
4 **cash]] taxable** value assessment each year the property is reappraised,
5 together with the open-space use assessment in the manner prescribed by
6 the department.

7 3. The entitlement of open-space real property to open-space use
8 assessment **[[shall]] must** be determined as of **[[the first Monday in Sep-**
9 **tember]] December 15** in each year. If the property becomes disqualified
10 for open-space assessment **[[prior to the first Monday in September in the**
11 **same year, it shall]] before that date it must** be assessed as all other real
12 property is assessed **[[.]] and taxed in the ensuing fiscal year upon the basis**
13 **of this regular assessment.**

14 SEC. 26. NRS 361A.240 is hereby amended to read as follows:

15 361A.240 1. The determination of use, the open-space use assess-
16 ment and the **[[full cash]] taxable** value assessment in each year are final
17 unless appealed.

18 2. The applicant for open-space assessment is entitled to:

19 (a) Appeal the determination made by the board of county commis-
20 sioners to the district court in the county where the property is located, or
21 if located in more than one county, in the county in which the major por-
22 tion of the property is located, as provided in NRS 278.027.

23 (b) Equalization of both the open-space use assessment and the **[[full**
24 **cash]] taxable** value assessment in the manner provided in chapter 361 of
25 NRS for complaints of overvaluation, excessive valuation or undervalua-
26 tion.

27 SEC. 27. NRS 361A.280 is hereby amended to read as follows:

28 361A.280 1. When agricultural or open-space real property which is
29 receiving agricultural or open-space use assessment is converted to a
30 higher use, there shall be added to the tax extended against the property
31 on the next property tax statement, an amount equal to the sum of the
32 following:

33 (a) The deferred tax, which is the difference between the taxes paid or
34 payable on the basis of the agricultural or open-space use assessment and
35 the taxes which would have been paid or payable on the basis of the
36 **[[full cash]] taxable** value determination for each year in which agricul-
37 tural or open-space use assessment was in effect for the property, up to
38 84 months immediately preceding the date of conversion from agricul-
39 tural or open-space use. The 84-month period includes the most recent
40 year of agricultural or open-space use assessment but does not include
41 any period before July 1, 1976.

42 (b) A penalty equal to 20 percent of the accumulated deferred tax for
43 each year in which the owner failed to give the notice required by NRS
44 361A.270.

45 2. The deferred tax and penalty are a perpetual lien until paid as
46 provided in NRS 361.450; but if the property is not converted to a
47 higher use within 84 months after the date of attachment, the lien for
48 that earliest year then expires.

49 3. Each year a statement of liens attached pursuant to this section

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1 must be recorded with the county recorder by the tax receiver in a form
2 prescribed by the department upon completion of the tax statement.

3 4. If agricultural or open-space real property receiving agricultural or
4 open-space use assessment is sold or transferred to an ownership making
5 it exempt from [ad valorem property taxation between July 1 and the
6 first Monday in September, inclusive, in any year,] *taxation ad valorem*,
7 a lien for a proportional share of the deferred taxes that would otherwise
8 have been due in the following year, attaches on the day preceding the
9 sale or transfer. The lien [shall] *must* be enforced against the property
10 when it is converted to a higher use, even though the owner at the time of
11 conversion enjoys an exemption from taxation.

12 SEC. 27.5. NRS 362.130 is hereby amended to read as follows:

13 362.130 1. When the department determines the net proceeds of any
14 mine or mines, the Nevada tax commission shall prepare its certificate of
15 the amount of the net proceeds of the mine or mines in triplicate and
16 shall file one copy of the certificate with the department, one copy with
17 the county assessor of the county in which the mine or mines are located,
18 and shall send the third copy to the person, corporation or association
19 which is the owner of the mine, operator of the mine, or recipient of the
20 royalty payment, as the case may be.

21 2. Upon the filing of the copy of the certificate with the county
22 assessor and with the department, the assessment [shall be deemed to
23 be] *is* made in the amount fixed by the certificate of the Nevada tax com-
24 mission, and taxes thereon at the rate established are immediately due.
25 [and payable.] The certificate of assessment must be filed and mailed not
26 later than [the 15th day of] May 25 immediately following the month of
27 February during which the statement was filed.

28 SEC. 28. NRS 367.025 is hereby amended to read as follows:

29 367.025 For the purposes of this chapter, the [full cash] *taxable*
30 value of a share of stock in a bank is its proportionate part of the aggre-
31 gate taxable capital. Such aggregate taxable capital [shall] *must* be
32 determined in the following manner:

33 1. The average of each of the following factors [shall] *must* be com-
34 puted for the fiscal year preceding the valuation, using the respective
35 amounts as of the end of each calendar quarter:

- 36 (a) Cash;
- 37 (b) Demand deposits;
- 38 (c) Time deposits; and
- 39 (d) Total deposits.

40 2. From the average cash [shall] *must* be subtracted an appropriate
41 cash reserve, which [shall] *must* be the sum of:

42 (a) Average demand deposits multiplied by that percentage established
43 by the Board of Governors of the Federal Reserve System as a required
44 cash reserve for member banks, as of the close of the fiscal year preceding
45 the valuation.

46 (b) Average time deposits multiplied by that percentage established by
47 the Board of Governors of the Federal Reserve System as a required cash
48 reserve for member banks as of the close of the fiscal year preceding val-
49 ation.

50 The appropriate cash reserve [shall] *must* be computed in the same

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1 manner for all banks, whether or not they are members of the Federal
2 Reserve System.

3 3. From the average total deposits [shall] *must* be subtracted the
4 excess cash, which is the difference obtained pursuant to subsection 2, if
5 any.

6 4. The difference obtained pursuant to subsection 3 [shall] *must* be
7 multiplied by 9 percent, to obtain the capital equivalent of the deposits.

8 5. From the capital equivalent obtained pursuant to subsection 4
9 [shall] *must* be subtracted the [full cash] *taxable* value of all real
10 property assessed to the bank. The difference so obtained is the aggregate
11 taxable capital of the bank.

12 SEC. 29. NRS 367.030 is hereby amended to read as follows:

13 367.030 1. All shares of stock in banks, including shares subscribed
14 but not issued, existing by authority of the United States, or of the State
15 of Nevada, or of any other state, territory or foreign government, and
16 located within the State of Nevada, [shall] *must* be assessed to the own-
17 ers thereof in the county, city, town or district where such banks are
18 located, and not elsewhere, in the assessment of all state, county, town or
19 special taxes, imposed and levied in such place, whether such owner is a
20 resident of the county, city, town or district, or not.

21 2. All such shares [shall] *must* be assessed at 35 percent of their
22 [full cash] *taxable* value determined as of July 1.

23 3. The proportionate parts of the shares of stock in a bank having
24 branches in one or more counties, cities, towns or districts, [shall]
25 *must* be assessed as provided [herein] *in this section* in such counties,
26 cities, towns or districts where such bank or branches may be situated,
27 such proportionate parts to be assessed in each such county, town, city
28 or district being determined by the ratio which the total deposits, both
29 time and demand, at the close of banking hours on the last business
30 day of the preceding fiscal year in the bank or branch situated in such
31 county, city, town or district bear to the total of such deposits on the
32 last business day of the preceding fiscal year in all of the banks and
33 branches thereof, ownership of which is represented by the shares of
34 stock so assessed.

35 4. The persons or corporations who appear from the records of the
36 banks to be the owners of shares at the close of the business day on
37 July 1, or if July 1 is not a business day then the next-succeeding busi-
38 ness day, in each year shall be [taken and] *deemed* to be the owners
39 thereof for the purposes of this section.

