

JOINT HEARING

Senate Committee on Taxation
Assembly Committee on Taxation

A joint hearing of the above named committees was held on March 18, 1969, at 3:00 P.M. in the Senate Chambers. The purpose of this meeting was to hear a presentation from Senator Cliff Young regarding development of Park and recreational facilities in the State of Nevada and testimony from proponents and opponents of a proposed tax on soft drinks.

Those in attendance were:

James I. Gibson, Chairman)	
Mahlon Brown)	
Marvin L. White)	Senate Committee on Taxation
Carl F. Bodge)	
James Slattery)	
Coe Swobe)	
M. J. Christensen)	
T. Hafen, Chairman)	
Virgil Getto)	
Bart Schouweiler)	Assembly Committee on Taxation
F. Young)	
W. D. Swackhamer)	

Also present were:

Senator Procter Hug	
Senator Cliff Young	
Senator F. W. Farr	
James Reyman	
Gordon Newton	Coca-Cola Bottling Co., Las Vegas
Julian Marcuerquaga	7-Up Bottling Co., Winnemucca
Jack Walther	7-Up Bottling Co., Reno
Al McRae	Royal Crown Cola, Dr. Pepper. Las Vegas
David Drew	Shoshone Coca-Cola Co., Reno
Robert Stahl	Pepsi-Cola Bottling Co. of Las Vegas
Robert Delbert	Coca-Cola Bottling Co. of Las Vegas
C. B. Handwright	Pepsi-Cola Bottling Co. of Las Vegas
Andrew Mendoza	Canada Dry
Earl Leonard	Coca-Cola
Curt Farr	Coca-Cola Bottling Co., Reno
Joe Laxague	Coca-Cola Bottling Co., Ely
Thalia Dondero	Nevada State Park Commission
Jean Ford	Nevada State Park Commission
Roy G. Bankofier	Mayor, City of Reno
Mrs. Roy G. Bankofier	
Mrs. Robert Reider	P.T.A.
Mrs. Walter Wedow	P.T.A.

Mrs. Richard Miller
Gene Sullivan
Frank Titus
Allen Smith
Eric Cronkhite
Herb Young
Dick Kenner
Pete Barengo
H. G. Rogers

League of Women Voters of Carson City
Nevada Park & Recreation Society
Nevada Pharm. Association
Pepsi-Cola
State Park System
Sierra Club
Pepsi-Cola
Pepsi-Cola
Soft Drink Association

Press representatives

SB-329 Proposed by Senators Young, Farr, Pozzi, Harris, Slattery, Hug, Manning, Herr and Titlow.
Enacts tax upon soft drinks and soft drink syrups for park purposes.

AB-547 Proposed by Committee on Taxation.
Enacts tax upon soft drinks and soft drink syrups.

Chairman Gibson stated that the purpose of this Joint Hearing was to give the proponents and opponents of the above two bills a chance to be heard.

Senator Young: Ladies and gentlemen, I appreciate the opportunity to appear before the Joint Committees and discuss SB-329. Senate Bill 329 is essentially the same as Assembly Bill 547 with the exception that the Senate Bill contains a provision which would apply the tax proceeds to the development of our State Park Program.

I would like to address myself first to our State Park Program -- point out the needs and indicate how inadequately we have dealt with the program in the past. About 70 years ago John Muir said that thousands of Americans are weary, nerve-shaken, over-civilized and beginning to realize the importance of wildness; to realize that a trip to the mountains or the desert is really a trip home; and that the mountains, in addition to furnishing lumber and water and irrigation, also are a fountain for life itself. I think more and more as time goes by, as our population increases -- we are beginning to realize the need for a good State Park Program, not only from the standpoint of recreational opportunities for the people in our state, but for the some 25 billion people who are tourists each year to our state. Tourism is our No. 1 industry -- some people, I suppose, think that tourism might be equated to gambling and related activities, but to me "tourism" means more than the pleasure domes along Virginia Street in Reno or along Las Vegas Boulevard in Las Vegas.

We live next door to California with 20 million people. It's a rapidly growing state -- by the end of the century perhaps there will be 40 million there, perhaps 15 to 17 million in the Bay Area alone, and a possible increase in the Southern California area. Many of these people are going to come to Nevada, not only to participate in the activities around our clubs, but to

enjoy the mountains, the desert, the lakes, the water, and the other natural resources that we have. The Governor's Committee on Tourism recommended, as I recall, about one million dollars to be spent -- I believe that the legislature has already approved some four to five million dollars on this side of the Capitol -- it goes under further consideration over on the other side.

What are some of the needs that we see insofar as parks are concerned? We're all aware of the tremendous population growth in our state -- we are the most rapidly growing state percentage-wise, and every indication is that this growth will continue in the future. By 1980 we'll probably have well over a million two hundred thousand people in the state.

