

MEMBERS PRESENT:

Chairman Price
Vice Chairman Craddock
Assemblyman Chaney
Assemblyman Coulter
Assemblyman Dini
Assemblyman Mann

Assemblyman Bergevin
Assemblyman Marvel
Assemblyman Rusk
Assemblyman Tanner
Assemblyman Weise

MEMBERS ABSENT:

GUESTS PRESENT:

See attached Guest List

A quorum being present, Assemblyman Price called the meeting to order. He stated the purpose of the hearing to be to take testimony on AB 2, 33, 59 and 175.

AB 33

Dennis Danforth, State Opticians Association, spoke in support of the bill. He stated that he had been asked to come before the committee on behalf of the State Opticians Association and state that they were in full support of the bill.

Mr. Marvel inquired whether reading or sunglasses that were bought over the counter in a drugstore would be included. Mr. Danforth stated that he believed that only prescriptions glasses were included.

Mr. Weise inquired what the average cost of a pair of prescriptions glasses was in the State of Nevada. Mr. Danforth stated that the range was quite wide but that he would estimate that the average cost would probably be between \$70-\$90. It was pointed out that the fiscal note estimated that the cost was about \$100 every other year. It was felt by several members of the committee that this was a bit overestimated.

Mr. Mann stated that it has been his experience that some of his students have made a point to have 2 pairs with the real fancy frames and that he felt the tax break should be on something that is necessary for your health. Yet he could see no way to eliminate this problem.

Mr. Danforth suggested that something could be done to allow only for the basic functional pair or eyeglasses.

Mr. Weise stated that when the constitution was originally drafted they very specifically singled out optometrists and physicians as being consumers and not retailer. He added that public aid is available for eyewear. He stated that he felt perhaps this would be tampering unreasonably with the tax laws and that the administration of it would be difficult.

(Committee Minutes)

Warren Fowler, Retired Public Employees of Nevada, stated that they were in support of this bill. He stated that although this may appear to be a small thing it does effect a lot of older citizens who do buy a lot of glasses. He stated that sometimes the extra little cost of the tax may influence someone to put off getting the glasses that they really need. He added that his board has directed that they support any tax relief program, although this is not one of their specific proposals.

Mr. Weise inquired whether the state insurance program covered eyeglasses. Mr. Fowler stated that it did not and that there were many of his members that could not afford the state insurance program anyway.

AB 2 and AB 59

Assemblyman Coulter, sponsor of AB 2, spoke in support of AB 2. He began by showing the committee a box of petitions that had been gathered in support of the removal of food tax. He stated that this proposal had been introduced in several previous sessions and this time they also have the support of the Governor on the proposal.

He explained briefly how he became involved in the effort to get the proposal put on the ballot. He stated that the people doing it consisted primarily of senior citizens on no budget and with limited help. They were able to get 18,355 signatures when they needed 19,500 before they were forced to give it up.

Mr. Coulter went on to point out what is perhaps a technical error in the bill. This is found on page 3, line 5 of the bill in that not all areas of the state have municipal elections so some language will be needed to be added to correct this.

Mr. Mann pointed out that the people will make the ultimate decision on the issue and he felt that the committee should give them this opportunity.

Mr. Price stated that he had talked with the Secretary of State and there is a time frame that must be met in order to get this on on the proposed election.

Mr. Weise inquired what the purpose of all of the new language was and was it necessary for the repeal of the sales tax. Dan Miles, Deputy Fiscal Analyst, stated that under the existing NRS there are many references to Tax Commission which is obsolete now. It was felt that perhaps Frank Daykin should be asked to explain the reasons.

Marvin Leavitt, City of Las Vegas, stated that it was his understanding that this was in this form because the administrative details of the are in the portion that has been approved by the people and can only be amended in that same manner. The first part of the bill repeals those sections and then puts them back in

so that those portions of the bill can now be changed by the legislature in the future. This would apply to the administration and not the rates, which would have to still go to a vote of the people.

