

Assembly

MINUTES OF MEETING - COMMITTEE ON TAXATION - 55TH NEVADA ASSEMBLY SESSION - FEBRUARY 12, 1969

Present: K. Hafen, Getto, Tyson, Smith, Swackhamer and Hilbrecht (Young and Espinoza arrived later in the meeting as indicated herein)

Absent: Schouweiler

Also Present: Mr. Joe Digles, Nevada Resort Association; Ernest Newton, Nevada Taxpayers Association; Clark Russell, Department of Economic Development; and Vickie Nash, Gazette-Journal

Chairman Hafen convened the meeting at 8:15 a.m. He noted that the resolutions on the agenda would be heard again tomorrow due to several other people want to be heard on the issues.

Mr. Swackhamer read a letter regarding confiscation of properties for non-payment of taxes with specific reference to the fact that mobile homes fall into the category of personal property. In some instances, an individual can lose his entire home through non-payment of taxes. Discussion was held also on the publication of notice of sale of real property. Mr. Swackhamer cited an example where the owner of an agricultural piece of property, valued at about \$200,000 to \$300,000, living in another state, failed to pay his taxes due to improper notice. The property was sold for the amount of the tax deficiency, being approximately \$3000.

(Mr. Espinoza arrived at the meeting.)

Mr. Swackhamer recommended that the committee have a bill drafted regarding NRS 361.595 inserting the word "shall" rather than the word "may" and requirement for posting from 3 to 4 places; also NRS 361.535 regarding seizure of property.

Tyson moved that such a bill be drafted and introduced as a committee measure;

Getto seconded;

Unanimously passed.

Mr. Smith introduced a list of recommendations by Mr. Bilbray and stated that the preceding proposals were included therein. The bills encompassed were approximately 10 separate proposals and Mr. Getto moved that they be drafted and introduced to the committee for consideration;

Motion seconded by Smith;

Unanimously passed.

A.E. 29, clarifying state gaming license due dates and penalties. An amendment has been recommended beginning with Line 2 of Section 5 on page 4 deleting the words "prior to the 10th of January of every year" for the purpose of coinciding with the terminology in Paragraph 3 of Section 5, "on or before December 31 for the ensuing calendar year."

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Discussion was then held regarding the definition of a slot machine in Section 7 of A.B. 29 and Mr. Getto announced that he would obtain the proper definition and report back to the committee.

At that time, Mr. Hafen introduced Mr. Russell and Mr. Newton to the Committee.

Mr. Russell, regarding A.J.R. 5 stated that with reference to line 25, his office had been at a loss for the proper word to be used and finally settled on the word "process". The attorney general did not agree, however. His department also suggested the addition of the word "wholesale" prior to merchants on Line 28 of A.J.R. 5. By adding this word, it would bring Nevada into competition with the State of Utah. Mr. Smith asked him for a definition of "Wholesale Merchants and he stated it was a person who engages in wholesale trades. Mr. Swackhamer asked why it should be limited to just "wholesalers" and was advised that this was due to competition in other areas. He then stated that the Las Vegas areas has several wholesale businesses and it is extremely competitive. Mr. Russell stated he would have to research to learn the particular reason for adding the word "wholesale". He said he did not know what affect this would have on the tax rolls and Mr. Hafen announced that he had some figures on this and that more would be coming in soon.

Mr. Hilbrecht inquired if tax incentives were important to his department and Mr. Russell stated no, but he noted the "dead-head" points in the free port law where all is coming in and nothing is leaving. It is necessary when negotiating for commodity rates and they want to expand this to include manufacturing. He cited many cases where companies will leave the state because of over-taxation and the free port law is a tax incentive.

It is true that by lowering the level of taxation in one area, there is usually an increase in another area. It is a matter of building the entire tax base of the state. The majority of people in the state will not consider the tax incentive when determining a site for their business. It is usually 5th or sixth on their list of requirements.