Our park program has been a neglected program among state agencies. I suppose in modern parlance you might call it a disadvantaged child almost. We started in the early 20's, very little money was spent by way of acquisition. Growth stopped in 1938. From 1938 for the next 16 years we didn't spend a penny on developing our State Park Program. Since that time we've moved forward, but not in pace with our population growth.

We added the Ichthyosaur Park in the middle 50's; we utilized the Ward Charcoal Ovens, although the state never really owned them until they were acquired recently by the Fish and Game in a purchase of the Cave Lake area in White Pine County. I believe we have in Genoa a Mormon Station, which is a small, but nonetheless important part of our park system. We also negotiated a lease on a portion of the lands at Lake Tahoe. Then the legislature in the first major effort to support the state park system, appropriated a million and a half for acquisition purposes at Lake Tahoe. The Fleischmann Foundation added a million and a half -- the Department of Interior contributed some three million. We've acquired about five thousand acres -- we're in the process of acquiring more at the present time.

Several years ago a program was conceived and put in written form under the direction of the State Park Commission. It was a program which certainly was conceived in large terms and broad dimensions -- they thought big, to say the least, but much of the program was really too big to be achieved. It was impractical in my opinion and called for a total expenditure around a hundred and seventy-five million dollars by 1980 or thereabouts, of which a part would have been paid by the federal government, some by counties and local governments. I think the tab for the state government was roughly around five million a year, and actually there was no chance of this program ever coming to fruition or being realized.

We have here though, a program which I think is a practical program -- it's a sound long-range program, which utilizes some of the same concepts that we have utilized in Washoe County in developing what I feel is the best county park program in the state, and one of the best in the west. This shows the comparative growth of Nevada by way of comparison to the United States and to California. As you can see we're greatly ahead of either California or the United States as a whole, but our park expenditures have not kept pace.

This shows (referring to charts) a population distribution in 1980, at which time about 52% of the population will be in the southern mountain and desert region, which Clark County is the central area; about 11% will be in the north central and eastern region; and about 40% will be in the Sierra western region.

Further than this, I indicated our No. 1 industry -- it grosses, as I recall from certain figures, about three-quarters of a billion dollars a year in our state. Around 25 million visitors on an annual basis -- I recall not long ago where the Governor thought that perhaps this might even double in the next decade. Even though it's not as optimistic as the Governor, would certainly conceive that this growth will continue. Where do these tourists come from? It's no surprise that about 60% come from California. California will have, as I indicated, probably 40 million people by the end of the century. 4.4% come from Oregon and Washington, about 2.6% from Arizona-New Mexico, 4.8 from Utah and Colorado, and about 27% from the other states.

Not only do we have the population impact alone, but the changing nature of society makes ever more imperative that we do something to develop our park systems at all levels -- city, county, state and federal. The working hours we know are going down per week -- they're somewhat less than 40 now, except in the closing days of the legislature they are a little more over here. By 1980 it's estimated that the work week will be about 35 hours; by the year 2000 somewhere around 32 or 33 hours per week. The weeks of paid vacations are increasing. In 1960 it was about two. By 1980 it will be somewhat less than three weeks a year. By the year 2000 it will be somewhat less than four. The paid holidays are increasing -- in '60, slightly less than six; by '80, slightly less than eight; and by the year 2000, a little over nine, all of which means that there's going to be increasing pressure upon our park system.

How do the expenditures made in Nevada compare to the expenditures of other states? Nevada ranks close to the bottom percentage-wise -- 52% from 1962 to '67 was the increase. Washington increased some 34%, but Washington has an excellent park system now, so the percentage of increase is not as important with Washington. New Mexico increased 113%; Wyoming 122% -- the national average is 171%, and yet the parks are crowded to a point now where there's danger that serious irreparable damage may be done because of the inadequacy of the parks to hold the numbers that are going into them. Arizona increased its expenditures by 174%; Oregon 186%; California 238%; Montana 269%; Utah 270%; Idaho 555% increase. All the recognition, I'm sure of the tourist dollar and the need to provide these facilities for their own people.

No state has probably a more miserable record of resource management than the State of Nevada. As far as I know we're the only state that does not have any public lands at the present time. Not that we didn't have them at one time, we did. Nevada became the state to receive grants from the federal government -- I think two sections in each township. What did we do those rights? We traded them back to the federal government for a so-called in lieu rights -- the right to select land from the public domain and other places than the original grants provided for. And when we got those in lieu rights, we proceeded to sell them for \$1.25 an acre to anybody

who wanted to buy them -- politicians, their friends, and those who were willing to speculate.

I recall when I was in Congress back in 1952 and '3 I became quite interested in the public land problem in the State of Nevada. The "in lieu" right situation came to my attention. At that time the horse was out of the barn, but some of the last patents were coming through. I recall one patent to some people in Southern Nevada -- they paid \$1.25 an acre for those in lieu rights. As soon as they got the patent they turned to the State of Nevada, and sold it back to the state to the University for \$1500 an acre -- and this is the way that we have managed our resources in the past. And now we have no public lands insofar as the state is concerned. But we still have an opportunity, if we follow the recommendations of legislation such as this, to create a park system which will provide the needed recreational areas for our citizens in the future.

