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## Bill Explanation

ASSEMBLY BILL 516  
Assembly Committee on Taxation  
Hearing: April 10, 2003

**Summary:** Makes various changes to provisions governing taxes on motor vehicle fuels. If approved, **Section 10** makes sections 2 to 7 and section 9 effective on July 1, 2003; section 1 effective on July 1, 2004; and because of transitional language, section 8 effective on July 1, 2005, to replace section 7, which sunsets on June 30, 2005. **(Note: The effective date for section 1 does not work because it is after the first date the Department of Motor Vehicles would have to provide the notification required by section 1.)**

**Section 1:** Requires DMV by April 15 of each year to notify each local government of the new local gasoline tax rates that take effect at the beginning of the next fiscal year due to the indexing of local fuel tax rates pursuant to sections 2, 3, 4, 5 and 9 of the bill. Also, provides that the total indexed rate in a jurisdiction is to be rounded to the nearest tenth of a cent.

**Sections 2, 3, 4, 5 and 9:**

Adjust the various state and local gasoline tax rates to changes in the CPI beginning in FY 2004-05. The rates of the taxes may not increase by more than four percent each year and the rates may not go below the rates currently in effect.

**Section 6:** Provides for the direct distribution to cities of revenue from a one-cent local gasoline tax that has already been provided for other local gasoline taxes.

**Sections 7 and 8:**

Revise the formula for the distribution of gasoline tax revenues that was approved in 2001 and which revised the distribution of 3.6 cents of the gasoline tax, and provide for truing up to the correct distribution of revenues for the fiscal year using the last month of revenues. The existing formula distributes the revenue two-thirds according to population and one-third according to road miles in the county, but first allocates to each county the amount it received in FY 2001. It then allocates only the excess revenue to those who by formula are entitled to receive more than the FY 2001 amount on a two-thirds, one-third basis. This revised formula does not change the hold-harmless provision, but instead takes a pro rata share of the excess revenues that the donor counties would have otherwise received to make up the difference between the formula amount and the guarantee amount for those counties that require a subsidy to be held harmless. Also, provides a definition of "total mileage of an improved road or street" to conform to how mileage has always been determined. **(Note: The formula approved in 2001 did not match the recommendation of the committee that is now known as the legislative committee for local government taxes and finance. This change does so.)** Section 8 accommodates a transitional change to the same section.