Joe Midmore, W & W Vending, stated that they were concerned about the section of the bills which deal with what is or is not food for the purposes of taxation. He stated assume that restaurant meals and fast food operations would be taxed. It also would make food sold from a vending machine taxable. Mr. Midmore pointed out that vending machines are not primarily tourist oriented but rather they are primarily for Nevadans such as in the employees areas of the large hotels etc. He added that many times the food in the vending machine is exactly the same food that is sold in the grocery store. He stated that they feel that this is discriminatory.

Mr. Mann stated that this came out this way because they are not trying to give a tax break to people who can afford to eat out of vending machines but rather to people who buy their groceries, take them home and prepare the food for their consumption. He also stated that he felt most of the things that come out of a vending machine is packaged for that specific purpose and is not the same as what you buy in the grocery store.

Mr. Tanner inquired whether prepared foods bought in the grocery store would be excluded from the tax package.

Mr. Price stated that he had an amendment for the bill and cited the situation of buying a sandwich in the store and having it heated in the radar oven. He stated that other states had had problems of this. A copy of this amendment is attached to these minutes as Exhibit A.

Mr. Tanner pointed out that in California fast food operations that did not have seating inside were not subject to food tax and were considered the same as grocery stores.

Mr. Chaney stated that in Nevada it is sometimes cheaper to eat in a restaurant then it is to eat at home. He stated that he would also be concerned about the people using the vending machine being taxed.

Mr. Tanner pointed out that the trend in food merchandising is rapidly changing to a large percentage of fast food and take out food business and that many grocery stores are expanding their fast food sections rapidly. The percentage of fast food sold out of the grocery store is going to continue to increase.

Mr. Midmore finished his statement by saying that other states have handled this proposal differently and that he was getting information of this within the next few days and would like the opportunity to present it to the committee.

Mr. Price informed the committee regarding the mechanics of the time frame of the bill would be March 11 which is 58 days before the May Primary and April 8 would be the date for the June election. The bill provides for the areas that do not have these elections.

Frank Daykin, Legislative Counsel, explained the reasoning for the new language in the bill. He stated that the purpose of this was to re-enact as a legislative act the administrative provisions of the Sales and Use Tax which is proposed that the people repeal in Section 2 on page 2 of the bill. The purpose of doing that is to make those administrative provisions subject then to ordinary legislative amendment. At present, any change must go to the vote of the people. Mr. Daykin cited a problem this has posed in that one of the section provides for a rate of interest of 6% on delinquent sales and use taxes. To raise this would require a vote of the people. Mr. Daykin pointed out that this is a great interest rate and where else could you borrow money for 6%.

Mr. Daykin went on to point out that the rate and exemptions would still be under the control of the people. The legislature could change interest, bonding, circumstances under which bond was required, etc.

Mr. Weise inquired whether the portions that are being repealed in Sec. 2 was part of the original referendum. Mr. Daykin replied that they were and the reason they were is that the legislature originally enacted as an ordinary legislative measure a complete sales and use tax law. When a referendum petition was filed against it, it was filed against the whole act. The people approved the whole act, therefore no part of the act can be amended or repealed. This is a referred measure so no part of it can be touched unless the people themselves repeal the administrative provisions and then the legislature re-enacts them.

Mr. Weise then went on to question whether it would be difficult to enumerate "staples" that they are really intended to exempt. Mr. Daykin stated that it really would be and that they only examples they could find were to enumerate the exclusions rather than inclusions.

Mr. Weise questioned whether a real problem was being written into law in determining for tax interpretation purposes whether it is something to be consumed immediately or not. He worried about passing a law "with a lot of good intention and having a nightmare of administration". Mr. Daykin stated that the "nightmare" would be faced by the Department of Taxation by regulation because they have the power to adopt regulations subject to legislative review. Mr. Daykin stated that he felt this was the practical solution to this.

Mr. Tanner stated that he felt that there were some real problems in the bill in classification of what would be taxed. He felt that categories would be okay but that pulling things out of categories would cause a large problem.

Mr. Craddock said he questioned whether they were really capable of picking this out to make sense. He wondered how they really could categorize to really make sense and make so that the private sector could handle it. Mr. Daykin stated that perhaps they could allow prepared foods for consumption off the premises to go tax free which is a simple solution. The other solution is to stay with excluding prepared foods from the exemption then going to have to allow the Department of Taxation by regulation to make some arbitrary assumptions. He cited the situation of raw carrots which somebody eats on their way home would not ordinarily be treated as being intended for immediate consumption but a specially wrapped sandwich would as would a bottle of pop.