(Senator Young then referred to some charts showing the anticipated needs in this state with regard to picnic units, camp units, trails for hiking and riding, swimming facilities, and so on. He pointed out the deficiencies in 1965, and the anticipated needs by 1970 and 1980.)

Now, this is incumbent upon the state to meet this entire responsibility on its own -- the federal responsibility is being met much better than we are meeting our state responsibility. There's a responsibility on the part of the cities and the counties, and I'm sure that the people of the state are desirous of a good park system. We've certainly found that to be the case in Washoe County. In the early 1960's they supported a million dollar bond issue -- came back several years later and supported one for a million and a half. We were able to buy certain federal land under the Public Use Recreation Act at 2.50 an acre. Many of you have driven by Bowers Mansion and have seen the renovation taking place there -- this was with park bond money. Further up from Bowers Mansion, about a half mile north of there is located Davis Creek, 200 acres -- 200 acres that were acquired for \$2.50 an acre -- \$500 -- the land is probably worth 200,000, I presume, perhaps even more at the present time. If the county hadn't moved when it did this land would have been gone forever because there were others who were trying to acquire it and probably would have acquired it. Out in Hidden Valley the county is acquiring, or has acquired, some 400 acres at a cost \$1,000, again under the Public Use and Recreation Act. Had the county not moved when it did, I'm sure that land would have been sold to someone else and would have been denied to the public for recreational use.

The same pattern is being followed elsewhere. Unfortunately there just isn't very much of this type of land left. We've scoured the public land vicinity of Reno and have tried to lay claim to all that indicated it has any recreational value. The same thing can still be done on a state level, but if we temporize, if we delay, I'm sure we're going to repeat the history that has occurred insofar as our management of our state resources are concerned, and either the land will be snapped by others (some way or other it always seems to disappear) or it becomes so expensive that it's not within the realm of practicality.

(End of verbatim transcript.)

Senator Young again referred to a chart which he indicated showed one of the new markers that is being put up by the state park system -- he said it was felt that these help the tourist economy. He added that they hope to put these markers up at the rate of two or three a week during the years ahead, and that there are some 800 or 900 sites throughout the state which should be so marked.

Senator Young then showed a proposal that the state park system would like to present for consideration over a period of five years or possibly longer, which would include the acquisition of some 35,000 acres in total, create some 670 campsites, 580 picnic sties, interpretive facilities, swimming facilities, and about 80 miles of hiking and riding trails. The map he referred to showed not only existing units, but the units they would like to see added to our state park system. Senator Young used the charts to delineate the various park sites and explained them individually. They were as follows:

Pyramid Lake	Gravelly Ford
High Rock Canyon	Roberts Mountain
Blue Lake	Lahontan
Rye Patch	Cold Springs
Goose Creek	Spruce Mountain
Fort Churchill	Schellbourne
Cave Lake	Valley of Fire
Ward Charcoal Ovens	Fort Mojave
Potosi-Yellow Plug	Bristol Wells
Red Rock	Washoe Lake
Lake Tahoe	Morey Peak
Topaz Lake	Eagle Valley
Beaver Dam	Kershaw-Ryan
Echo Canyon	Cathedral Gorge
Brunswick	Belmont
Mormon Station	Berlin-Ichthyosaur
Gleason Canyon	Death Valley Overlook

(Resume verbatim transcript.)

The cost would be around 28% of the total, development some 72%. For acquisition, so far as the state is concerned, the program would call for about \$1,800,000.00 -- for the federal government, \$1,734,000.00. The federal money will come from the land and water conservation funds that will be available. This has been a source of great strength to the growing park system, but all these monies are not spent on a state level. They are portioned out to the counties and municipalities on an equitable basis.

Now, so far as the tax and the bill is concerned, we have proposed a tax upon soft drinks. Soft drinks are taxed in a number of jurisdictions at the present time. They are productive of a substantial income in certain

states. For example, Louisiana in 1967, around \$2,400,000.00 was produced; South Carolina some \$7,000,000.00 was produced in 1967; West Virginia produced about \$4,500,000.00 in 1967. Tennessee has a tax on the gross proceeds -- 1½% on bottlers and manufacturers, which yielded slightly less than \$1,000,000 in 1967. Arkansas and Missouri has soft drink taxes, but they are not revenue producers and are considered to be for inspection purposes only.

Now, the bill as drafted indicates a one cent tax. This tax would not be adequate to accomplish anything more than probably serve as a nuisance vote to the soft drink manufacturers and the wholesalers and to the State of Nevada. We feel that a tax though of one cent on each eight ounces would give us approximately \$1,000,000.00 a year. This estimate is conservative due to the fact that we have consistently underestimated the population in the State of Nevada.