40 SEC. 30. NRS 367.050 is hereby amended to read as follows:

41 367.050 1. On or before August 1 of each year, each bank which
42 is located or has a branch located in this state shall report to the depart-
43 ment, upon forms which shall be prescribed by the department:

44 (a) The quarterly amounts of its cash, demand deposits, time depos-
45 its and total deposits for the preceding fiscal year; and

46 (b) A list showing the total deposits in its principal office and in
47 each of its branches at the close of the last business day of the preceding
48 fiscal year, segregated according to the county in which such office and
49 each branch is situated.

50 2. On or before September 1 of each year, each county assessor

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1 shall transmit to the department a list showing the [full cash] taxable
2 value of each parcel of real property in his county which is assessed to
3 a bank for the current fiscal year.

4 3. The department shall annually, at its regular meeting beginning
5 on the 1st Monday in October, determine:

6 (a) The aggregate taxable capital of each bank which is located or
7 has a branch located in this state; and

8 (b) The proportion of such aggregate taxable capital which is
9 required to be assessed in each county of the state.

10 4. On or before the 1st Monday in December, the department shall
11 transmit to each county assessor the amount of the aggregate taxable
12 capital of each bank which is required to be assessed in his county, and
13 each assessor shall adopt as the [full cash] taxable value of the shares of
14 stock of each such bank the amounts so shown.

15 SEC. 30.3. NRS 482.180 is hereby amended to read as follows:

16 482.180 1. The motor vehicle fund is hereby created as an agency
17 fund. All money received or collected by the department must be depos-
18 ited in the state treasury for credit to the motor vehicle fund.

19 2. Any check accepted by the department in payment of vehicle
20 privilege tax or any other fee required to be collected under this chapter
21 must, if it is dishonored upon presentation for payment, be charged back
22 against the motor vehicle fund or the county to which the payment was
23 credited, in the proper proportion.

24 3. Money for the administration of the provisions of this chapter
25 must be provided by direct legislative appropriation from the state high-
26 way fund, upon the presentation of budgets in the manner required by
27 law. Out of the appropriation the department shall pay every item of
28 expense.

29 4. The department shall certify monthly to the state board of exam-
30 iners the amount of privilege taxes collected for each county by the
31 department and its agents during the preceding month, and that money
32 must be distributed monthly as provided in subsection 5.

33 5. The distribution of the privilege tax within a county must be made
34 to local governments, as defined in NRS 354.474, in the same ratio as
35 all property taxes were levied in the county in the previous fiscal year,
36 but the State of Nevada is not entitled to share in that distribution. The
37 amount attributable to the debt service of each school district must be
38 included in the allocation made to each county government. For the
39 purpose of this subsection, the taxes levied by each local government are
40 the product of its certified valuation, determined pursuant to subsection
41 2 of NRS 361.405, and its tax rate, established pursuant to NRS 361.-
42 455 [.] for the fiscal year beginning on July 1, 1980, except that the tax
43 rate for school districts is the rate established pursuant to NRS 361.455
44 for the fiscal year beginning on July 1, 1978. Local governments, other
45 than incorporated cities, are entitled to receive no distribution if the
46 distribution to the local government is less than \$100. Any undistributed
47 money accrues to the county general fund of the county in which the
48 local government is located. The department shall make distributions
49 directly to counties, county school districts and incorporated cities or

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1 towns. Distributions for other local governments within a county must
 2 be paid to the counties for distribution to the other local governments.
 3 6. Privilege taxes collected on vehicles subject to the provisions of
 4 chapter 706 of NRS and engaged in interstate or intercounty operation
 5 must be distributed among the counties in the following percentages:
 6 Carson City..... 1.07 percent Lincoln..... 3.12 percent
 7 Churchill..... 5.21 percent Lyon..... 2.90 percent
 8 Clark..... 22.54 percent Mineral..... 2.40 percent
 9 Douglas..... 2.52 percent Nye..... 4.09 percent
 10 Elko..... 13.31 percent Pershing..... 7.00 percent
 11 Esmeralda..... 2.52 percent Storey..... .19 percent
 12 Eureka..... 3.10 percent Washoe..... 12.24 percent
 13 Humboldt..... 8.25 percent White Pine..... 5.66 percent
 14 Lander..... 3.88 percent

15 The distributions must be allocated among local governments within the
 16 respective counties pursuant to the provisions of subsection 5.

17 7. As commission to the state for collecting the privilege taxes on
 18 vehicles subject to the provisions of this chapter and chapter 706 of NRS
 19 the department shall retain 6 percent from counties having a population
 20 of 30,000 or more and 1 percent from counties having a population of
 21 less than 30,000.

22 8. When the foregoing requirements have been met, and when
 23 directed by the department, the state controller shall transfer monthly to
 24 the state highway fund any balance in the motor vehicle fund.

25 SEC. 30.6. NRS 361.267, 361.285, 361.290, 361.735, 361.745,
 26 361.750 and 361.760 are hereby repealed.

27 SEC. 31. 1. Notwithstanding the provisions of NRS 361.225, except
 28 as provided in section 32 of this act, all property subject to taxation must
 29 be assessed at 35 percent of its adjusted cash value. The adjusted cash
 30 value is calculated by multiplying the full cash value of the property by
 31 the factor shown in the following table for the class and for the fiscal year
 32 in which the property was most recently appraised:

33		Factor for	Factor for
34		Residential Improvements	Other
35	Year of Appraisal		Property
36	1976-1977 or earlier	1.416	1.438
37	1977-1978	1.190	1.313
38	1978-1979	1.000	1.199
39	1979-1980	0.840	1.095
40	1980-1981	0.706	1.000

41 2. The assessment provided in subsection 1 must be used only for the
 42 levying of taxes to be collected during the fiscal year 1981-1982 on all
 43 property to which they apply.

44 3. As used in this section, "residential improvement" means a single-
 45 family dwelling, a townhouse or a condominium, and its appurtenances.

46 SEC. 31.3. 1. Notwithstanding the provisions of NRS 361.225, for
 47 the assessment period ending December 15, 1981, all property, except
 48 as provided in section 32 of this act, must be assessed at 35 percent of

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1 taxable value. For existing properties the taxable value must be deter-
2 mined by multiplying the adjusted cash value calculated pursuant to sec-
3 tion 31 of this act by the appropriate factors provided by the department
4 of taxation. For new properties the county assessor must determine taxa-
5 ble value consistent with the value of like properties as determined from
6 adjusted cash value.

7 2. The department shall develop the factors for determining the tax-
8 able value of these properties no later than September 1, 1981. The fac-
9 tors and the projected results of their application must be reviewed by the
10 interim legislative committee on local governmental finance which must
11 adopt, modify or reject the factors no later than September 15, 1981.
12 Immediately thereafter the department shall furnish the factoring sched-
13 ules and the regulations for their use to the county assessors.

14 3. No physical appraisals except of new properties need be com-
15 pleted by the county assessors for the assessment period ending December
16 15, 1981. The requirement of NRS 361.260 for appraisal at 5-year inter-
17 vals is tolled during the fiscal year beginning on July 1, 1981.

18 SEC. 31.6. The amendments made to NRS 361.227 by section 8 of
19 this act do not apply to personal property placed on the secured or
20 unsecured roll before May 1, 1982.

21 SEC. 32. The provisions of sections 31 and 31.3 of this act do not
22 apply to the assessment of:

23 1. Any personal property;

24 2. Any property assessed by the Nevada tax commission pursuant to
25 NRS 361.320;

26 3. Any land assessed by the Nevada tax commission pursuant to
27 NRS 361.325;

28 4. Any real property assessed pursuant to chapter 361A of NRS; or

29 5. Shares of stock in banks pursuant to chapter 367 of NRS,
30 or to the assessment or taxation of mining claims or the net proceeds of
31 mines under chapter 362 of NRS.