Mr. Hilbrecht asked should General Motors Corporation settle in Nevada to assemble automobiles, would it be more effective to have a tax on the company or have the company exempt from the point of economic growth. Mr. Russell stated that a large company would add very much to the tax base as well as the growth. This being in terms of jobs and payroll. The payroll would find its way into personal property, etc. which are subject to taxes. He noted that Nevada was one of the first to put the free port law into effect. It is similar to the merchant who gives green stamps; when others give them too, they are afraid to give them up because of the public demand. When asked if the free port law could do the same thing, Mr. Russell stated that other states would most likely feel that way. Those states not having the free port law now are seriously considering it at the present time. For instance, California has such a tremendous inventory tax it is an additional incentive for them to base in Nevada.

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Mr. Newton was introduced and A.J.R. 4 was discussed. He stated:

The committee should examine the constitution on the exemption of almost any kind of facility constructed in the state for four years. That is the proposed amendment. It does not provide the exemption, but it allows the legislation to do so. Look at the Supreme Court decision of approving the veterans exemption many years ago. It is really against the constitution but you have done it so long, I guess the legislature has the right to grant the exemption. I don't remember the Judge who wrote Article 4, Section 20 of the constitution. The granting of a special tax to an agent or company coming into the state as an inducement is not very effective.

Mr. Newton further stated that some of the first incentives would be availability of markets and labor and he would place tax incentive down to about 8th or 9th on the list of critical requirements when moving a business organization. He said in his opinion an organization that would only come in because of a tax advantage for four years would not necessarily be the most desirable operation to have in the state. If we have to buy their business for four years in this way, they will not make a good company-citizen at the end of four years. He felt a better incentive would be a low interest rate given to a business organization.

(Mr. Young arrived at the meeting.)

Regarding A.J.R. 5, he agreed with Mr. Russell completely. We want to extend the free port law to include the manufacturing process. There would be no tax loss due to this inclusion, because we are not getting anything now.

Figures presented by Mr. Newton on the tax loss to the state were not in conformance with those derived by Mr. Nickson of the Tax Commission and it was determined that the figures of each may have been based on different types of inventory.

Mr. Young suggested that Mr. Newton be asked to help the committee by meeting with Mr. Nickson and going over the figures since they are important to the issue.

Mr. Newton and Mr. Russell were invited to return to the meeting scheduled for February 18 at 8:00 a.m. and Chairman Hafen adjourned the meeting.

Note: Totals include airplanes, bank stock, net proceeds of mines, water rights and pipelines.

CHURCHILL: \$4,876,959.

Includes: Livestock	\$1,035,044.
Merchants' Inventory	445,975.
Miscellaneous Property	3,033,798.

Total Assessed Value: \$ 25,046,940.
Combined County Tax Rate: \$4.00

CLARK: \$95,899,260.

Includes: Livestock	\$ 320,199.
Merchants' Inventory	18,789,377.
Miscellaneous Property	66,782,320.

Total Assessed Value: \$730,456,746.
Combined County Tax Rate: \$3.5067

DOUGLAS: \$7,729,973.

Includes: Livestock	\$ 697,185.
Merchants' Inventory	584,093.
Miscellaneous Property	4,607,697.

Total Assessed Value: \$ 59,697,209.
Combined County Tax Rate: \$1.808

ELKO: \$14,359,287.

Includes: Livestock	\$6,623,079.
Merchants' Inventory	1,211,630.
Miscellaneous Property	5,656,518.

Total Assessed Value: \$ 67,251,348.
Combined County Tax Rate: \$3.3352

ESMERALDA: \$666,473.

Includes: Livestock	\$ 154,372.
Merchants' Inventory	10,300.
Miscellaneous Property	396,651.

Total Assessed Value: \$ 4,173,717.
Combined County Tax Rate: \$4.29

EUREKA: \$10,980,094.

Includes: Livestock \$ 935,495.
 Merchants' Inventory 34,915.
 Miscellaneous Property 1,243,285.

Total Assessed Value: \$ 20,661,943.
 Combined County Tax Rate: \$2.90

HUMBOLDT: \$7,007,586.

Includes: Livestock \$2,477,939.
 Merchants' Inventory 469,025.
 Miscellaneous Property 3,092,654.

Total Assessed Value: \$ 32,535,090.
 Combined County Tax Rate: \$3.30

LANDER: \$4,659,734.

Includes: Livestock \$ 702,149.
 Merchants' Inventory 78,901.
 Miscellaneous Property 3,550,677.