The Governor's Committee on Taxation conducted a survey and discussed available sources of revenue. They estimated that income to Nevada under the formula employed in South Carolina at the rate of one cent for 12 ounces and 95¢ per gallon on syrup, would develop about \$1,350,000.00. They further estimated that West Virginia's rate of one cent for 16 ounces, a syrup tax of 80¢ per gallon -- the estimated revenue would be about \$1,250,000.00. Our contact with other states has indicated that if there is a tax it should be based upon the volume of so much per ounce or gallon. The tax is based upon the retail or wholesale price. You run into problems of fluctuation which would make any such tax a difficult one to administer.

Experience also indicates that in other areas the soft drink industry has endeavored to extend the tax if it appears that it is inevitable to as broad a spectrum of potential drinks as possible. Of course, it makes the tax that much more difficult to administer. I would feel that if the tax is imposed it should be restricted to soft drinks and beverages of a carbonated nature and serve used to produce the same. Probably in the long run this would be the best combination of a revenue producer with a tax that would not be too difficult to administer.

I'm sure that the industry will claim that this is a special tax, and perhaps it is a tax on a particular industry, but on the other hand, what taxes aren't on particular industries? We have a cigarette tax that probably produces \$5,000,000.00 a year; we have tax on beer; a tax on whiskey; we have tax on casino entertainment -- again special taxes. We have a tax on gasoline, which is earmarked. We have a tax in the form of licenses for hunting and fishing. The insurance industry is taxed 2% upon the premium. So admittedly it is a special tax, but this does not in itself make it an undesirable tax. I think you have to weigh the equities, the unfairness of the tax, with what the tax can produce in the form of lasting benefit.

Some say that this will be an unfair tax because industry already pays a sales tax. I presume that the same would be true with regard to beer and alcohol, tobacco (at least cigarettes, all tobacco not being taxed). It is also said that it will rest unfairly upon the youth of our state who will then be denied their inalienable constitutional right, I guess, to drink soft drinks. I don't

think that our youth are going to be deterred by one cent a bottle or a can from drinking soft drinks, and actually I think probably the youth have a greater interest and a greater concern developing a sound park system than we who are of advanced years -- because hopefully they're going to be around longer to enjoy what many of us hope will be a realistic and a sound park program.

The program isn't dependent upon a tax on soft drinks -- I'm sure you will take some comfort from that -- those of you who are in the soft drink industry. The tax could either be utilized to implement the program or to advertise the bonds that could be issued to deport and to carry into existence the program. As the bill is now drafted it would not leave to the Park Department or the Park Commission the right to determine when they wanted to buy park properties or develop -- this would be subject to the approval of the Legislative Commission. Bonds could be issued, we understand, under the natural resource exemption of our constitution. If the Legislative Commission saw so fit, bonds in whatever amount they felt desirable could be issued for the purpose of implementing the program.

The tax as proposed could be used in whole or in part to advertise those bonds, or if we decided not to utilize the bonding technique or mode of procedure, we could use the proceeds from the tax directly for the purpose of acquiring this land. I think the program is somewhat like a fishing pole in some respects -- you don't have to take it all, you can take parts of it -- you can buy now and develop later. It has all sorts of possibilities with respect to the use of, perhaps, prison laborers or disadvantaged youth during the summertime for developing these areas.

But we do feel strongly that if the state does not move to acquire these properties that they may forever be gone and that the later acquisition may be prohibitive as far as we of the state are concerned. I won't impose on your time and indulgence any longer, Mr. Chairman, but let me end with this quotation from Aldo Leopold.

He once said that, "We of the industrial age boast of our power over nature. Plants or animals, stars or atoms, wind or river, there is no power on the earth or in the sky that we would shortly not harness for the good life. What is the good life? Man does not live for food or fords alone. Are we too poor of purse or spirit to make the land pleasant to see and good to live in."

I feel that we in the state in the past have not discharged our obligation to provide a reasonably good state park system. This is not an expensive system, this is not champagne -- this is a reasonable system designed to meet the needs of the fastest growing state. So I sincerely urge your support, Mr. Chairman, of the proposal.

Mr. Cronkhite: Mr. Chairman, my comments will simply be with regard to SB-329 and that portion relating to the park program. I have a letter here addressed to the Chairmans of both the Assembly and the Senate Taxation Committee, which I hope you will find rather self-explanatory.

With regard to the terminology in the bill, for example, we suggest that the State Park and Maintenance Fund be called the State Park Acquisition and Development Fund. We suggest the deletion of Section 25, as we see that this only duplicates Section 31, which we feel is quite appropriate as Section 31 refers to the grant and gift fund. We suggested in Section 27 under (a), (b), and (c), a duplication of (b) and (c) or just a slight word change, which is on this paper. We suggested adding a sub-item (d) in Section 27, which would provide for the preparation of general development site plans in there, and surveys, appraisals, title search and other incidental acquisition costs. These are our comments concerning SB-329, which I will leave with you.

Mrs. Ford: Members of the Taxation Committee, my name is Jean Ford from Las Vegas. I am a member of the State Park Advisory Commission, and my concern in speaking today is for acquiring money for state parks for acquisition and development and for continuing operation.

