

Assembly

MINUTES OF MEETING - COMMITTEE ON TAXATION - 55TH NEVADA ASSEMBLY
SESSION - FEBRUARY 13, 1969

Present: K. Hafen, Getto, Tyson, Smith, Swackhamer, Hilbrecht,
Young and Schouweiler

Absent: Espinoza

Also Present: Roy Nickson, Nevada Tax Commission; Ernest Newton,
Nevada Taxpayers Association and Keith Ashworth,
Assemblyman

Chairman Hafen convened the meeting at 8:00 a.m. and introduced Mr. Nickson and Mr. Newton to the committee.

Mr. Newton stated that he had checked with Mr. Nickson on their estimates of tax loss and that they were in agreement.

A.J.R. 14: Mr. Newton noted that this bill is an expansion of ajr 5, but deletes the exemption of the free port law on those things in manufacturing process. A.J.R. 14 exempts inventories of merchants and household property from the ad valorem property tax.

A.J.R. 15: This bill exempts the livestock herd for sale. The taxable base herd livestock would remain. The most impact as far as tax revenue and tax loss are concerned would be felt by the cities, counties and school districts but not to any serious extent.

Mr. Hafen asked Mr. Nickson to address the committee concerning the bills before them. Mr. Nickson noted that through the proposed exemptions of merchants and manufacturing inventory, it could result in some \$35 million loss in assessed valuation. He stated that this figure is based on both wholesale and retail inventory.

Chairman Hafen asked if the figures were tied down according to the assessment rolls and Nickson said they were taken from the rolls, however, there was a question in his mind as to their accuracy. This was because the county assessors believed the figures were underestimated.

Mr. Swackhamer asked how the figures were shown on the tax rolls and Nickson said the valuations are broken down into separate categories on the tax rolls and by using all of the assessors' figures, they could arrive at the figure needed. The reason why the assessors feel this is underestimated is because they do not have subpoena powers. The subpoena power is explained as when the assessor receives a complaint on the tax valuations, he does not have the power to enter the home and examine the books to determine if the claim is valid. He must rely primarily on the facts given to him by the individual.

If the assessors were granted this power, they would still have a very extensive process in reaching valuations of merchants' inventory. Mr. Nickson stated that Clark County and Washoe County had available staff to handle this but other counties would have problems.

Mr. Smith noted that in the building supplies and construction business, they can operate and maintain a zero inventory on their reports at all times. Mr. Nickson stated that this type of business is exempt. He stated further that in every category of business there is room for suspect because of the merchants who fail to report their correct inventory. This falls into the category of a self-assessed tax.

Mr. Swackhamer asked what the commission's feeling was of the self-assessed tax and whether it was difficult to enforce. Nickson said among other difficulties there are inherent inequities in the self-assessed tax system. However, there hasn't seemed to be a better way of handling these matters.

Nickson said it remained extremely difficult to check the inventories due to shortage in man power. He personally felt that the property tax should be a percentage of the real property valuation rather than being assessed separately.

Mr. Smith stated that he would have to object to that type of assessment because he happens to live in a tract of homes where several of them could be considered nothing but "cracker-boxes". Mr. Hilbrecht noted that this type of assessment would be considered a sur-charge on the real property owned.

Nickson then stated that the household property is listed under "other personal property" on the tax rolls and has an estimated 40% valuation of that portion of the tax rolls. This comes to some \$56 million in assessed valuation. He said that the 35% valuation ratio would have to be raised considerably if these exemptions were to be established as law.

Discussion then turned to AJR 15 and Nickson said the prime affect from this exemption would be on the rural counties where they depend on livestock for a living. He cited people living on a fixed income for many years. When you jump their taxes on them, it is difficult for them to pay.

Mr. Smith felt that the committee was taking a negative attitude toward the bills. He felt the tax situation this year is a critical one and that something had to be done before the end of the session.

Mr. Young asked Nickson if AJR 15 met the criteria of a tax which would be easily knowable. If you leave a rancher to accurately declare what cattle is available for sale and what is base herd, there could be a large loophole.

