

STUDY OF TAXATION IN NEVADA



Bulletin No. 91-20

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

DECEMBER 1990

STUDY OF TAXATION IN NEVADA

BULLETIN NO. 91-20

**Legislative Commission
of the
Legislative Counsel Bureau
State of Nevada**

December 1990

Table of Contents

Assembly Bill No. 801, Section 31 (File No. 861, <u>Statutes of Nevada 1989</u>)	iii
Report of the Legislative Commission	v
Summary of Recommendations	vii
 REPORT TO THE 66TH SESSION OF THE NEVADA LEGISLATURE BY THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE ON TAXATION IN NEVADA	
I. INTRODUCTION	1
II. SUBCOMMITTEE METHODOLOGY	1
III. MEETING ABSTRACTS.....	3
A. Committee as a whole - September 28, 1989.....	3
B. Subcommittee #4 - Sales and Property Taxation in Nevada - October 23, 1989.....	5
C. Subcommittee #1 - Collection and Distribution - October 24, 1989	6
D. Subcommittee #2 - Local Government Revenue - October 24, 1989.....	7
E. Subcommittee #3 - State Government Revenue - November 7, 1989	7
F. Subcommittee #5 - Tax Policy in Nevada -November 7, 1989.....	7
G. Committee as a whole - November 8, 1989	8
H. Subcommittee #3 - State Government Revenue - March 2, 1990.....	9
I. Subcommittee #1 - Collection and Distribution - March 5, 1990.....	9

J.	Subcommittee #4 - Sales and Property Tax - March 5, 1990	10
K.	Subcommittee #2 - Local Government Revenue - March 23, 1990.....	10
L.	Committee as a whole - August 21, 22, and 23, 1990	10
M.	Subcommittee #2 - Local Government Revenue - October 6, 1990.....	12
N.	Committee as a whole - October 6, 1990	12
O.	Subcommittee #4 - Sales and Property Tax - October 20, 1990	13
P.	Committee as a whole - November 19, 1990	13
Q.	Subcommittee #1 - Collection and - Distribution -October 20, 1990	13
R.	Subcommittee #3 - State Government Revenue -November 19, 1990	14
S.	Subcommittee #5 - Tax Policy in Nevada - November 19, 1990	15
T.	Subcommittee #2 - Local Government Revenue -November 20, 1990	15
U.	Subcommittee #4 - Sales and Property Tax - November 20, 1990	16
V.	Committee as a whole - November 20, 1990	16
W.	Table of Exhibits.....	17
X.	Interim Committee on Taxation Policy Statement	107
Y.	Table of BDR's	109

A.B. 801, Section 31

Assembly Bill No. 801—Committee on Taxation

CHAPTER..File 861

AN ACT relating to local governmental finances; revising the provisions governing the maximum amount of revenue a local government is allowed to receive from certain taxes; revising the limitations on the amount of certain service charges and fees charged by local governments; revising the provisions governing the distribution of the revenue from the supplemental city-county relief tax; increasing the maximum amount of revenue the town of Laughlin is allowed to receive from certain taxes; requiring the legislative commission to conduct an interim study of taxation in Nevada; and providing other matters properly relating thereto.

Sec. 31. 1. The legislative commission is hereby directed to conduct a comprehensive study of taxation in Nevada, with primary emphasis on, but without limitation, the equity, distribution and adequacy of all existing taxes and secondarily on the feasibility and functionality of future revenue sources of all governmental units in the state.

2. As soon as practicable after July 1, 1989, the legislative commission shall appoint four assemblymen and four senators, from among the members of the standing committees on taxation of this session, to conduct the study.

3. The legislative commission shall designate the chairman and vice chairman of the subcommittee.

4. The chairman of the subcommittee may appoint subsubcommittees, which may include members of the public and private sectors for technical advice, to carry out specifically assigned tasks or study specified subjects.

5. Each member of the subcommittee appointed by the legislative commission is entitled to receive a salary of \$130 for each day on which he attends a meeting of the subcommittee or a subsubcommittee of the subcommittee and the per diem allowance and travel expenses provided for state officers and employees generally from the legislative fund. The expenses of a member of the public or private sector who is appointed to a subsubcommittee pursuant to the provisions of subsection 4 must be paid by the entity he represents, if any, or by the member.

6. The study must be completed not less than 45 days before the first day of the 66th session of the legislature.

7. The legislative commission shall report the results of its study and any recommended legislation to the 66th session of the legislature.