In the plan as has been stated, it clearly says that Nevada's primary product is indoor and outdoor recreation, and I feel we've done almost nothing to prepare for increased visitation that we hope will come. I know that a number of you have spoken highly of an increased promotion in the area of tourism for economic development and you have gone in regard to proposing outdoor recreation to the surrounding states, that people should come. I'm here to say that the state parks are not ready for these people to come, and if they come and do not find adequate facilities they will be disillusioned and perhaps will not come back.

I feel that the state park program is one of the programs in the state that has a potential for returning dollars for the amount of dollars invested. If the Governor's budget is approved, which includes a beginning of this program to the amount of approximately 1.2 million, we have plans to begin adequate development at both Tahoe and the Valley of Fire -- our two most accessible parks. Of course, as you can tell, these are the areas of population density close to California and we plan in these two parks a display of information regarding the state parks as a whole. We would like to entice both the people in these two populated areas to go out into the other counties in the state to enjoy the resources that we have there. Also in time those tourists that happen to go to Tahoe and Valley of Fire will go to these other areas and stay one day more.

I'd like to say that I think traditionally the protection and development of natural resources has always come out at the bottom -- the competition of what we might call the social values of education, health and welfare. And perhaps this is one reason why we must resort to considering some kind of earmarked tax. As far as this particular tax, it seems to me that the type of tax and the manner it's been presented, that it is what I would call mandate legislation for the needs of the counties and cities -- I don't think it's going to meet their needs, and I think it is a logical companion to an expansion of the state park program. I believe that if we were to have this program that has been outlined here, that even the soft drink industry would end up benefiting from the additional people who come to this state.

I would like to mention that I also believe the bonding program is very worthwhile, and as has been explained, could be used with or without the tax. I have been asked by a group of people in Clark County who strongly support the expansion of the state parks, and would also support the soft drink tax and bonding to present a statement to the chairmen of both committees. Thank you very much.

(End verbatim transcript)

Mrs. Thalia Dondero gave a brief statement at this point in support of SB-329, stating that she had been very active in youth programs and in using the state parks for a number of years. She felt very strongly that additional lands should be acquired at this time.

Senator Dodge then asked a question in regard to the cost estimate for land acquisition, and so on, under this program. Mr. Cronkhite then presented a booklet that had been put together concerning this and stated that it was a \$12,782,000.00 program.

Mr. Barengo: Gentlemen, ladies, Senators and Assemblymen: I would also like to introduce myself. I am Pete Barengo and I am a member of the Washoe County Park Commission -- I'm past chairman of the Washoe County Park Commission for two terms. I was chairman at the time we proposed the million dollar and a half bonds for Washoe County. We have gotten an expanded park program for Washoe County -- we didn't have to tax soft drinks or any special taxes to obtain this program. I also am chairman of the Century Club Boy Scouts and last year raised \$34,000.00 in Washoe County for our boy scouts, so that qualifies that I'm with the kids all the way.

I would like to also, before I go into a presentation here that has been outlined by my colleagues, which will save a lot of them coming up here and discussing this subject -- I would like to make just a few of these comments. First, I notice that all of these other western states that are spending a lot of money in parks do not have a soft drink tax to raise that money. I'm sure that Nevada would not need one either. Also, representing here most of the soft drink bottlers -- every bottler in the State of Nevada is represented here except one -- he couldn't make it and sends his apologies.

Again, before I go into the statement, I would like to say that the states where soft drink taxes have been imposed, that half of the bottlers, (especially the small bottlers) have gone out of business. So what we're doing here is we're practically fighting for our lives, and I say that sincerely.

Gentlemen, I'd like to go into this statement, which we have given careful consideration to:

(See attached statement.)

At this point Senator Dodge posed several questions with regard to the possible import of soft drinks from other states. Mr. Barengo explained that there were several other drinks that could be used to replace the carbonated beverages.

He added that at the present time most of the cans and soft drinks are imported directly to the retailer from outside the state. There was further discussion concerning the possible tax on soft drinks, with Mr. Barengo stating that there was no way that the industry could absorb the tax -- it would be passed on to the consumer. Mr. Barengo concluded by saying that the industry has many advertising programs, and just like anyone else they are trying to increase the sale of their product -- through good merchandising, good public relations, and supporting religious and youth groups. He didn't feel that an increased use of public parks would in any way affect an increase in the sales of soft drinks.

There was further discussion as to the effect this tax would have on the manufacturers of soft drinks, and the cost to them in producing this product. Several comments were made by Mr. Curt Farr and Mr. Jack Walther, both representing soft drink bottling companies.