Total Assessed Value: \$ 14,847,690.
 Combined County Tax Rate: \$3.86

LINCOLN: \$2,300,574.

Includes: Livestock \$ 569,763.
 Merchants' Inventory 75,598.
 Miscellaneous Property 1,286,955.

Total Assessed Value: \$ 9,347,594.
 Combined County Tax Rate: \$3.50

LYON: \$10,485,452.

Includes: Livestock \$ 937,687.
 Merchants' Inventory 657,340.
 Miscellaneous Property 6,782,116.

Total Assessed Value: \$ 36,855,364.
 Combined County Tax Rate: \$3.603

MINERAL: \$1,336,943.

Includes: Livestock \$ 65,432.
 Merchants' Inventory 175,915.
 Miscellaneous Property 945,638.

Total Assessed Value: \$ 9,100,763.
 Combined County Tax Rate: \$5.00

NYE:

\$5,227,230.

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Includes: Livestock	\$ 991,812.
Merchants' Inventory	187,583.
Miscellaneous Property	3,275,329.

Total Assessed Value:	\$ 21,090,371.
Combined County Tax Rate:	\$3.90

ORMSBY:

\$5,236,571.

Includes: Livestock	\$ 22,910.
Merchants' Inventory	831,385.
Miscellaneous Property	3,439,829.

Total Assessed Value:	\$ 39,595,604.
Combined County Tax Rate:	\$3.84

PERSHING:

\$1,999,156.

Includes: Livestock	\$ 601,282.
Merchants' Inventory	158,355.
Miscellaneous Property	716,672.

(Note: Some livestock escaped tax as Assessor thought they were exempt.)

Total Assessed Value:	\$ 21,298,613.
Combined County Tax Rate:	\$3.11

STOREY:

\$571,267.

Includes: Livestock	\$ 6,235.
Merchants' Inventory	23,235.
Miscellaneous Property	424,555.

Total Assessed Value:	\$ 4,410,224.
Combined County Tax Rate:	\$4.05

WASHOE:

\$52,719,566.

Includes: Livestock	\$ 1,099,150.
Merchants' Inventory	11,402,940.
Miscellaneous Property	34,412,676.

Total Assessed Value:	\$409,335,398.
Combined County Tax Rate:	\$3.796

WHITE PINE:

\$3,200,450.

Includes: Livestock	\$ 926,015.
Merchants' Inventory	655,235.
Miscellaneous Property	943,605.

Total Assessed Value:	\$ 28,237,264.
Combined County Tax Rate:	\$3.60

TOTAL STATEWIDE: \$229,256,575.

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Includes: Livestock	\$ 18,165,748.
Merchants' Inventory	35,791,802.
Miscellaneous Property	140,590,975.

Total Assessed Valuation: \$1,531,950,559.

Average Tax Rate: \$4.226

Total Property Tax Revenues: \$ 64,743,114.

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Nevada Tax Commission

CARSON CITY, NEVADA 89701

PAUL LAXALT, Governor, Chairman

ROY E. NICKSON, Secretary

February 11, 1969

The Honorable M. Kent Hafen
Assemblyman, State of Nevada
Chairman, Assembly Taxation Committee
Assembly Chambers
State Capitol Building
Carson City, Nevada 89701

Dear Assemblyman Hafen:

As requested, I have reviewed Assembly Joint Resolutions 4, 5, 14 and 15, and am submitting comments regarding their implementation for your information. On January 30, 1969, I prepared a study for Assemblyman Virgil Getto and Assemblyman Norman Glaser regarding the effect of Assembly Joint Resolution No. 15. This study made certain assumptions that I have utilized in my review of Assembly Joint Resolutions 5 and 14. These basic assumptions are:

- 1) Airplanes, bank stock, net proceeds of mines, water rights and pipelines would continue to be subject to the property tax.
- 2) 40 percent of the "other personal property" shown on the assessors' rolls represents household furnishings. The remaining 60 percent consists of mobile homes, boats, commercial and industrial furnishings and equipment, etc., which would remain subject to the tax.

Assembly Joint Resolution No. 4 proposing that the Legislature may provide the improvements made to real property be assessed and taxed at a rate less than the uniform and equal rate otherwise prescribed by law. Any such reduction shall be limited to the first 4 years of the useful life of any such improvement.