Mr. Dini questioned what the difference between a frozen pizza bought in the store or a uncooked pizza bought at a pizza parlor would be. They are both meant to be taken home and cooked. He pointed out that under this bill the pizza bought in the store would not be taxable while the other one would. Mr. Daykin stated that he felt it would be nontaxable in either case if they were in such a condition that they could not be consumed right away. He stated that it made no difference where they were obtained but rather what shape they were in.

It was pointed out that the point of making a distinction between processed and nonprocessed foods was a point of policy and not of law. This was drafted this way because they followed an example from another state.

Mr. Craddock stated that he felt it was interesting to note the difference in the per capita exemption for groceries in the various counties. He cited Esmeralda with \$10.49 and Douglas with \$87.62. The state average is \$63 and the disparity is caused by the sale of prepared food. His philosophy would be to have the tourist pay the bill and the citizens get off.

It was determined that there would be some problems on this that would have to be worked out.

The committee, at this point, began a discussion of what the various members felt concerning this proposal.

Mr. Weise stated that he felt that better definitions would be needed or else just exempt all food.

Mr. Bergevin questioned whether the committee should hear from the Department of Taxation. He stated that they had assured him that administration of this type of thing is not going to be a "headache".

Mr. Tanner stated that he had problems with the principal of it in that he could see no difference between foods prepared in the store versus unprepared food.

Mr. Bergevin stated that if they took tax off all food that the fiscal note would be greatly increased and the counties and cities would be in real trouble.

Mr. Craddock stated that he had been contacted by a constituent who had asked him not to exempt food as it was established for a specific purpose and it was accomplishing that purpose very well. That function is to provide educational facilities for the young. He added that he does not feel that a tax that is on the consumer end is a bad tax. He felt that they should look at those taxes that begin early in the supply chain and become doubled or quadrupled by the time they get to the consumer.

Mr. Price stated that he felt that perhaps the Department of Taxation should come to answer some questions regarding the fiscal note and how it would be effected by the various questions asked by the committee. Mr. Chaney wondered just what figures they had used in determine fiscal impact. He wondered if they included prepared food or just unprepared food. Mr. Tanner stated that he would like to see what the figures would be if all food was exempted.

Mr. Weise pointed out that if they exempted all foods out of groceries stores they would become the greatest competitor for the fast food industry and in fact could easily run them out of business.

Mr. Mann stated that this is why he felt that they should go with the processed and nonprocessed method. He added the people that use the fast food type are doing so at their own choice. He stated that he felt they should start off slow in that if they exempted all food the cost to counties and cities in lost revenue would be prohibitive.

Mr. Tanner questioned whether they have the right to penalize people for going into the grocery store and buying prepared food. Mr. Mann stated they have the right to restrict the tax break based on what they can afford.

Mr. Rusk stated that would like to see it go along the line of staples. He added that they could make as complicated as possible or they could go along with the extremes of all the tax reform and once it is all packaged together find there is no revenues left for local government, state and schools to be operated under. He stated he would like to see it simplified and worked along the lines of nonprocessed foods.

Mr. Mann stated that if they went with nonprocessed and processed he felt there wouldn't be all the problems that have been discussed and that the intent was to be staple items that are required in order to exist. He added that he was willing to let the future take care of itself in respect to the fast food items.

Mr. Tanner stated that he was in favor of taxing food in restaurant but in grocery stores he would be in favor of exempting all food items.

Mr. Bergevin stated that he felt that they would have to be a little careful with the classification of processed foods and that they would have to elaborate on this.

It was decided that the committee would like the chance to see some systems used by other states and Mr. Miles was asked to see what could be prepared for the committee. Chairman Price asked for a straw vote of the committee to see if they were generally in favor of some type of removal of sales tax on food. The majority of the committee favored some type of this removal one way or another.