**REPORT OF THE LEGISLATIVE COMMISSION
TO THE MEMBERS OF THE 66TH SESSION OF THE NEVADA
LEGISLATURE:**

This report is submitted in compliance with Assembly Bill No. 801, Section 31, which directs the legislative commission to conduct a comprehensive study of taxation in Nevada. The study was to have a primary emphasis on, but without limitation, the equity, distribution, and adequacy of all existing taxes and secondarily, on the feasibility and the functionality of future revenue sources of all governmental units of the state. A.B. 801, Section 31 further directed the legislative commission to appoint four assemblymen and four senators from among the members of the standing committees on taxation of the 65th session to conduct the study and that the legislative commission report the results of the study and any recommended legislation to the 66th session of the Nevada Legislature.

The legislative commission appointed the following members to a subcommittee to conduct the study:

Assemblyman Bob Price, Chairman
Senator Charles W. Joerg, Vice Chairman*

Assemblyman Louis W. Bergevin
Senator Erik Beyer*
Assemblyman Jack Regan*

Senator Raymond C. Shaffer
Senator R. Hal Smith
Assemblywoman Myrna T. Williams

*Senators Bob Coffin and Ann O'Connell and Assemblyman Matthew Callister were appointed to replace Senators Erik Beyer and Charles W. Joerg and Assemblyman Jack Regan after the 1990 general election.

The report identifies procedures, summarizes an analysis drawn from a large volume of testimony and printed material and provides the findings and recommendations of the subcommittee. All supporting documents and minutes are available to any member of the Legislature from the Fiscal Analysis Division of the Legislative Counsel Bureau.

This report is transmitted to the members of the 1991 Legislature for consideration and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
December 1990

LEGISLATIVE COMMISSION

Assemblyman Robert M. Sader, Chairman
Assemblyman Morse Arberry, Jr., Vice Chairman

Senator William R. O'Donnell
Senator Raymond C. Shaffer
Senator Randolph J. Townsend
Senator John M. Vergiels

Assemblyman Louis W. Bergevin
Assemblyman Joseph E. Dini, Jr.
Assemblyman James W. McGaughey
Assemblyman Gene T. Porter

Legislative Commission's Interim Study on
Taxation in Nevada (A.B. 801)

Summary of Recommendations

1. The 1991 Session of the Nevada Legislature should consider legislation making changes relating to the distribution of the Supplemental City County Relief Tax (SCCRT) as follows (BDR 32-1071):
 - A. Use population in place of "new property" as factor for adjusting distribution to reflect growth.
 - B. Distribute revenue from out-of-state sales based on population.
 - C. Eliminate obsolete language in paragraph (a) of subsection 1 of NRS 377.057.
2. The 1991 Session of the Nevada Legislature should consider legislation to increase the SCCRT distribution factor of Elko County and adjust Eureka County's factor to offset approximately one-half of the increase (BDR S-1072).
3. The 1991 Session of the Nevada Legislature should consider legislation to limit assessors to a range of 32 to 36 percent the ratio of assessed value to taxable value for compliance with the ratio study and for the median land factor (BDR 32-1074).
4. The 1991 Session of the Nevada Legislature should consider legislation that would consolidate Elko and Eureka Counties (BDR 20-1073).
5. The 1991 Session of the Nevada Legislature should consider legislation proposing to amend the Nevada Constitution to provide for legislative approval of administrative regulations (BDR C-1078).
6. The 1991 Session of the Nevada Legislature should consider legislation that would authorize local governments to establish toll roads and bridges (BDR 35-1076).
7. The 1991 Session of the Nevada Legislature should consider legislation allowing certain businesses to pay the sales and use tax directly to the state (BDR 32-406).
8. The 1991 Session of the Nevada Legislature should consider legislation to eliminate caps on property tax imposed by local governments except for the statutory ceiling of \$3.64 (BDR 32-1079).