Comment: While similar actions have been taken by the Arizona Legislature and the Idaho Legislature, they were subjected to many legal objections. As a result of these objections, I understand that the State of Idaho rescinded such legislation, and that the Arizona statutes are being questioned in the courts. As a result of similar alleged discriminatory taxation, the Senate of the United States in the last session introduced bill number 927. This bill covers taxation of common carrier property, railroads, airlines, etc., and would make it unlawful to tax such common carriers at a higher ratio of assessed value than any other property located within the state. The railroads would be able to obtain from Federal District Courts a Writ of Injunction to avoid payment of any excess taxes as a result of such variance in ratios of assessed value. While this bill did not pass in the last session, it

is certain to be introduced in the current session because of widespread discriminatory practices by certain states. If the action envisioned by Assembly Joint Resolution No. 4 is considered appropriate, I would recommend that it be achieved through the granting of exemptions from the tax rather than the establishment of a separate assessment ratio.

Assembly Joint Resolution No. 5 authorizing exemption from the property tax under the Free Port Law of materials used in a manufacturing process and exempting the inventory of manufacturers and merchants from such property taxation.

Comments:

- a) Extension of free port exemptions to include property subjected to a manufacturing process. The Attorney General has repeatedly emphasized the "liberal interpretation" included in the current statute. On October 17, 1967, the Attorney General issued his Opinion No. 449, which states that personal property shipped to a warehouse in Nevada for repair and replacement of worn parts, with a final destination outside of Nevada, is exempt from taxation under the Free Port Law. While I believe the current statute can be interpreted to include the "manufacturing process", its inclusion in the Constitution could make this explicit and, thus, encourage industry to move to the state. As the prime requisite under the free port statute is that all items must move into Nevada through interstate commerce and must be destined for outside of Nevada, I believe the amount of manufacturing inventory now included in the personal property tax is insignificant. No specific figures are available in the Tax Commission regarding such items.
- b) Exemption of merchants' and manufacturers' inventory from the property tax. Merchants' inventories on the current tax roll are shown with an assessed value of \$35,791,802. Assuming that all such inventories are located in districts having a maximum tax rate of \$5.00, this is the equivalent of \$1,789,590 tax revenue dollars. If merchants' inventories were exempted from the property tax, it would be necessary to raise the ratio of assessed value from 35 percent to 35.85 percent to raise the same amount of revenue for the local governments and the state. While, as indicated, no specific figures on manufacturers' inventories are available, I would estimate that they represent no more than the merchants' inventory totals. Thus, by increasing the ratio to 37 percent, no revenue losses should be sustained if Assembly Joint Resolution No. 5 eventually becomes law.

Assembly Joint Resolution No. 14 exempting inventories of merchants and household property from the ad valorem property tax. As previously indicated, household goods are estimated at 40 percent of the "other personal property" shown on the assessors' segregation rolls. This is the equivalent of an assessed value of \$56,236,390. When this is added to the merchants' inventory figure of \$35,791,802, a total loss in assessed

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valuation of \$92,028,192 could be anticipated by eventual enactment of this resolution. Assuming, again, that the merchants' inventory is located in districts with an average tax rate of \$5.00 and that household goods are in tax districts with an average rate of \$4.50, this would result in a total tax dollar loss of \$4,320,223. To raise the same amount of tax dollars if these categories are exempted, the assessment ratio would have to be increased from 35 percent to 37.25 percent.


Assembly Joint Resolution No. 15 exempting from taxation household furniture and certain personal property of retailers, wholesalers, manufacturers, farmers and livestock raisers.

Comment: Exemption of these items was the basis of my letter to Assemblymen Getto and Glaser of January 30, 1969, and I am enclosing a copy of that letter for your information. In this instance, I estimated a total tax dollar loss of \$4,547,064, and a requirement to raise the ratio from 35 percent to 37.50 percent to achieve the same revenues. However, as I point out, the effect on the counties having large livestock values is more severe than in the urban oriented counties. To insure that the rural counties would receive the same tax revenues, it would be necessary to increase the assessed valuation an additional percentage point, or to 38.50 percent. I estimate that exempting the items contained in Assembly Joint Resolution No. 15 from the property tax would result in a 7 percent reduction in the total assessed property value of the State of Nevada.