AB 175

Assemblyman Peggy Cavnar, sponsor of AB 175, spoke in favor of its passage. She stated that perhaps the committee should be considering those items that are just as necessary as food when you are talking about quality of life.

She pointed out that in the bill orthodontic appliances had been left out which would be dentures and braces and that it had been intended to include these. She also pointed out that on line 28 of page 2, the bill separates insulin from medicine and they could be combined as they are medication which must be acquired with a prescription.

Mrs. Cavnar also stated that if the food question were to go to vote of the people she felt that this could be added to that vote instead of the date November 4, 1980 as stated on page 1, line 2.

Mrs. Cavnar went on to say that some people may feel that this is strictly a senior citizens bill but it is something that will bring relief to everyone. She cited the fact that the average hearing aid costs \$500 and the tax on that is \$17. Even people on medicare have to pay a good portion of this cost.

Mr. Weise inquired whether this bill would take in eyeglasses. Mrs. Cavnar stated that it would take care of prescription glasses. All of things that the bill covers should be order by prescription and that would clear up the problem of going out and getting glasses that were not really necessary. She also stated that it would be possible to just cover the cost of the lens and not the frame.

Mr. Mann pointed out that this bill, according to the fiscal note, would cost \$1,239,702. He stated that in this year of tax reform he was not sure that they would be able to do everything for everybody. Mrs. Cavnar stated that they could absorb this tax cut. A copy of this fiscal note is attached to these minutes as Exhibit B.

Betty Chaya, employed by Easter Seal Society, spoke in favor of this bill. She mentioned that children would benefit by many devices mentioned in the bill but are a real financial burden to the family. She felt that this would be a real tax relief to

these families. Some of these children are not getting what they should because of financial problems.

Mr. Mann asked if Easter Seal were to purchase these appliances and give to the children are they not tax free at that point. Mrs. Chaya stated that to the best of her knowledge there are a few things that are rented out but that she was concerned more about things like electric wheelchairs and things like that, which are a tremendous expense but can improve the function of the children greatly.

Ruth Wright, Northern Nevada NOW, stated that they were in support of all forms of bills that give tax relief and advantages to women. She stated that the goal is to bring tax relief in areas of necessities. She stated that they feel that women make less money than men and it is unfair for them to have to pay taxes on necessities. She stated that it is especially hard on divorced and widowed women trying to raise children. Their chapter is support of this kind of tax relief.

At this point the committee discussed how the committee would progress in its deliberations. It was decided that it would attempt to look at all the various proposals including the one presently in the Senate, even before it was actually in the hands of the committee.

It was pointed out that it appeared from reports in the newspaper that the committees were going to divide the package but that many of the members wanted a chance to look at the whole package and not just pieces of it.

The committee expressed the desire that they not be dominated by the Senate and that they be given the input necessary to come up with the best tax package possible. It was also determined that the committee should not be too concerned about what the other house was doing but rather what was best for the people of Nevada. It was decided that the committee was headed in the right direction and would continue as they were doing.

As there was no further business to discuss, Chairman Price adjourned the meeting at 6:00 p.m.

Respectfully submitted,

Sandra Gagnier
Sandra Gagnier,
Assembly Attache

Also attached to these minutes:

Exhibit C, Statement on AB 2 and AB 59 from League of Women Voters.

Exhibit D, Memorandum from Dan Miles regarding Exempting Sales Tax on Food

Exhibit E, Support letter on AB 175 from Developmental Disabilities Planning Council

ASSEMBLY TAXATION COMMITTEE

GUEST LIST

Date:

2/13/79

NAME

REPRESENTING

WISH TO SPE
YES NO

Jeanne Hannafin	Dept. of Taxation		X
BILL ANDREWS	DEPT OF TAXATION		X
Vince Laveaga	Sierra Pacific Power Co.		✓
Peggy Twedt	League of Women Voters of Nevada		✓
JOHN HAWKINS	NEVADA SCHOOL BOARD ASSOCIATION		✓
David P. Conover	Nevada Farm Bureau		✓
PEGGY CAVNAR	AB 175	✓	
Betty Chapp	AB 175	✓	
Warren T. Fowler	Retired Public Employees of Nevada	✓	
R.M. PRINCE	WHITE PINE CO.		✓
MARVIN LEAVITT	CITY OF LAS VEGAS		✓
Don Hataway	Cannon City		✓
Tom AINSWORTH	Don Key		✓
T White	R-J		✓
John Hages	Appeal		✓
Joe Midmore	W+W Vending	✓	
RUTH WRIGHT	Northern Nevada N.O.W.		