9. The 1991 Session of the Nevada Legislature should consider legislation that would require the Department of Taxation to establish uniform assessment standards and practices and require training for county assessors (BDR 32-1075).
10. The 1991 Session of the Nevada Legislature should consider legislation that would create an interim committee on taxation by authorizing the Legislative Commission to appoint four members from each standing committee on taxation, rotating the chairmanship between the houses and establishing the interim committee's authority to review and recommend changes in tax policy to the full legislature (BDR 32-1077).
11. The Legal Division of the Legislative Counsel Bureau shall prepare an opinion on the applicability of the Webster case (which found certain assessment practices to be in violation of the equal protection clause of the U.S. Constitution) to Nevada's assessment practices for presentation to the 1991 Legislature.
12. The Fiscal Analysis Division of the Legislative Counsel Bureau shall prepare an analysis of the potential for a "revenue neutral" return to the assessment of improvements at market value for presentation to the 1991 Legislature.
13. The 1991 Session of the Nevada Legislature should request an analysis of property tax exemptions from the Department of Taxation.
14. The 1991 Session of the Nevada Legislature should direct the Legal Division of the Legislative Counsel Bureau to include "widower" in the property tax exemption for widows and orphans when drafting BDR 32-1120.

REPORT TO THE 66TH SESSION OF THE NEVADA LEGISLATURE
BY THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE
ON TAXATION IN NEVADA

I. INTRODUCTION

The 1989 Session of the Nevada Legislature adopted Assembly Bill 801 of which Section 31 directed the Legislative Commission to conduct a comprehensive study of taxation in Nevada with primary emphasis on but without limitation the equity, distribution and adequacy of all existing taxes and secondarily on a feasibility and functionality of future revenue sources of all governmental units in the state. In the preamble to Assembly Bill 801, it was recognized that the Nevada Legislature substantially revised the laws governing the financial structure regarding the local governments in the state. In the eight years since, the state's various local governments have experienced substantial and varied economic change. It was therefore considered an appropriate opportunity to study the current economic climates in the local governments, the ability of current financial structures to respond to those changes in an equitable manner, future resource needs of the state and local governments and the overall tax climate of the state of Nevada.

Section 31 also directed the Legislative Commission to appoint a subcommittee made up of four assemblymen and four senators from among members of the standing committees on taxation of the 65th session to conduct the study and to have the study completed not less than 45 days before the first day of the 66th session of the Legislature.

II. SUBCOMMITTEE METHODOLOGY

The Legislative Commission appointed Assemblyman Robert Price, Chairman; Senator Charles W. Joerg, Vice Chairman; and Assemblyman Louis Bergevin, Senator Erik Beyer, Assemblyman Jack Regan, Senator Raymond C. Shaffer, Senator R. Hal Smith and Assemblywoman Myrna T. Williams to a subcommittee to study taxation in Nevada. Legislative Counsel Bureau services were provided to the subcommittee by Kevin D. Welsh and Ted A. Zuend of the Fiscal Analysis Division (principal staff), Brenda Erdoes and Chris Bailey of the Legal Division (legal counsel) and Nenita Wasserman and Terry Cabauatan of the Fiscal Division (clerical support services).

The full committee divided itself into five subcommittees covering the topics of collection and distribution of revenues, potential new revenues for local governments, potential new revenue for state government, sales and property taxation, and tax policy in Nevada. The subcommittees held a total of 15 public hearings and reported back periodically to the full committee at one of its six public hearings (see meeting schedule exhibit A).

The public hearings were held in Nevada's urban centers including Reno, Carson City, Las Vegas, and North Las Vegas and in the rural areas including Tonopah, Ely and Elko.

The five subcommittees met on November 19 and 20, 1990, to finalize suggested recommendations for the committee as a whole. The committee as a whole then met also in Las Vegas on November 20th, 1990 and adopted 14 recommendations to forward to the Legislative Commission.

III. MEETING ABSTRACTS

A. Committee as a whole - September 28, 1989

The Legislative Interim Committee to Study Taxation in Nevada¹ held its first public hearing on Thursday, September 28, 1989 in Room 234 of the Legislative Building, Carson City, Nevada. The committee had three major tasks to perform at this meeting: First, the adoption of goals and objectives; second, the adoption of subcommittee subject areas, goals and objectives; and third, the appointment of subcommittee chairman and members.

The committee adopted a statement of goals and objectives as follows:

Statement of Goals and Objectives

The 1989 Session of the Nevada Legislature received the Urban Institute/Price Waterhouse study of the Fiscal Affairs of the State and Local Governments in Nevada. The study provided a detailed analysis and evaluation of state and local tax and intergovernmental fiscal relationships along with some recommendations and options.

During the 1989 Session, the Legislature passed a number of taxes and fiscal bills including A.B. 801, directing the Legislative Commission to address the total tax policy of Nevada during this interim and report back to the 1991 Legislature.