Nickson stated that the bill was drafted, to his knowledge, for the purpose of being an inducement to ranchers in California and other neighboring states to place their cattle in feed lots in Nevada without being taxed for it.

The question was asked how you would distinguish between the base herd cattle and the herd for sale in the feed lots. Mr. Getto stated that the animals are branded when they enter the feed lots. To define between the mother herd and the cattle herd for sale he did not see any difference from what is being done ~~right~~ now. This too is a self-assessed tax more or less.

Mr. Swackhamer pointed out that Mr. Getto did not do much range work and his cattle were in the open so if the assessor wanted to check him, he would not have too much difficulty. However, Mr. Glaser does a considerable amount of range work. Mr. Glaser probably does not even know how many cattle he has, or how many are missing. The assessor would find it impossible to count accurately Mr. Glaser's herd.

Mr. Getto announced that Mr. Ashworth had arrived at the meeting for the purpose of discussing A.B. 29 and asked if he could be heard.

Mr. Ashworth stated that regarding the definition of a slot machine which he had been requested to get, the definition would be forthcoming. He did feel, however, that they should not hold up passage of A.B. 29 in the absence of this definition. He stated that the bill was an extremely important one due to the fact that at the last session, the bill was presented and passed changing the due dates for filing from the 25th of the month to the end of the month. However, they later learned that that particular portion was omitted and the due date was not changed. The gaming commission, thinking that this had been taken care of had sent letters to the individuals involved informing them that the due date was now the end of the month. Some of them have sent their reports in after the 25th and the legislative auditors are planning to write them up unless this bill passes. If it is passed, the auditors will make a notation on the report to that effect.

He further stated that he believed that was all the bill did and that the definition of a slot machine could be presented in another bill rather than hold up A.B. 29 on account of it.

Mr. Hafen asked if they were aware that the bill eliminated penalties and Mr. Ashworth stated that was to eliminate those which had arisen due to the late filing date.

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Discussion was held regarding the deposits which are made to the gaming commission upon entering into the industry. In some cases, the assessment of penalties is unjust because these deposits amount to some \$400,000 and the commission is drawing interest on it, which the commission retains.

Mr. Young stated that the way the bill is written, it sounds like they are going to eliminate the penalties forever. The penalties are needed for proper control over the industry. Mr. Ashworth agreed that the penalty must be retained and it might have been an error when the bill was drafted. When they were told to eliminate the penalty, they may have thought all penalties were to be eliminated and not just those for the period from 1967 to the present time..

Mr. Ashworth was excused after he stated he would check with the Gaming Commission to get the matter straightened out.

A.J.R. 4: Mr. Nickson discussed the problems now being handled in other states because of this type of legislation. Idaho and Arizona both are having extensive studies into the practice. He proposed that if this resolution is passed, that exemptions from the tax be granted rather than establishment of a separate assessment ratio.

Mr. Hilbrecht cited an example of unjust tax assessment in the Las Vegas area. He stated that it was about four years ago during the time when the building industry was in an emergency situation. The assessor had allowed a re-appraisal to be made taking into consideration the low-occupancy factor. Even though the idea may have been a good one because of the distressed situation, it should have been done for comparable apartment building properties. Mr. Newton stated that he had been Secretary of the Tax Commission at the time and he recalled the situation. He said that the assessor had informed the owner of the building that there would have to be new appraisals each year.

Mr. Newton then cited the five methods by which the tax assessor arrives at a valuation and according to the statutes the assessor is required to "give weight" to them in his calculations. The question arose as to whether the assessor has the right to determine which of the five methods he should use.

Mr. Nickson stated that according to the statutes, a taxpayer has the right to demand in writing, within ten days, a signed statement as to how his property has been assessed.

Mr. Newton commented that in view of the difficulty in equal evaluations, the concept when the five method system was established was to give the assessor as many tools as possible for use in this determination.

Mr. Hafen invited Mr. Nickson and Mr. Newton to return and he then adjourned the meeting.