Further consideration was given to the various aspects of imposing this tax upon the soft drink industry. Chairman Gibson said that the committees would take these bills under further advisement.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Patricia F. Burke

Patricia F. Burke,
Committee Secretary

A PRESENTATION

7/18/65

GENTLEMEN OF THE COMMITTEE, I AM HONORED THIS AFTERNOON TO REPRESENT THE NEVADA SOFT DRINK ASSOCIATION IN OPPOSING AB 547 AND SB 329 IN THAT THEY ARE DISCRIMINATORY; THAT THEY SINGLE OUT ONE INDUSTRY AND SEEK TO TAX IT AT A RATE OUT OF ALL PROPORTION TO THAT AT WHICH OTHER INDUSTRY IN OUR STATE IS TAXED.

SURELY AN INDUSTRY THAT HAS BEEN GOOD FOR OUR STATE, WHICH HAS FURNISHED EMPLOYMENT TO OUR PEOPLE, WHICH HAS ALWAYS STOOD WILLING TO CONTRIBUTE ITS FAIR SHARE TO THE COST OF GOVERNMENT AND THE WELFARE OF OUR CITIZENS SHOULD NOT BE SINGLED OUT TO BE SADDLED WITH A GROSS RECEIPTS TAX THAT COULD INJURE OUR BUSINESS AND THE RETAILER BUSINESS IN A VERY REAL WAY.

THE SOFT DRINK BOTTLING PLANT IS NOTHING BUT A PROCESSOR. IT PAYS ALL OF THE TAXES PAID BY BAKERIES, CREAMERIES AND OTHER NEVADA FOOD INDUSTRIES. WE PAY OUR LOCAL, COUNTY, AND STATE TAXES AND LICENSES. BUT OUR OBJECTION HERE TODAY IS THAT THE SOFT DRINK INDUSTRY BEING ASKED TO PAY TAXES THAT ARE NOT LEVIED ON OTHER FOOD INDUSTRIES IN NEVADA.

NEVADA BOTTLERS, AS CITIZENS AND BUSINESSMEN, ARE NATURALLY APPRECIATIVE OF THE TREMENDOUS TASK UNDERTAKEN BY THIS STATE OF ADEQUATELY FINANCING NECESSARY STATE GOVERNMENTAL FUNCTIONS AND CARRYING FORWARD A PROGRAM OF PROGRESS FOR ALL THE PEOPLE.

AS BUSINESSMEN, WE RECOGNIZE THAT THE RESPONSIBILITIES AND OBLIGATIONS TO PAY TAXES ARE ALSO THE RESPONSIBILITIES AND PRIVILEGES TO PARTICIPATE AND BE A PART OF A FREE DEMOCRATIC SOCIETY.

ANY CONTEMPLATED EXPANSION OF STATE SERVICES WOULD, OF COURSE, BE FOR THE BENEFIT OF ALL OUR PEOPLE. IF YOU, THE MEMBERS OF THIS COMMITTEE, DETERMINE THAT ADDITIONAL REVENUE IS NECESSARY TO FINANCE FUTURE EXPENDITURES, WE STAND WILLING, AS GOOD CITIZENS, TO CARRY OUR PART OF THE LOAD; BUT WE SHALL VIGOROUSLY RESIST ANY SUGGESTION THAT OUR BUSINESS BE SINGLED OUT AND DISCRIMINATED AGAINST.

THUS, WE DO NOT ADVOCATE WAYS AND MEANS FOR OUR INDUSTRY TO AVOID ITS PROPORTIONATE AND FAIR SHARE OF THE TAX BURDEN. WE DO NOT SOLICIT SPECIAL FAVORS FOR THIS BUSINESS NOR HAVE WE SELFISHLY ADVOCATED SPECIAL TAXATION OF OTHERS.

LET IT FIRST BE RECOGNIZED AS A FUNDAMENTAL FACT THAT SOFT DRINKS ARE ONLY ONE OF A LARGE FAMILY OF COMMODITIES AND SERVICES WHICH COMPRISE THE MUSCLES OF INDUSTRY AND COMMERCE. AS SUCH, THEY GENERATE INCOME AND EMPLOYMENT AND ENTER INTO THE NEVADA TAX BASE IN THE SAME WAY AS DO OTHER COMMODITIES AND SERVICES. A CONTINUATION OF EQUAL TAX TREATMENT IS ALL THAT WE ASK, OR EXPECT.

THE SOFT DRINK BUSINESS PAYS THE SAME GENERAL TAXES AS OTHER NEVADA BUSINESS OF A GENERAL NATURE, WHICH IS, OF COURSE, AS IT

SHOULD BE. AS WE SEE IT, NO BUSINESS HAS ANY RIGHT TO EXPECT TO BE EXCUSED FROM ITS SHARE OF THE TAX BURDEN. BUT EVERY BUSINESS HAS A RIGHT TO EXPECT THAT IT ALONE WILL NOT BE SINGLED OUT FOR SPECIAL TAX TREATMENT.

