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CITY OF LAS VEGAS
WRITTEN TESTIMONY ON CONSOLIDATED TAX DISTRIBUTION (C-TAX)
TO: SENATE COMMITTEE ON TAXATION

Mr. Chairman, for the record my name is Candace Falder, and I am the Deputy Director of Finance & Business Services for the city of Las Vegas. Thank you for this opportunity to testify on the consolidated tax distribution formula.

As you have heard others testify, the current consolidated tax formula has evolved from the property tax shift of 1981, which created the Supplemental City/County Relief Tax. Originally, this shift was designed to replace each local government's loss in property tax revenues. Since each local government prior to 1981 made its own decision as to how much property tax was needed for operating purposes, not all local governments were levying equal proportions of property tax rates. Again, this was by design under the property tax shift of 1981.

Then, prior to 1995, there was statewide frustration over the tax distribution methodology – it was perceived that the method of distributing various taxes at that time was flawed – so much so that the 1995 Legislature created an interim committee to review and revamp the method of distribution. And so, in 1997 the distribution formula was changed to what is now known as the Consolidated Tax Distribution Formula, combining Basic and Supplemental City/County Relief Taxes with four other sources. The legislature believed this new methodology was a more stable and non-competitive formula for the distribution of revenue to local governments – and that it would help to ensure local governments would not engage in politicized regional battles to see who gets the most revenue to fuel growth.

However, after four years it was perceived that the consolidated tax distribution formula was too protective and that revenue growth was not adequately following where the growth was occurring. Thus AB 653 was passed in 2001 to modify the distribution formula so that it would be more responsive to growth throughout the state. This change resulted in a shift of millions of revenue dollars from slower growing communities like Las Vegas to faster growing communities like Henderson and North Las Vegas during these past 5 years.

The city of Las Vegas believes the Consolidated Tax Distribution Formula, with its origins as the "Tax Shift of 1981" as modified through 2001, has not only enabled the local governments to live within this formula but also grow and extend their services to new parts of their communities for the past 25 years. The city of Las Vegas believes the formula is fair and equitable under the current scheme, and that no further adjustments are necessary at this time.

Again, Mr. Chairman, thank you for this opportunity to testify.

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