32 SEC. 33. The legislature finds that:

33 1. The factors prescribed in section 31 of this act for the respective
34 years of appraisal have the approximate effect of placing property
35 appraised before the fiscal year 1980-1981 on a parity with property
36 appraised during that fiscal year, and the respective classes of real prop-
37 erty separately specified in that section on a parity with one another.

38 2. Such an approximation is necessary in order to permit the orderly
39 collection of taxes ad valorem during the fiscal year 1981-1982.

40 3. Each of the classes of property excluded from the operation of sec-
41 tion 31 of this act is assessed pursuant to NRS in such a manner that no
42 adjustment is required to place all property within that class on a parity.

43 SEC. 34. 1. Before July 1, 1981, each county assessor shall deter-
44 mine the required assessment for each parcel of real property assessed
45 according to its adjusted cash value pursuant to section 31 of this act,
46 and deliver the adjusted assessment roll to the county auditor.

47 2. The county auditor shall extend the adjusted assessment roll by
48 applying the tax rate certified by the department of taxation to the
49 adjusted assessed valuation and ascertain the total taxes to be collected
50 from each property owner. The county auditor shall also calculate what

Senate Bill No. 69 (cont'd)

1 the taxes to be collected during the fiscal year beginning on July 1, 1981,
2 would have been on each property had there been no adjustment to the
3 property's assessed valuation or the proposed tax rate. For this purpose,
4 the department of taxation shall on or before May 8 notify each county
5 auditor of the tax rate which would have been necessary to support the
6 budget of each local government for the fiscal year beginning on July 1,
7 1981, under prior law.

8 3. When the adjusted tax roll has been extended, and not later than
9 July 17, the county auditor shall deliver it to the ex officio tax receiver of
10 the county.

11 4. Upon receipt of the adjusted assessment roll, the ex officio tax
12 receiver shall:

13 (a) Publish notice of the dates when the taxes to be collected during
14 the fiscal year beginning on July 1, 1981, are due;

15 (b) Proceed to bill each owner or other person to whom tax bills are
16 sent for a particular parcel for the taxes due;

17 (c) Include in the billing a notice of change of valuation which
18 includes the prior assessed valuation and the adjusted assessed valuation;
19 and

20 (d) Include in the billing a notice of what the taxes would have been
21 had the assessed valuation and the proposed tax rate not been adjusted.

22 If the billing is sent to anyone other than the owner, the ex officio tax
23 receiver shall send a copy of the tax bill and the required notices to the
24 owner.

25 5. If, after receipt of a tax bill and notice of change of assessed valu-
26 ation, any person believes the adjusted assessed valuation of his property
27 is incorrect or unjust, he may file a protest with the county board of
28 equalization no later than August 14, 1981. The county board of equali-
29 zation of each county must hold special meetings to hear those protests
30 beginning August 17, 1981, and must conclude its work no later than
31 September 15, 1981. The county board shall hear only protests on prop-
32 erties for which the adjusted valuation exceeds the valuation on the
33 1980-81 equalized assessment roll or the prior year's equalized valua-
34 tion.

35 6. Any person who is aggrieved at the action of the county board of
36 equalization on his protest may appeal that action to the state board of
37 equalization not later than 5 days after the action of the county board
38 of equalization. The state board shall hold special hearings as often as is
39 necessary to determine those appeals as expeditiously as possible. These
40 hearings must be concluded no later than October 1, 1981. The secretary
41 of the state board of equalization shall immediately, as each change in the
42 adjusted assessed valuation is made by the board, certify that change to
43 the appropriate county auditor who shall forthwith enter the change on
44 the adjusted assessment roll. The secretary shall also issue an order to the
45 ex officio tax receiver of the appropriate county who shall, if applicable,
46 issue a refund of excess taxes paid or adjust the balance due to reflect the
47 changes made by the county board of equalization or by the state board
48 of equalization.

49 SEC. 34.5. Notwithstanding the provisions of NRS 361.455, the
50 Nevada tax commission shall meet on July 10, 1981, to set and certify

Senate Bill No. 69 (cont'd)

— 31 —

1 tax rates for local governments to be collected during the fiscal year
2 beginning on July 1, 1981.

3 SEC. 35. 1. Each local government shall, with the approval of the
4 department of taxation, revise its budget for the fiscal year commencing
5 July 1, 1981, if and to the extent necessary to comply with the provisions
6 of this act.

7 2. The taxes on real property otherwise due under NRS 361.483 on
8 the 1st or 3rd Monday of July, 1981, are due on the 3rd Monday of
9 August, 1981.

10 SEC. 36. The lien for taxes upon real property payable:

11 1. During the fiscal year commencing July 1, 1981; or

12 2. As deferred taxes under NRS 361A.280,
13 which attached on the first Monday in September 1980, expires on July 1,
14 1981, and is superseded by the lien for such taxes which attaches on July
15 1, 1981, as provided in NRS 361.450.

16 SEC. 37. Each county shall pay the necessary expenses of the county
17 assessor in fulfilling his duties under subsection 1 of section 34 of this
18 act. These expenses must be paid first out of any resources not legally
19 prohibited for this purpose. If no such resources are available, the county
20 may, without regard to any statutory limitation on expenditures or on the
21 use of taxes ad valorem, use any balances available on or before June 30,
22 1981, in any fund, except a debt service fund, for the purpose of this
23 section.

24 SEC. 38. 1. Section 2 of chapter 93, Statutes of Nevada 1981, is
25 hereby amended to read as follows:

26 Sec. 2. 1. Hearing must be held upon tentative budgets for the
27 fiscal year beginning July 1, 1981;

28 (a) For counties, on the 1st Thursday in June;

29 (b) For cities, on the 2nd Monday in June;

30 (c) For school districts, on the 1st Wednesday in June; and

31 (d) For all other local governments, on the 1st Friday in June,
32 except that the board of county commissioners may consolidate the
33 hearing on all local government budgets administered by the board
34 of county commissioners with the county budget hearing.

35 2. The final budget for that fiscal year must be adopted and sub-
36 mitted to the Nevada tax commission on or before June 10.

37 2. Sections 3, 4 and 5 of chapter 93, Statutes of Nevada 1981, are
38 hereby repealed.

39 3. Chapter 2, Statutes of Nevada 1981, is hereby repealed.

40 SEC. 39. 1. This section and sections 31 to 38, inclusive, of this act,
41 shall become effective upon passage and approval.

42 2. Sections 1 to 30.6, inclusive, of this act shall become effective on
43 July 30, 1981.

Section 2.6 restore to read:

EXHIBIT F

Property found to be obsolete shall be listed on a separate roll and shall be reappraised each year that it is so listed.

Page 3, Section 8, Subsection 2(a)(1):

vacant land; consideration must be given to its legal entitlements for use, the essential quality of the terrain and the use to which it may be adapted congruous with lands within the area where the property is situated.

Amend, ~~Senate Bill 259~~, Page 3, Section 8, 2(a)(1):

Strike line 48 and insert above.

Amend Section 27, Page 24:

Delete lines 30 and 31 and insert:

it exempt from ad valorem property taxation [between July 1 and the first Monday in September, inclusive, in any year] a lien

Amend Section 31, Page 28:

Line 22: Delete words "which has no nonresidential improvement"

Amend Section 31.3, Page 28:

Line 19: Change "made" to "completed"

Page 12:

Line 30: Change subsection "4" to "5"

G

EXHIBIT G

AMENDMENTS TO SENATE BILL NO. 582

1. All monies collected in accordance to NRS 370.190 must be deposited with the state treasurer for credits with the cigarette stamp fund which is hereby created as a special revenue fund.
2. The actual cost of the stamps that will be sold must be paid from the cigarette stamp fund.
3. It is hereby allocated from the July 1981 cigarette stamp receipts in the amount when added to the cost of the cigarette stamp inventory as of June 30, 1981 to establish a fund balance of \$30,000.
4. All claims against the cigarette stamp fund must be paid as other claims against the state are paid.