If I can provide any additional information, please let me know.

Highest personal regards.

Sincerely,


Roy E. Nickson
Secretary

REN/hw

Enclosure



STATE OF NEVADA
Nevada Tax Commission

CARSON CITY, NEVADA 89701

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PAUL LAXALT, Governor, Chairman

ROY E. NICKSON, Secretary

January 30, 1969

The Honorable Virgil Getto
Assemblyman, State of Nevada
Assembly Chambers
Capitol Building
Carson City, Nevada 89701

The Honorable Norman D. Glaser
Assemblyman, State of Nevada
Assembly Chambers
Capitol Building
Carson City, Nevada 89701

Gentlemen:

As requested, I have reviewed the effects on the revenues from the Property Tax if the following changes were made to the existing statutes:

- a) All personal property held for resale (including merchants' inventory and livestock) were exempted from the tax.
- b) All household furnishings were exempted from the tax.

The 1967-68 (current) tax rolls were utilized for the study, and the following assumptions were made:

- 1) Only 33-1/3 percent of total livestock in the state is held for resale and the remaining 66-2/3 percent would remain subject to the Property Tax.
- 2) 40 percent of the "other personal property" shown on the assessors' rolls represents household furnishings. The remaining 60 percent consists of mobile homes, boats, commercial and industrial furnishings and equipment, etc.
- 3) In addition, the following personal property would remain subject to the tax: airplanes, bank stock, net proceeds of mines, water rights and pipelines.

The statewide results would be as follows:

Total state assessed property value	\$1,531,950,559.
Less 1/3 total livestock value of \$18,165,748.	- 6,049,194.
Less merchants' inventory (total)	- 35,791,802.
Less 40% of other personal property totaling \$140,590,975.	- 56,236,390.

New total state assessed property value:	\$1,433,873,173.
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Loss in tax dollars:

Livestock at an average tax rate of \$3.75	\$ 226,841.
Merchants' inventory at average tax rate of \$5.00	1,789,590.
Household furnishings at an average tax rate of \$4.50	2,530,633.

Total tax revenue loss:	\$ 4,547,064.
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Total Property Tax collections for current fiscal year	\$ 64,743,114.
Less estimated tax loss	- 4,547,064.

New total Property Tax statewide (estimated);	\$ 60,196,050*
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*Or a 7 percent reduction.

To offset this loss, it would be necessary to increase the percentage of assessed value to full cash value from the current statutory 35 percent to 37-1/2 percent on the property (real and personal) remaining subject to taxation. This was derived as follows:

New assessed value statewide of \$1,433,873,173. \div .35 =	\$4,096,780,000.*
*Full cash value.	

Thus, to achieve the current assessed value of \$1,531,950,559., a ratio of 37.4 percent would have to be established. On this basis, total state revenues would remain approximately the same based on an average statewide tax rate of \$4.22. However, the effects on individual counties would vary significantly.

Churchill, Clark and Elko Counties were selected to determine the effect of exempting the property indicated from taxation and concurrently raising the ratio of assessed value to 37-1/2 percent. The results were as follows:

a) Churchill County:

Current assessed value at 35%	\$ 25,046,940.
Less 1/3 of livestock totaling \$1,035,044.	- 344,670.
Less merchants' inventory	- 445,975.
40% of other personal property totaling \$3,033,798.	- 1,213,519.

New tax base assessed value:	\$ 23,042,776.
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\$23,042,776. of assessed value at 35% is the equivalent of \$65,836,502. at full cash value. 37-1/2% of \$65,836,502. equals \$24,688,688. of assessed value, or a net loss in assessed value even with the increase in ratio of \$358,252. This loss would have the following effect on revenues:

Current Churchill County School District Property Tax revenues at tax rate of \$1.96	\$ 490,920.
New Churchill County School District Property Tax revenues at tax rate of \$1.96	<u>483,898.</u>
Loss in tax dollars:	\$ 7,022.
Current Churchill County Property Tax revenues at tax rate of \$1.782	\$ 446,336.
New Churchill County Property Tax revenues at tax rate of \$1.782	<u>439,952.</u>
Loss in tax dollars:	\$ 6,384.

b) Clark County:

Current assessed value at 35%	\$ 730,456,746.
Less 1/3 livestock totaling \$320,199.	- 106,722.
Less merchants' inventory	- 18,789,377.
Less 40% of other personal property totaling \$66,782,320.	<u>- 26,712,928.</u>
New assessed valuation at 35%:	\$ 648,847,719.