UPON SUCH A PREMISE IT IS PLAIN THAT THERE IS NO BASIS FOR SPECIAL TAXATION OF SOFT DRINKS. SOFT DRINKS ARE IN DIRECT AND KEEN COMPETITION FOR THE CONSUMERS' FAVOR AND MONEY WITH COFFEE, TEA, CANNED JUICES, COOKIES, CHEWING GUM, MINTS, FRUIT CONCENTRATES, CANDY BARS, PACKAGED CRACKERS, ICE CREAM, AND A BROAD GROUP OF OTHER CONSUMER ITEMS. A HIGH PERCENTAGE OF THE ITEMS COMPETING WITH SOFT DRINKS FOR THE CONSUMERS' FAVOR ARE SHIPPED IN FROM OUT OF STATE, MAKE NO LOCAL PAYROLL AND PAY VERY LITTLE TAX WITHIN THE STATE. THE BOTTLER IS A LOCAL PERSON WHO FURNISHES LOCAL EMPLOYMENT, PAYS LOCAL AND STATE TAXES AND SUPPORTS LOCAL UNDERTAKINGS. SUCH A TAX WOULD DISCRIMINATE AGAINST SOFT DRINKS IN FAVOR OF SUCH COMPETITIVE BUSINESSES AS CHEWING GUM, ICE CREAM, CANDY, COOKIES, PEANUTS, AND SIMILAR CONFECTIONS WHICH COMPETE WITH US FOR THE CUSTOMER'S FAVOR.

FOR EXAMPLE.....

WE HAVE THE CASE OF ORANGE SODA WATER AND AN ORANGE POPSICLE FOR YOU TO CONSIDER. THE SODA WATER WOULD BE SUBJECTED TO THE PROPOSED TAX, BUT THE POPSICLE, WHICH IS ESSENTIALLY THE SAME PRODUCT FROZEN ONTO A STICK, WOULD BE EXEMPT. YOU HAVE THE CASE OF THE SEVEN UP

CANDY BAR VERSUS THE SOFT DRINK BY THE SAME NAME AS ANOTHER EXAMPLE. CHOCOLATE MILK PRODUCED BY DAIRIES WOULD BE EXEMPT, BUT CHOCOLATE MILK DRINK (PASTEURIZED) WHICH IS NOW BEING PRODUCED BY SOME BOTTLERS WOULD NOT BE EXEMPT.

TO FURTHER EMPHASIZE THIS POINT LET US CONSIDER THE BUSINESS OF ADVERTISING. SUPPOSE AN ORDINANCE SHOULD BE OFFERED WHICH PROPOSED TO TAX NEWSPAPER ADVERTISING AND EXEMPT, SAY TELEVISION AND MAGAZINES. WE DO NOT WISH TO LABOR THIS POINT, BUT MERELY PUT IT IN THE RECORD TO ONCE MORE ILLUSTRATE THE FACT THAT THE PROPOSED BILL IS INEQUITABLE AND WITHOUT CONSIDERATION FOR FUNDAMENTAL PRINCIPLES OF FAIRNESS.

THE SOFT DRINK INDUSTRY DOES NOT POSSESS A SINGLE CHARACTERISTIC WHICH JUSTIFIES ITS SELECTION AS A BASE FOR SPECIAL TAXATION. SOFT DRINK BOTTLING PLANTS ARE FOOD PROCESSING PLANTS AND ARE REGULATED BY THE NEVADA DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION AND SUBJECT TO THE PURE FOOD AND DRUG LAWS OF THIS STATE AND THE FEDERAL GOVERNMENT.

A DISCUSSION OF THE HISTORY OF SPECIAL SOFT DRINK TAXES MIGHT BE USEFUL. THESE KINDS OF TAXES UNFORTUNATELY DO HAVE A RECORD. THEY HAVE BEEN PASSED AND REPEALED BY THE FEDERAL GOVERNMENT, THE CANADIAN NATIONAL GOVERNMENT AND THE STATES OF KENTUCKY, OHIO AND PENNSYLVANIA. SUCH TAXES HAVE BEEN LEVIED AND ARE STILL IN EFFECT IN THREE STATES, THESE STATES HAVE SUFFERED TO A SHOCKING EXTENT, OVER

HALF OF THE BOTTLING PLANTS IN EXISTENCE AT THE TIME THE TAX WAS ENACTED HAVE BEEN FORCED OUT OF BUSINESS.

EVERY OTHER STATE IN THE NATION HAVE INVESTIGATED THE POSSIBILITY OF A SPECIAL TAX ON SOFT DRINKS AND HAVE DISCARDED IT. THE QUESTIONABLE HONOR OF BEING THE FIRST IN THE FIELD OF SOFT DRINK TAXES BELONGS TO THE UNITED STATES GOVERNMENT, WHICH OCCURRED AS A WAR-TIME MEASURE DURING WORLD WAR I. THE GENERAL RESULT WAS A DRASTIC SLUMP IN SOFT DRINK SALES VOLUME AND HUNDREDS OF SMALL MARGINAL BOTTLERS WERE FORCED OUT OF BUSINESS. THE SECRETARY OF THE TREASURY THEN RECOMMENDED REPEAL OF THE TAX AS "ILL DEFINED AND UNCERTAIN". THROUGHOUT WORLD WAR II AND DOWN TO THE PRESENT DAY WHEN FEDERAL TAXES HAVE BEEN INCREASED AT UNPRECEDENTED RATES, NO ADDITIONAL SPECIAL FEDERAL SALES TAXES HAVE BEEN LEVIED AGAINST SOFT DRINK SALES.