S. B. 582

SENATE BILL NO. 582—COMMITTEE ON TAXATION

APRIL 22, 1981

Referred to Committee on Taxation

SUMMARY—Authorizes department of taxation to charge for actual costs of cigarette revenue stamps. (BDR 32-1803)

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 cigarette taxes; authorizing the department of taxation to charge for actual costs of revenue stamps; 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 370.190 is hereby amended to read as follows:
2 370.190 1. The department [is authorized, upon receiving payment
3 therefor, to] may sell Nevada cigarette revenue stamps [only] to a
4 licensed dealer [.] for an amount not to exceed the actual cost incurred
5 by the department in making the sale.
6 2. The department may provide by regulation for payment of the tax
7 by manufacturers without the use of stamps on gifts or samples sent into
8 Nevada when plainly marked "Tax Paid."
9 SEC. 2. NRS 370.220 is hereby amended to read as follows:
10 370.220 In the sale of any cigarette revenue stamps or any metered
11 machine settings to a licensed cigarette dealer, the department and its
12 agents shall allow the purchaser a discount of 4 percent *against the*
13 *amount of excise tax otherwise due* for the services rendered in affix-
14 ing cigarette revenue stamps or metered machine impressions to the
15 cigarette packages.
16 SEC. 3. NRS 370.265 is hereby amended to read as follows:
17 370.265 [Remittances] *The amount of the excise tax due the*
18 *department by any licensed cigarette dealer for stamps purchased during*
19 *any calendar month [shall be] is due and payable to the department not*
20 *later than the 10th day of the following calendar month. Any dealer who*
21 *fails to pay the excise tax due on or before the 10th day of the month*
22 *shall pay a penalty of 5 percent of the tax in addition to the tax, with*

S. B. 593

SENATE BILL NO. 593—COMMITTEE ON FINANCE

APRIL 23, 1981

Referred to Committee on Taxation

SUMMARY—Requires certain persons to pay casino entertainment tax monthly. (BDR 41-1062)

**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 the casino entertainment tax; requiring persons with a tax liability of at least \$500 a month to pay the tax monthly; 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 463.403 is hereby amended to read as follows:
2 463.403 1. [Every] *Except as provided in this subsection, every*
3 *person required to pay the tax imposed by NRS 463.401 shall file with*
4 *the commission quarterly, on or before the last day of the month suc-*
5 *ceeding each calendar quarter, a report showing the amount of all taxable*
6 *receipts for such calendar quarter. If the amount of tax for which the*
7 *person is liable is \$500 or more each month, the report must be filed*
8 *monthly.*
9 2. Each report must be accompanied by the amount of tax which is
10 due for the period covered by the report.
11 3. If the amount of tax required to be reported and paid pursuant
12 to NRS 463.401 is later determined to be greater or less than the amount
13 actually reported and paid by the licensee, the commission shall:
14 (a) Charge and collect the additional tax determined to be due, with
15 interest thereon until paid; or
16 (b) Refund any overpayment to the person entitled thereto under this
17 chapter, with interest thereon.
18 Interest is computed at the rate of 7 percent per annum from the first
19 day of the first month following either the due date of the additional
20 tax or the date of overpayment until paid.
21 4. Any person who fails to pay the tax provided for in NRS 463.401
22 on or before the last day of the month succeeding each calendar quarter
23 shall pay in addition to such tax a penalty of \$25 or 25 percent of the
24 gross amount due, whichever is greater, but in no case can the penalty
25 exceed \$1,000. The commission shall collect the penalty in the same
26 manner as other charges and penalties are collected under this chapter.

S. B. 595

SENATE BILL NO. 595—COMMITTEE ON TAXATION

APRIL 23, 1981

Referred to Committee on Taxation

SUMMARY—Authorizes counties to designate county treasurer as collector of personal property taxes. (BDR 32-1930)

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 personal property taxes; authorizing counties to designate the county treasurer as collector of those 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. Chapter 361 of NRS is hereby amended by adding
- 2 thereto a new section which shall read as follows:
- 3 *The board of county commissioners of any county may by ordinance*
- 4 *designate the county treasurer to collect taxes on personal property in the*
- 5 *county otherwise collectible by the county assessor, and the county treas-*
- 6 *urer by virtue of that ordinance has the same rights, powers, duties and*
- 7 *liabilities as a county assessor under this chapter for the collection of*
- 8 *those taxes on personal property.*

S. B. 596

SENATE BILL NO. 596—COMMITTEE ON TAXATION

APRIL 23, 1981

Referred to Committee on Taxation

SUMMARY—Authorizes board of county commissioners to provide for compensation to members of board of equalization. (BDR 32-1920)

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 county boards of equalization; authorizing the board of county commissioners to provide for compensation to the members of the board of equalization; 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 361.340 is hereby amended to read as follows:
2 361.340 1. Except as provided in subsection 2, the board of equal-
3 ization of each county consists of:
4 (a) Five members, only two of whom may be elected public officers,
5 in counties having a population of 10,000 or more; and
6 (b) Three members, only one of whom may be an elected public
7 officer, in counties having a population of less than 10,000.
8 2. The board of county commissioners may by resolution provide
9 for an additional panel of like composition to be added to the board of
10 equalization to serve for a designated fiscal year. If such an additional
11 panel is added, it shall determine the valuation of residential real prop-
12 erty and the other members of the board shall sit separately to determine
13 the valuation of all other property subject to its jurisdiction.
14 3. A district attorney, county treasurer or county assessor or any of
15 their deputies or employees may not be appointed to the county board
16 of equalization.
17 4. The chairman of the board of county commissioners shall nomi-
18 nate persons to serve on the county board of equalization who are suffi-
19 ciently experienced in business generally to be able to bring knowledge
20 and sound judgment to the deliberations of the board or who are elected
21 public officers. The nominees must be appointed upon a majority vote
22 of the board of county commissioners. The chairman of the board of
23 county commissioners shall designate one of the appointees to serve as
24 chairman of the county board of equalization.

(REPRINTED WITH ADOPTED AMENDMENTS)
SECOND REPRINT

A. B. 134

ASSEMBLY BILL NO. 134—COMMITTEE ON TAXATION

FEBRUARY 11, 1981

Referred to Committee on Taxation

SUMMARY—Increases state license fee on gross revenue of gaming and prohibits local increases. (BDR 41-1348)

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 gaming; increasing the state license fee on the gross revenue of gaming and on slot machines; prohibiting local increases of those fees; 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. Chapter 463 of NRS is hereby amended by adding
2 thereto a new section which shall read as follows:

3 *The license fee or tax imposed by a local government for conducting,*
4 *carrying on or operating any gambling game, slot machine or other*
5 *game of chance must not exceed:*

6 1. *The amount, if charged per person, establishment, game or*
7 *machine; or*

8 2. *The rate, if charged according to revenue,*
9 *which was in effect for that purpose on April 27, 1981. If on that date*
10 *the local government was collecting a fee or tax which is afterward held*
11 *to be invalid, the local government may impose a new fee or tax no*
12 *greater in amount of estimated revenue to be derived than the fee or tax*
13 *held invalid.*

14 SEC. 2. NRS 463.370 is hereby amended to read as follows:

15 463.370 1. Except as provided in NRS 463.373, before issuing a
16 state gaming license, the commission shall charge and collect from each
17 applicant a license fee based upon all the gross revenue of [such] the
18 applicant as follows:

19 Three percent of all the gross revenue of [such] an applicant
20 which does not exceed \$150,000 per quarter year; and also

21 Four percent of all the gross revenue of [each] an applicant
22 which exceeds \$150,000 per quarter year and does not exceed
23 \$400,000 per quarter year; and also

Assembly Bill No. 134 (cont'd)

— 2 —

1 Five and ~~one-half~~ *three-fourths* percent of all the gross revenue
2 of ~~such~~ *an* applicant which exceeds \$400,000 per quarter year.