\$648,847,719. of assessed value at 35% is the equivalent of \$1,956,707,768. of full cash value. 37-1/2% of \$1,956,707,768. equals \$733,765,413. in assessed valuation, or a net gain in assessed value of \$3,308,667. This gain would have the following effect on revenues:

Current Clark County School District Property Tax revenues at tax rate of \$2.2267	\$ 16,259,967.
New Clark County School District Property Tax revenues at tax rate of \$2.2267	<u>16,333,618.</u>
Net gain in tax dollars:	\$ 73,651.
Current Clark County Property Tax revenues at tax rate of \$1.03	\$ 7,523,704.
New Clark County Property Tax revenues at tax rate of \$1.03	<u>7,557,785.</u>
Net gain in tax dollars:	\$ 34,080.

The Honorable Virgil Getto
 The Honorable Norman D. Glaser
 January 30, 1969
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c) Elko County:

Current assessed value at 35%	\$ 67,251.340.
Less 1/3 livestock at \$6,623,079.	- 2,205,485.
Less merchants' inventory	- 1,211,630.
Less 40% of personal property totaling \$5,656,518.	- 2,262,607.
	<hr/>
New assessed valuation at 35%:	\$ 61,571,618.

\$61,571,618. at an assessed value of 35% is the equivalent of \$175,918,909. in full cash value. 37-1/2% of \$175,918,909. equals an assessed value of \$65,969,591., or a net loss in assessed valuation of \$1,281,749. This loss would have the following effect on revenues:

Current Elko County School District Property Tax revenues at tax rate of \$1.8984	\$ 1,276,700.
New Elko County School District Property Tax revenues at tax rate of \$1.8984	<hr/> 1,252,367.
Loss in tax dollars:	\$ 24,333.
Current Elko County Property Tax revenues at tax rate of \$1.1868	\$ 798,139.
New Elko County Property Tax revenues at tax rate of \$1.1868	<hr/> 782,927.
Net loss in tax dollars:	\$ 15,212.

It is apparent that the counties not having large valuations of livestock would receive a benefit from exempting the property mentioned from taxation and raising the assessed value to 37-1/2%. However, those rural counties with large livestock values would have a reduction in Property Tax revenues. If the percentage of assessed valuation was increased by 3-1/2% to 38.5%, all counties would show an increase in tax revenues and the gain statewide would be \$24,825,841. in assessed value, or the equivalent of \$1,047,650 tax dollars at an average state rate of \$4.22.

Concerning merchants' inventories, you have also asked for an analysis. Currently, the automobile dealers and mobile home dealers are exempt from the inventory Property Tax by NRS 482.361 and NRS 482.3611. In my opinion this is discriminatory. The only logic I can find is that, when sold, these items become subject to either the Motor Vehicle Privilege Tax or the Property Tax on the new owners of the property. However, this is specious as the same argument can be made on the sale of farm equipment, home appliances or any other hard goods. These items are all subject to the Property Tax

The Honorable Virgil Getto
The Honorable Norman D. Glaser
January 30, 1969
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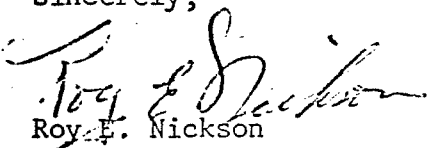
after sale on the new owners. However, I certainly recognize that many of the appliances and household furnishings are currently not reported to the County Assessor and placed on the tax rolls. To create an equitable tax situation, either the automobile dealers' and mobile home dealers' inventory should be subject to the Property Tax, or other hard good merchants' inventories should be exempted.

Regarding the taxation of personal property on homeowners, I would recommend consideration to a statute revision that would place their value as a percentage of the real property value. In my mind, this would be a more equitable tax on the citizens.

If I can provide any additional information or if you desire that the study be carried further, please let me know.

Highest personal regards.

Sincerely,


Roy E. Nickson
Secretary

REN/hw

Enclosure