IN THE LIGHT OF CONSTANTLY INCREASING FEDERAL TAXES THE EVIDENCE WOULD APPEAR CONCLUSIVE THAT THE FEDERAL GOVERNMENT HAS LEARNED ITS LESSON THAT SOFT DRINK SALES ARE NOT A DESIRABLE OBJECT OF SPECIAL SALES TAX LEGISLATION.

FROM PAST HISTORY IN BOTH OF THESE STATES SHOWS NOTHING BUT UNCERTAINTIES, DISCONTENT, DOUBT AND A DEPRESSED SOFT DRINK INDUSTRY. IT IS DIFFICULT TO REMOVE A TAX ONCE IT HAS BEEN IMPOSED. WE DO NOT WANT TO MAKE THE SAME MISTAKE IN NEVADA.

IN CONVERSING WITH MANY LARGE GROCERS, MAMA AND PAPA STORES, SMALL AND LARGE BAR OWNERS, SODA FOUNTAIN OPERATORS, BUSINESSMEN AND SOME OF YOU LEGISLATORS, IT SEEMS HARDLY PROBABLE THAT SUCH A SPECIAL USE TAX DEMANDING IMPORTING LICENSING, RETAIL LICENSING, PERMITS FOR A RETAILER TO USE HIS OWN TRUCK TO IMPORT SOFT DRINK PRODUCTS, COULD HARDLY BE FEASIBLE OR ENFORCEABLE AND MAKE VIOLATORS OF MANY BUSINESS' AND INDIVIDUALS. IT IS HARD TO CONCEIVE HOW LARGE A FORCE OF REVENUE AGENTS WOULD BE NEEDED TO CONTROL ALL THESE SEGMENTS OF THIS INDUSTRY.

NEVADA BOTTLERS ARE CERTAINLY WILLING TO BEAR OUR SHARE OF THE COST OF OPERATING THIS STATE. BUT WHILE WE ASK NO SPECIAL FAVORS AND SEEK NO SPECIAL EXEMPTION, WE CAN HONESTLY AND IN GOOD FAITH ASK FOR NO SPECIAL TAXATION THAT WILL REDUCE OUR SALES AND HARM OUR BUSINESS. MAY WE SAY THAT A GOOD RULE TO REMEMBER WHEN CONSIDERING TAXATION IS THAT NO BUSINESS AND NO INDIVIDUAL HAS ANY RIGHT TO EXPECT THAT IT CAN ESCAPE TAXATION. BUT EVERY BUSINESS AND EVERY INDIVIDUAL HAS EVERY RIGHT TO EXPECT THAT IT WILL NOT BE SINGLED OUT FOR SPECIAL OR PUNITIVE TAXATION.

WHO BUYS SOFT DRINKS ???

OVER 50% OF SOFT DRINK VOLUME IS SOLD TO THE HOUSEWIFE IN CARTONS OF SIX OR EIGHT BOTTLES OR CASES OF TWENTY-FOUR BOTTLES. OFFICE WORKERS AND FACTORY WORKERS FIND SOFT DRINKS MEET THE DEMANDS OF

THEIR LIMITED BUDGETS.

MOST OF THE SOFT DRINKS ARE PURCHASED AND CONSUMED BY CHILDREN
AND TEEN-AGERS.....SO, WHY NOT LET THESE LITTLE PEOPLE GROW UP
BEFORE WE "SOCK IT TO EM"..

March 19, 1969

Senator Coe Swobe
Nevada State Senate
Carson City, Nevada

Dear Senator:

We believe during our hearing on Senate Bill # ³²⁴~~227~~ concerning a proposal tax on soft drinks, that we neglected to discuss the bare economic facts.

Senate Bill # ³²⁴~~227~~ asks that a 1¢ tax be placed on each 8 ozs. of soft drink product.

Let us now examine this tax and see how it would effect costs to our consumers. We will use as an example a popular and typical case of 16 oz. bottles. A case holds 24 bottles.

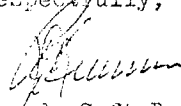
This case sells to the retailer for \$2.27 a case. With the tax this cost will increase 48¢. Thus his cost now is \$2.75 or a 22% increase.

The retailer will pass this increase on to the consumer.

Let us now see what his increase will be. The consumer purchases soft drink packages in 6 packs. Presently, our consumer purchases this package for 75¢. With the proposed tax this package will be raised 12¢ thus his cost will be 87¢ or a 16% increase.

We would like to emphasize that this comparison is made just on the proposal tax increase and does not include costs that would be created internally by increased bookkeeping and administrative functions.

Respectfully,


Nevada Soft Drink Association