3 2. Unless the licensee is operating under a license issued for less than
4 a full calendar quarter, the commission shall charge and collect the fee
5 prescribed in subsection 1, based upon the gross revenue for the preced-
6 ing calendar quarter, on or before the last day of the first month of the
7 calendar quarter for which the license is issued.

8 3. When a licensee is operating under a license issued for less than
9 a full calendar quarter, the commission shall charge and collect the fee
10 prescribed in subsection 1, based on the gross revenue received during
11 that quarter, on or before the last day of the first month of the following
12 calendar quarter of operation. The payment of the fee due for the first
13 calendar quarter of operation based on the gross revenue derived from
14 gambling pursuant to this section ~~shall~~ *must* be accompanied by the
15 payment of a fee in like amount for the next full calendar quarter. There-
16 after, each quarterly license fee ~~shall~~ *must* be paid in advance based
17 on the gross revenue of the preceding quarter. Any deposit held by the
18 commission on July 1, 1969, ~~shall~~ *must* be treated as ~~such~~ *an*
19 advance payment.

20 4. All revenue received from any game or gaming device which is
21 leased for operation on the premises of the licensee-owner to a person
22 other than the owner thereof, or located in an area or space on such prem-
23 ises which is leased by the licensee-owner to any such person, ~~shall~~
24 *must* be attributed to ~~such~~ *the* owner for the purposes of this section
25 and ~~shall~~ be counted as part of the gross revenue of the owner. The
26 lessee ~~shall be~~ *is* liable to the owner for his proportionate share of such
27 license fees.

28 5. If the amount of license fees required to be reported and paid
29 pursuant to this section is later determined to be greater or less than the
30 amount actually reported and paid by the licensee, the commission shall:

31 (a) Charge and collect the additional license fees determined to be
32 due, with interest thereon until paid; or

33 (b) Refund any overpayment, with interest thereon, to the licensee.
34 Interest ~~shall~~ *must* be computed at the rate of 7 percent per annum
35 from the first day of the first month following either the due date of the
36 additional license fees or the date of overpayment until paid.

37 SEC. 3. NRS 463.370 is hereby amended to read as follows:

38 463.370 1. Except as provided in NRS 463.373, before issuing a
39 state gaming license, the commission shall charge and collect from each
40 applicant a license fee based upon all the gross revenue of the applicant
41 as follows:

42 Three percent of all the gross revenue of an applicant which does not
43 exceed \$150,000 per quarter year; and also

44 Four percent of all the gross revenue of an applicant which exceeds
45 \$150,000 per quarter year and does not exceed \$400,000 per
46 quarter year; and also

47 ~~Five and three-fourths~~ *Five and one-half* percent of all the gross
48 revenue of an applicant which exceeds \$400,000 per quarter
49 year.

50 2. Unless the licensee is operating under a license issued for less than

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— 3 —

1 a full calendar quarter, the commission shall charge and collect the fee
2 prescribed in subsection 1, based upon the gross revenue for the preced-
3 ing calendar quarter, on or before the last day of the first month of the
4 calendar quarter for which the license is issued.

5 3. When a licensee is operating under a license issued for less than
6 a full calendar quarter, the commission shall charge and collect the fee
7 prescribed in subsection 1, based on the gross revenue received during
8 that quarter, on or before the last day of the first month of the following
9 calendar quarter of operation. The payment of the fee due for the first
10 full calendar quarter of operation based on the gross revenue derived
11 from gambling pursuant to this section must be accompanied by the pay-
12 ment of a fee in like amount for the next full calendar quarter. Thereafter,
13 each quarterly license fee must be paid in advance based on the gross
14 revenue of the preceding quarter. Any deposit held by the commission on
15 July 1, 1969, must be treated as an advance payment.

16 4. All revenue received from any game or gaming device which is
17 leased for operation on the premises of the licensee-owner to a person
18 other than the owner thereof, or located in an area or space on such
19 premises which is leased by the licensee-owner to any such person, must
20 be attributed to the owner for the purposes of this section and be counted
21 as part of the gross revenue of the owner. The lessee is liable to the
22 owner for his proportionate share of such license fees.

23 5. If the amount of license fees required to be reported and paid
24 pursuant to this section is later determined to be greater or less than the
25 amount actually reported and paid by the licensee, the commission shall:

26 (a) Charge and collect the additional license fees determined to be
27 due, with interest thereon until paid; or

28 (b) Refund any overpayment, with interest thereon, to the licensee.
29 Interest must be computed at the rate of 7 percent per annum from the
30 first day of the first month following either the due date of the additional
31 license fees or the date of overpayment until paid.

32 SEC. 4. NRS 463.373 is hereby amended to read as follows:

33 463.373 1. Before issuing a state gaming license to an applicant for
34 the operation of not more than 15 slot machines and no other game or
35 gaming device, the commission shall charge and collect from such appli-
36 cant a license fee of ~~[\$25]~~ \$35 for each slot machine for each quarter
37 year.

38 2. The commission shall charge and collect the fee prescribed in sub-
39 section 1:

40 (a) On or before the last day of the last month in a calendar quarter,
41 for the ensuing calendar quarter, from a licensee whose operation is
42 continuing.

43 (b) In advance from a licensee who begins operation or puts addi-
44 tional slot machines into play during a calendar quarter.

45 3. Except as provided in NRS 463.386, no proration of the fee pre-
46 scribed in subsection 1 may be allowed for any reason.

47 4. The operator of the location where slot machines are situated
48 shall pay the fee prescribed in subsection 1 upon the total number of
49 slot machines situated in such location, whether such machines are owned
50 by one or more licensee-owners.

Assembly Bill No. 134 (cont'd)

1 SEC. 5. NRS 463.373 is hereby amended to read as follows:

2 463.373 1. Before issuing a state gaming license to an applicant for
3 the operation of not more than 15 slot machines and no other game or
4 gaming device, the commission shall charge and collect from such appli-
5 cant a license fee of ~~[\$35]~~ \$25 for each slot machine for each quarter
6 year.

7 2. The commission shall charge and collect the fee prescribed in sub-
8 section 1:

9 (a) On or before the last day of the last month in a calendar quarter,
10 for the ensuing calendar quarter, from a licensee whose operation is
11 continuing.

12 (b) In advance from a licensee who begins operation or puts addi-
13 tional slot machines into play during a calendar quarter.

14 3. Except as provided in NRS 463.386, no proration of the fee pre-
15 scribed in subsection 1 may be allowed for any reason.

16 4. The operator of the location where slot machines are situated
17 shall pay the fee prescribed in subsection 1 upon the total number of
18 slot machines situated in such location, whether such machines are owned
19 by one or more licensee-owners.

20 SEC. 6. NRS 463.375 is hereby amended to read as follows:

21 463.375 1. In addition to any other state gaming license fees pro-
22 vided for in this chapter, before issuing a state gaming license to an appli-
23 cant for the operation of 16 or more slot machines or for the operation of
24 any number of slot machines together with any other game or gaming
25 device, the commission shall charge and collect from such applicant a
26 license fee of ~~[\$40]~~ \$80 for each slot machine for each calendar year.

27 2. The commission shall charge and collect the fee prescribed in sub-
28 section 1, at the rate of ~~[\$10]~~ \$20 for each slot machine for each calen-
29 dar quarter:

30 (a) On or before the last day of the last month in a calendar quarter,
31 for the ensuing calendar quarter, from a licensee whose operation is con-
32 tinuing.

33 (b) In advance from a licensee who begins operation or puts additional
34 slot machines into play during a calendar quarter.