A.B.2§56.2 (P.2), sub. 4:

4. As used in subsection 2, "prepared food intended for immediate consumption" does not include food or beverage sold by a grocery store or similar retail food purveyor, merely because the purchaser consumes the food or beverage at or near the seller's business premises even after having used equipment or appliances of the seller to open, warm, heat or cook the food or beverage, if those operations were performed solely by the purchaser for his own convenience, after consummation of the sale.

EXHIBIT B

• STATE AGENCY ESTIMATES

Date Prepared February 5, 1979Agency Submitting DEPARTMENT OF TAXATION

Revenue and/or Expense Items	Fiscal Year 1978-79	Fiscal Year 1979-80	Fiscal Year 1980-81	Continuing
State			\$314,458*	\$ 710,765
School			156,805	354,771
Local Governments			82,576	174,166
Total			\$553,839	\$1,239,702

Explanation (Use Continuation Sheets If Required)

*Effective for 1/2 fiscal year 1980-81. The dollar loss shown is the maximum loss if all sales made by businesses we have classified to sell these types of devices were exempt sales under this proposal. We did not poll the 404 businesses in this category to determine what portion of their sales would fall in the tax exempt area should this proposal be enacted.

Local Government Impact YES ☒ NO ☐
(Attach Explanation)

SEE ATTACHED

Signature *Clayton D. Nickson*
Title for ROY E. NICKSON
EXECUTIVE DIRECTOR

• DEPARTMENT OF ADMINISTRATION COMMENTS

Date February 8, 1979

The above estimates appear reasonable.

Signature *H. E. Barrett*
Title Howard E. Barrett
Director of Administration

• LOCAL GOVERNMENT FISCAL IMPACT
(Legislative Counsel Bureau Use Only)Date February 13, 1979

The figures shown above for local governments represents the loss projected in the 1/2¢ City County Relief Tax. The loss projected for schools is the 1¢ Local School Support Tax. Under the current distributive school fund formula the loss to schools would actually be a loss to the state because additional money would need to be allocated through the distributive school fund.

Signature *E. A. Schon*
Title Deputy Fiscal Analyst

(Continuation)

EXHIBIT B

B.D.R. No. 32-635

A.B. 175

BDR 32-635

REMOVE SALES AND USE TAX PROSTHETIC DEVICES

SCHOOLS	1979-80	1980-81
Carson City	2,822	6,378
Churchill	453	1,023
Clark	74,578	168,545
Douglas	505	1,141
Elko	1,446	3,670
Humboldt	68	155
Lincoln	14	27
Lyon	5	10
Mineral	5	11
Washoe	31,763	71,783
White Pine	493	1,113
School Distributive	<u>44,653</u>	<u>100,915</u>
TOTAL	156,805	354,771
LOCAL GOVERNMENTS	1979-80	1980-81
Carson City	2,277	5,146
Churchill	405	914
Fallon	101	228
Clark		
Boulder City	1,413	3,192
Henderson	4,475	10,113
Las Vegas	34,411	77,769
North Las Vegas	9,901	22,375
Douglas	977	2,207
Elko		
Carlin	136	307
Elko	809	1,828
Wells	117	264
Humboldt	122	275
Winnemucca	158	357
Lincoln	41	92
Caliente	22	50
Lyon	159	358
Yerinton	52	118
Mineral	103	233
Washoe		
Reno	15,882	35,893
Sparks	<u>11,015</u>	<u>12,447</u>
TOTAL	82,576	174,116
State	314,458	710,765
Schools	156,805	354,771
Local Governments	<u>82,576</u>	<u>174,166</u>
TOTAL	553,839	1,239,702

REPEAL OF THE SALES AND USE TAX ON FOOD

The League of Women Voters of Nevada supports passage of AB 2 or AB 59 repealing the sales tax on food. An increasing portion of a Nevadan's total expenditure goes toward food. Inflation has a greater impact on food than on most other commodities. The recent monthly increase in the Consumer Price Index of 1.3% reflects the unprecedented and frightening monthly increase of 14% for meat alone.