35 3. Except as provided in NRS 463.386, no proration of the quarterly
36 amount prescribed in subsection 2 may be allowed for any reason.

37 4. The operator of the location where slot machines are situated shall
38 pay the fee prescribed in subsection 1 upon the total number of slot
39 machines situated in such location, whether such machines are owned by
40 one or more licensee-owners.

41 SEC. 7. NRS 463.375 is hereby amended to read as follows:

42 463.375 1. In addition to any other state gaming license fees pro-
43 vided for in this chapter, before issuing a state gaming license to an appli-
44 cant for the operation of 16 or more slot machines or for the operation of
45 any number of slot machines together with any other game or gaming
46 device, the commission shall charge and collect from such applicant a
47 license fee of ~~[\$80]~~ \$40 for each slot machine for each calendar year.

48 2. The commission shall charge and collect the fee prescribed in sub-
49 section 1, at the rate of ~~[\$20]~~ \$10 for each slot machine for each calen-
50 dar quarter:

Assembly Bill No. 134 (cont'd)

— 5 —

1 (a) On or before the last day of the last month in a calendar quarter,
2 for the ensuing calendar quarter, from a licensee whose operation is
3 continuing.

4 (b) In advance from a licensee who begins operation or puts addi-
5 tional slot machines into play during a calendar quarter.

6 3. Except as provided in NRS 463.386, no proration of the quarterly
7 amount prescribed in subsection 2 may be allowed for any reason.

8 4. The operator of the location where slot machines are situated shall
9 pay the fee prescribed in subsection 1 upon the total number of slot
10 machines situated in such location, whether such machines are owned by
11 one or more licensee-owners.

12 SEC. 8. 1. Section 1 of this act shall become effective upon passage
13 and approval.

14 2. Sections 3, 5 and 7 of this act shall become effective on July 1,
15 1983.

50

H

A.B. 134 2nd Reprint
Assembly Amendments to 1st Reprint

EXHIBIT H

SECTION 1

Amended to clarify that the local government business license limitation applies to both flat fees and percentage fees.

SECTION 5

The restricted slot license increase from \$25 to \$35 is "Sunset" 7/1/83.

SECTION 7

The nonrestricted slot license increase from \$40 to \$80 is "Sunset" 7/1/83.

S. J. R. 21

SENATE JOINT RESOLUTION NO. 21—COMMITTEE
ON TAXATION

FEBRUARY 13, 1981

Referred to Committee on Taxation

SUMMARY—Authorizes differential taxation of residential property
and minerals. (BDR C-749)

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 to amend the Nevada constitution
to permit the separate classification of residential property for the purpose of
taxation and to provide for the taxation of minerals by value.

- 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. 1. The legislature shall provide by law for a uniform
5 and equal rate of assessment and taxation, *but may classify residential*
6 *property separately, in one or more classes, for the purpose of valuation*
7 *or assessment,* and shall prescribe such regulations as shall secure a just
8 valuation for taxation of all property, real, personal and possessory,
9 except [mines and mining claims, when not patented, the proceeds alone
10 of which shall be assessed and taxed, and when patented, each patented
11 mine shall be assessed at not less than five hundred dollars (\$500),
12 except when one hundred dollars (\$100) in labor has been actually per-
13 formed on such patented mine during the year, in addition to the tax
14 upon the net proceeds; shares] *property for which specific provision is*
15 *made in this section.*
16 2. *Shares* of stock (except shares of stock in banking corporations),
17 bonds, mortgages, notes, bank deposits, book accounts and credits, and
18 securities and choses in action of like character are deemed to represent
19 interest in property already assessed and taxed, either in Nevada or else-
20 where, and shall be exempt. [Notwithstanding the provisions of this sec-
21 tion, the]
22 3. *The legislature shall provide by law for the taxation of minerals,*
23 *including without limitation coal, oil, natural gas and other hydrocarbons,*
24 *at a rate not greater than 5 percent of their value as net proceeds.*
25 4. The legislature may constitute agricultural and open-space real

Senate Joint Resolution No. 21 (cont'd)

1 property having a greater value for another use than that for which it is
2 being used, as a separate class for taxation purposes and may provide a
3 separate uniform plan for appraisal and valuation of such property for
4 assessment purposes. If such plan is provided, the legislature shall also
5 provide for retroactive assessment for a period of not less than 7 years
6 when agricultural and open-space real property is converted to a higher
7 use conforming to the use for which other nearby property is used.

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

18 6. The legislature may exempt motor vehicles from the provisions of
19 the tax required by this section, and in lieu thereof, if such exemption is
20 granted, shall provide for a uniform and equal rate of assessment and
21 taxation of motor vehicles, which rate shall not exceed five cents on one
22 dollar of assessed valuation.

23 7. The legislature shall provide by law for a progressive reduction in
24 the tax upon business inventories by 20 percent in each year following the
25 adoption of this provision, and after the expiration of the 4th year such
26 inventories are exempt from taxation. The legislature may exempt any
27 other personal property, including livestock.

28 8. No inheritance or estate tax shall ever be levied. [, and there shall
29 also be excepted such property as may be exempted by law]

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

EXHIBIT J

EXAMPLES OF THE SENIOR CITIZEN'S PROGRAM
AFTER MAJOR TAX RELIEF (A.B. 369, S.B. 411, S.B. 69)

	<u>Owned Home</u>	<u>Rented Home</u>
Value of Home	\$60,000	\$60,000
	<u>X35%</u>	<u>X35%</u>
Assessed Value	\$21,000	\$21,000
Tax @ \$1.65/\$100	<u>\$346.50</u>	<u>\$346.50</u>
Rent		\$ 400/mo.
		<u>X12/mo.</u>
		\$ 4,800
		<u>X17%</u>
Rent Attributed to Tax		<u>\$ 816</u>
Tax Allowance if Income Range Requires 25% refund	<u>\$ 86.63</u>	<u>\$ 204.00</u>

REFUNDS
Senior Citizens Property Tax
Relief Program

	1977-78		1980-81		Estimated 1981-82			
					No Change		S.B. 244	
Homeowners	\$ 696,749	55%	\$ 575,627	42%	\$ 288,386	24%	\$ 379,500	24%
Mobile Homeowners	42,890	3%	42,546	3%	24,270	2%	38,856	2%
Mobile Home Renters	200,281	16%	232,687	17%	259,017	22%	321,065	21%
Renters	<u>334,812</u>	26%	<u>517,386</u>	38%	<u>631,184</u>	52%	<u>820,991</u>	53%
	\$1,274,732		\$1,368,246		\$1,202,857		\$1,560,412	

101-2383 SENIORS PROPERTY TAX ASSISTANCE - Continued

	1979-80 ACTUAL	1980-81 AGENCY REQUEST	1981-82 GOVERNOR RECOMMENDS	1982-83 GOVERNOR RECOMMENDS	LEG. AP.
REGULAR APPROPRIATION	\$ 1,450,000	\$ 1,815,000	\$ 1,750,000	\$ 1,750,000	
REFUNDS	\$ 1,321,992				
TOTAL FUNDS AVAILABLE	\$ 1,330,108	\$ 1,815,000	\$ 1,750,000	\$ 1,750,000	\$ 1,900,000
PERSONNEL EXPENSES	\$ 7,791	\$ 11,000	\$ 5,623	\$ 11,000	
INDUSTRIAL INSURANCE	\$ 63				
RETIREMENT - CLASSIFIED	\$ 271				
PER ASSESSMENT CLASSIFIED	\$ 70				
GROUP INSURANCE	\$ 191				
PAYROLL ASSESSMENT CLAS	\$ 21				
IC CLASSIFIED	\$ 21				
OVERTIME PAY (NON MOLI)	\$ 480				
TOTAL SALARY-PAYROLL	\$ 8,906	\$ 11,000	\$ 5,623	\$ 11,000	\$ 11,000
HOME OWNERS REBATE AID TO COUNTIES SA CIV PROP TAX ASST A	\$ 1,126,211	\$ 1,804,000	\$ 1,732,377	\$ 1,726,848	
TOTAL FOR SUB ACCT 10	\$ 1,321,202	\$ 1,804,000	\$ 1,732,377	\$ 1,726,848	\$ 1,881,177
DATA PROCESSING		\$ 12,000	\$ 12,152	\$ 13,200	\$ 14,060
TOTAL AGENCY EXPENDITURES	\$ 1,330,108	\$ 1,815,000	\$ 1,750,000	\$ 1,750,000	\$ 1,900,000
AGENCY BALANCE					

S. B. 244

SENATE BILL NO. 244—SENATOR WAGNER

FEBRUARY 18, 1981

Referred to Committee on Taxation

SUMMARY—Increases certain allowances to elderly for property taxes. (BDR 32-758)

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 property taxes; increasing certain allowances available to senior citizens for the payment of property 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. 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
 4 residence the home for at least 6 months immediately preceding the filing
 5 of his claim and whose household income is not [over \$11,000] more
 6 than \$13,700 is entitled to an allowance against the property tax accrued
 7 against his home to the extent determined by the percentage shown
 8 opposite his household income range on the schedule below:
 9

10	INCOME RANGE		PERCENT TAX			
11	If the Amount of		Percent of Claimant's			
12	Applicant's Household		But Not	Property Tax		
13	Income Is Over		Over	Accrued Allowable		
14				as Assistance Is		
14	\$0	—	[\$2,999]	\$3,699	90	
15	[3,000]	3,700	—	[4,999]	6,199	75
16	[5,000]	6,200	—	[6,999]	8,699	50
17	[7,000]	8,700	—	[9,999]	12,399	25
18	[10,000]	12,400	—	[11,000]	13,700	10

19 2. The amount of the allowance must not exceed the amount of the
 20 accrued property tax paid by the claimant or \$500, whichever is less.
 21 SEC. 2. NRS 361.835 is hereby amended to read as follows:
 22 361.835 A senior citizen who has rented and maintained his primary
 23 residence in a home or on a mobile home lot for at least 6 months of the

Senate Bill No. 244 (cont'd)

1 preceding calendar year and whose household income is not [over \$11,-
2 000] more than \$13,700 is entitled to a refund as determined in accord-
3 ance with the schedule in NRS 361.833, but only with respect to that
4 portion of his rent which is rent deemed to constitute accrued property
5 tax.

80

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

A. B. 177

ASSEMBLY BILL NO. 177—ASSEMBLYMEN DINI,
MAY, GLOVER AND MELLO

FEBRUARY 17, 1981

Referred to Committee on Taxation

SUMMARY—Abolishes requirement for veterans to make annual claims
for exemption from property tax. (BDR 32-518)

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 revenue and taxation; abolishing the requirement for veterans
to make annual claims for exemption from property tax and vehicle privilege
tax; 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 361.090 is hereby amended to read as follows:
2 361.090 1. The property, to the extent of \$1,000 assessed valuation,
3 of any actual bona fide resident of the State of Nevada who:
4 (a) Was such a resident for [a period of] more than 3 years before
5 December 31, 1963, or who was such a resident at the time of his [or
6 her] entry into the Armed Forces of the United States, who has served
7 a minimum of 90 days on active duty, who was assigned to active duty
8 at some time between April 21, 1898, and June 15, 1903, [or] between
9 April 6, 1917, and November 11, 1918, [or] between December 7,
10 1941, and December 31, 1946, or between June 25, 1950, and January
11 31, 1955; or
12 (b) Was such a resident at the time of his [or her] entry into the
13 Armed Forces of the United States, who has served a minimum of 90
14 continuous days on active duty none of which was for training pur-
15 poses, who was assigned to active duty at some time between January
16 1, 1961, and May 7, 1975,
17 and who received, upon severance from service, an honorable discharge
18 or certificate of satisfactory service from the Armed Forces of the
19 United States, or who, having so served, is still serving in the Armed
20 Forces of the United States, is exempt from taxation.
21 2. For the purpose of this section the first \$1,000 assessed valuation
22 of property in which [such] *the* person has any interest shall be deemed
23 the property of that person.

Assembly Bill No. 177 (cont'd)

— 2 —

1 3. The exemption [shall be] is allowed only to a claimant who files
2 an affidavit [annually, on or before the 1st Monday in August,] for the
3 purpose of being exempt on the tax roll. [, but the affidavit may be
4 filed at any time by a person claiming exemption from taxation on
5 personal property.]

6 4. The affidavit [shall] must be filed with the county assessor and
7 be to the effect that the affiant is an actual bona fide resident of the
8 State of Nevada [who] , that he meets all the other requirements of
9 subsection 1 and that he does not claim the exemption [is claimed in
10 no] in any other county within this state.

11 [5. Persons in actual military service are exempt during the period
12 of such service from filing annual affidavits of exemption and the
13 county assessors shall continue to grant exemption to such persons on
14 the basis of the original affidavits filed. In the case of]

15 5. After an initial claim for a tax exemption has been filed as pro-
16 vided in subsections 3 and 4, no further claim need be filed by any
17 claimant with the county assessor. No county assessor may demand that
18 a further claim for such a tax exemption be filed with him as a condition
19 precedent to his allowing the exemption.

20 6. Whenever any exempt property is sold or ceases to be exempt
21 from taxation by reason of the provisions of subsection 1 of NRS 361.-
22 157 or 361.159, the owner thereof shall immediately notify the county
23 assessor of that fact.

24 7. If any person [who] has entered the military service without
25 having previously made and filed an affidavit of exemption, such an
26 affidavit may be filed in his behalf during the period of [such] his serv-
27 ice by any person having knowledge of the facts.

28 [6.] 8. Before allowing any veteran's exemption pursuant to the
29 provisions of this chapter, the county assessor [of each of the several
30 counties of this state] shall require proof of the veteran's status [of the
31 veteran,] and for that purpose shall require production of [an] a cer-
32 tificate of honorable discharge or [certificate of] satisfactory service, or
33 a certified copy thereof, or such other proof of his status as may be
34 necessary.

35 [7.] 9. If any person files a false affidavit or produces false proof
36 to the county assessor, and as a result of [such] the false affidavit or
37 false proof the person is allowed a tax exemption [is allowed to a per-
38 son] to which he is not entitled [to such exemption, he or she] , he is
39 guilty of a gross misdemeanor.

40 SEC. 2. NRS 361. 091 is hereby amended to read as follows:

41 361.091 1. An actual bona fide resident of the State of Nevada
42 who has incurred a permanent service-connected disability and has been
43 honorably discharged from the Armed Forces of the United States is
44 entitled to a disabled veteran's exemption.

45 2. The amount of exemption [shall be] is based on the total per-
46 centage of permanent service-connected disability. The maximum allow-
47 able exemption for total permanent disability is the first \$10,000 assessed
48 valuation. A person with a permanent service-connected disability of:

49 (a) Eighty to 99 percent, inclusive, is entitled to [a] an exemption of
50 \$7,500 assessed value. [exemption.]

Assembly Bill No. 177 (cont'd)

— 3 —

1 (b) Sixty to 79 percent, inclusive, is entitled to [a] *an exemption of*
2 *\$5,000 assessed value. [exemption.]*

3 For purposes of this section, any property in which an applicant has
4 any interest is deemed to be the property of the applicant.