Yet meat is the major source of protein available to the consumer, and protein is necessary for that consumer's health. At \$1.39 per pound for hamburger the taxpayer shells out another 5¢ in tax.

Persons on low or fixed incomes feel increases in the price of food the most. Food is necessary for life and must be bought no matter what the price. It is when price increases for the necessities of life, such as food, shelter and medicine, are greater than the increases in prices of other commodities that the poor get poorer.

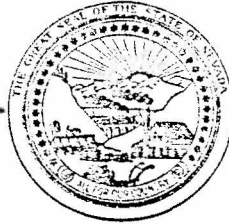
Yet it is not only the poor and the retired that feel the impact of inflation and taxes on their incomes. While the average wage-earners income is slated to rise by 7%, inflation is projected to increase by more than 10%, and the price of food will increase by even more.

The sales tax on food currently contributes approximately 4.5% of the State general fund. Of the 3.5¢ sales tax, 1.5¢ goes to school districts and political subdivisions. The League qualifies its support of the repeal of the sales tax on food to the extent that losses in tax revenues to the school districts and cities and counties be reimbursed. Were these lost revenues made up from the general fund, the League feels all citizens would benefit from the repeal of sales tax on food.

STATE OF NEVADA
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Arthur J. Palmer, Director, Secretary

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FRANK W. DAYKIN, Legislative Counsel (702) 885-5627
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ANDREW P. GROSE, Research Director (702) 885-5637

January 26, 1979

TO: Assemblyman Bob Price
FROM: Dan Miles, Deputy Fiscal Analyst
SUBJECT: Exempting Sales Tax on Food

I contacted several companies that market cash registers or cash register systems in Nevada in order to determine what the effects on cash registers and operators might be if the tax on food is removed. I received the following responses:

1. NCR - Tom Yacuk - Retail District Manager
 - A. Programmable terminals, which are used in many large chains, would only require a program change. Operation would be virtually the same and the operator would only have to identify the type of merchandise.
 - B. Mechanical machines would vary. Newer machines, capable of carrying two subtotals, would not be affected, but some operator training would be required. Older machines might require the operator to ring up taxable items separately from non-taxable.
 - C. NCR is the largest manufacturer in grocery stores in Nevada.
2. Burroughs - does not market systems in Nevada.
3. IBM - Chris Kenber, Oakland
 - A. All IBM units are programmable and such an exemption would cause no impact. There would be no training of operators required.
 - B. Scanning systems would not be impacted either since the computer stores the tax status of each item automatically.

I have, in addition, contacted Pete Kelly, Nevada Retail Association, who is looking into the question within the membership of his group.

DM/ca

STATE OF NEVADA
DEPARTMENT OF HUMAN RESOURCES

RALPH R. DISIBIO, Ed.D., DIRECTOR

ROBERT LIST, GOVERNOR



YRL NYGREN, ADMINISTRATOR

HEALTH PLANNING AND RESOURCES
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
505 EAST KING STREET, ROOM 605
CARSON CITY, NEVADA 89710
TELEPHONE (702) 885-4720

February 13, 1979

The Honorable Robert E. Price
Nevada State Assemblyman
Legislative Building
401 S. Carson
Carson City, NV 89710

RE: A.B. 175

Dear Assemblyman Price:

The Developmental Disabilities Planning Council (DDPC) supports the passage of A.B. 175 which would eliminate the sales tax from eye-glasses, hearing aids, prosthetic devices and other such medical equipment.

These devices are essential medical items for certain disabled persons and are as legitimate a medical expense as are prescription drugs on which no tax is currently charged.

The Council urges that this bill be given a Do Pass recommendation by the Assembly Committee on Taxation.

Cordially,

Frank Weinrauch
Chairperson
Developmental Disabilities Planning Council

FW:GR:lf

CC: Members, Assembly Committee on Taxation