5 3. The exemption [shall be] *is allowed only to a claimant who has*
6 *made an affidavit [annually, on or before the 1st Monday in August,]*
7 *for the purpose of being exempt on the tax roll. [; but the affidavit may*
8 *be made at any time by a person claiming exemption from taxation*
9 *on personal property.]*

10 4. The affidavit [shall] *must be made before the county assessor*
11 *or [before] a notary public and be submitted to the county assessor. It*
12 *must be to the effect that the affiant is an actual bona fide resident of*
13 *the State of Nevada, that he [or she] meets all the other requirements*
14 *of subsection 1, and that [such exemption is claimed in no] he does not*
15 *claim the exemption in any other county within this state.*

16 5. *After an initial claim for a tax exemption has been filed as pro-*
17 *vided in subsections 3 and 4, no further claim need be filed by any*
18 *claimant with the county assessor. No county assessor may demand*
19 *that a further claim for this tax exemption be filed with him as a con-*
20 *dition precedent to his allowing the exemption.*

21 6. *Whenever any exempt property is sold or ceases to be exempt*
22 *from taxation by reason of the provisions of subsection 1 of NRS 361.-*
23 *157 or 361.159, the owner thereof shall immediately notify the county*
24 *assessor of that fact.*

25 7. Before allowing any exemption pursuant to the provisions of
26 this section, the county assessor shall require proof of *the applicant's*
27 *status [of the applicant,] and for that purpose shall require [an appli-*
28 *cant] him to produce an original or certified copy of:*

29 (a) An honorable discharge or other document of honorable separa-
30 tion from the Armed Forces of the United States which indicates the
31 total percentage of *his* permanent service-connected disability;

32 (b) A certificate of satisfactory service which indicates the total per-
33 centage of *his* permanent service-connected disability; or

34 (c) A certificate from the Veterans' Administration *which shows that*
35 *[the applicant] he has incurred a permanent service-connected dis-*
36 *ability, and which indicates the total percentage of that disability,*
37 *together with [an] a certificate of honorable discharge or [certificate*
38 *of] satisfactory service.*

39 [6.] 8. If a tax exemption is allowed under this section, the
40 claimant is not entitled to an exemption under NRS 361.090.

41 [7.] 9. If any person makes a false affidavit or produces false proof
42 to the county assessor or a notary public, and as a result of [such] *the*
43 *false affidavit or false proof, the person is allowed a tax exemption [is*
44 *allowed to a person] to which he is not entitled [to such exemption,*
45 *such person], he is guilty of a gross misdemeanor.*

46 SEC. 3. NRS 371.103 is hereby amended to read as follows:

47 371.103 1. Vehicles, to the extent of \$1,000 determined valuation,
48 registered by any actual bona fide resident of the State of Nevada who:

49 (a) Was such a resident for [a period of] more than 3 years before
50 December 31, 1963, or who was such a resident at the time of his [or

Assembly Bill No. 177 (cont'd)

1 her] entry into the Armed Forces of the United States, who has served a
2 minimum of 90 days on active duty, who was assigned to active duty at
3 some time between April 21, 1898, and June 15, 1903, [or] between
4 April 6, 1917, and November 11, 1918, [or] between December 7,
5 1941, and December 31, 1946, or between June 25, 1950, and January
6 31, 1955; or

7 (b) Was [such] a resident at the time of his [or her] entry into the
8 Armed Forces of the United States, who has served a minimum of 90
9 continuous days on active duty none of which was for training purposes,
10 who was assigned to active duty at some time between January 1, 1961,
11 and May 7, 1975,

12 and who received, upon severance from service, an honorable discharge
13 or certificate of satisfactory service from the Armed Forces of the United
14 States, or who, having so served, is still serving in the Armed Forces of
15 the United States, are exempt from taxation.

16 2. For the purpose of this section the first \$1,000 determined valuation
17 of vehicles in which [such] the person has any interest shall be
18 deemed to belong to that person.

19 3. A person claiming the exemption shall file [annually] with the
20 department in the county where the exemption is claimed an affidavit
21 declaring that he is an actual bona fide resident of the State of Nevada
22 who meets all the other requirements of subsection 1, and that the exemp-
23 tion is claimed in no other county within this state.

24 4. [Persons in actual military service are exempt during the period
25 of such service from filing annual affidavits of exemption and the depart-
26 ment shall grant exemption to such persons on the basis of the original
27 affidavits filed. In the case of any person who has entered the military
28 service without having previously made and filed an affidavit of exemp-
29 tion, such affidavit may be filed in his behalf during the period of such
30 service by any person having knowledge of the facts.] *After an initial
31 claim for an exemption has been filed as provided in subsection 3, no
32 further claim need be filed by the claimant with the department. The
33 department may not demand that a further claim for an exemption be
34 filed with it as a condition precedent to its allowing the exemption.*

35 5. Before allowing any veteran's exemption pursuant to the provisions
36 of this chapter, the department shall require proof of status of the veteran,
37 and for that purpose shall require production of an honorable discharge
38 or certificate of satisfactory service or a certified copy thereof, or such
39 other proof of status as may be necessary.

40 6. If any person files a false affidavit or produces false proof to the
41 department, and as a result of such false affidavit or false proof a tax
42 exemption is allowed to a person not entitled to such exemption, he is
43 guilty of a gross misdemeanor.

44 SEC. 4. NRS 371.104 is hereby amended to read as follows:

45 371.104 1. An actual bona fide resident of the State of Nevada who
46 has incurred a permanent service-connected disability and has been hon-
47 orably discharged from the Armed Forces of the United States is entitled
48 to a veteran's exemption from the payment of vehicle privilege taxes on
49 vehicles of the following determined valuations:

Assembly Bill No. 177 (cont'd)

— 5 —

1 (a) If he has a disability of 100 percent, the first \$10,000 of deter-
2 mined valuation;

3 (b) If he has a disability of 80 to 99 percent, inclusive, the first \$7,500
4 of determined valuation; or

5 (c) If he has a disability of 60 to 79 percent, inclusive, the first \$5,000
6 of determined valuation.

7 2. For the purpose of this section, the first \$10,000 determined valu-
8 ation of vehicles in which [such] the person has any interest shall be
9 deemed to belong entirely to that person.

10 3. A person claiming the exemption shall file [annually] with the
11 department in the county where the exemption is claimed an affidavit
12 declaring that he is an actual bona fide resident of the State of Nevada
13 who meets all the other requirements of subsection 1, and that the exemp-
14 tion is claimed in no other county within this state.

15 4. *After an initial claim for an exemption has been filed as provided*
16 *in subsection 3, no further claim need be filed by the claimant with the*
17 *department. The department may not demand that a further claim for an*
18 *exemption be filed with it as a condition precedent to its allowing the*
19 *exemption.*

20 5. Before allowing any exemption pursuant to the provisions of this
21 section, the department shall require proof of status of the applicant,
22 and for that purpose shall require production of:

23 (a) A certificate from the Veterans' Administration that the applicant
24 has incurred a permanent service-connected disability, which shows the
25 percentage of that disability; and

26 (b) Any one of the following:

27 (1) An honorable discharge;

28 (2) A certificate of satisfactory service; or

29 (3) A certified copy of either of these documents.

30 [5.] 6. If a tax exemption is allowed under this section, the claimant
31 is not entitled to an exemption under NRS 371.103.

32 [6.] 7. If any person makes a false affidavit or produces false proof
33 to the department, and as a result of such false affidavit or false proof, a
34 tax exemption is allowed to a person not entitled to such exemption,
35 such person is guilty of a gross misdemeanor.

36 SEC. 5. NRS 371.105 is hereby amended to read as follows:

37 371.105 Claims under NRS [371.101, 371.102, 371.103 or 371.-
38 104] 371.101 or 371.102 for tax exemption on the vehicle privilege tax
39 shall be filed annually at any time on or before the date when payment of
40 such tax is due. All exemptions provided for in this section shall not be
41 in an amount which gives the taxpayer a total exemption greater than that
42 to which he is entitled during any fiscal year.