This committee is charged with that responsibility and will conduct numerous hearings involving all interested parties to consider all the issues raised during the 1989 Session: The recommendations and options offered by the Urban Institute/Price Waterhouse Report, the effectiveness and efficiency of our current system and the need for newer expended revenue sources to formulate a state tax policy that will protect and improve Nevada's unique quality of life and guide us into the 21st century. The committee further adopted the following subcommittee subject areas, goals and objectives and appointed the following people to the subcommittees.

¹ Pursuant to A.B. 801, the "interim committee" is legally a subcommittee of the Legislative Commission and its "subcommittees" are actually subsubcommittees. The shorter terms are used for convenience and clarity in the official documents.

Subcommittee No. 1

Subcommittee on the Collection and Distribution of Existing Revenue of All Governmental Units in the State.

The subcommittee shall review the collection and distribution of all government revenues in Nevada, including the effects of state taxation and spending. The review shall include consideration of, without limitation, the economic base, recent economic performance and population demographics of the various communities through the state. The subcommittee may consider the effects of revenue limitations on local government, the effects of "earmarking" revenue and the effects of sharing the same revenue source between state and local governments. The subcommittee shall recommend to the full committee any changes based only on existing revenue that will improve the collection and distribution of revenue throughout the state.

Members - Subcommittee No. 1:

Assemblyman Louis W. Bergevin, Chairman
Assemblywoman Myrna T. Williams, Vice Chairwoman
Senator Erik Beyer
Senator Raymond C. Shaffer
Assemblyman Price and Senator Joerg, Ex-officio Members

Subcommittee No. 2

Subcommittee on the Potential New Revenue Sources for Local Governments in Nevada.

The subcommittee shall review any potential revenue sources for local governments that are not generally used in Nevada. The review shall include consideration of the effect on local economic development and diversification efforts, the potential revenue for disparate local governments throughout the state and the appropriateness of using the revenue source for local government. The subcommittee shall also consider the cost and effectiveness of collecting the revenue, the effects on broadening and stabilizing the tax base, the relationship between the the revenue source and the needs of the community, and the effect on local government autonomy. The subcommittee shall recommend to the full subcommittee any potential new sources of revenues for local governments.

Members - Subcommittee No. 2:

Assemblywoman Myrna T. Williams, Chairwoman
Senator Erik Beyer, Vice Chairman
Senator R. Hal Smith
Assemblyman Price and Senator Joerg, Ex-Officio Members

Subcommittee No. 3

Subcommittee on Potential New Revenue Sources for State Government in Nevada.

The subcommittee shall review any potential revenue source for state government that is not used in Nevada. The review shall include consideration of the effect on state economic development and diversification efforts and appropriateness of the revenue source for state government. The subcommittee shall also consider cost and effectiveness of collecting the revenue, the effects of broadening and stabilizing the tax base and the relationship between the revenue source and the needs of the state. The subcommittee shall recommend to the full committee any potential new sources of revenue for state government.

Members - Subcommittee No. 3:

Assemblyman Bob Price, Chairman
Assemblyman Louis W. Bergevin, Vice Chairman
Senator Charles W. Joerg

Subcommittee No. 4

Subcommittee on Sales and Property Taxation in Nevada.

The subcommittee shall review sales and property taxation in Nevada. The review shall include examination of the potential revenue or reduction in the overall tax rate that would occur with an expansion of the sales tax base and the appropriateness of the various sales and property tax exemptions. The subcommittee may also consider changes to the property tax system, including assessment practices, that will improve the system. The subcommittee shall report recommendations concerning sales or property taxation to the full committee.

Members - Subcommittee No. 4:

Senator Raymond C. Shaffer, Chairman
Assemblyman John "Jack" Regan, Vice Chairman
Senator R. Hal Smith

Assemblyman Price and Senator Joerg, Ex-Officio Members

Subcommittee No. 5

Subcommittee on Tax Policy in Nevada.

The subcommittee shall review the formulation of state tax policy by various state governmental entities including the State Legislature, the Governor's Office, the Tax Commission, the Department of Taxation, the Gaming Control Board and Commission and the Department of Transportation. The review will include the policies, procedures, organization and staffing of the entities and interaction between those entities to ensure the comprehensive and consistent formulation of tax policy in the state. The subcommittee shall report any findings and recommendations back to the full committee.

Members - Subcommittee No. 5:

Senator Charles W. Joerg, Chairman
Assemblyman John "Jack" Regan, Vice Chairman
Assemblyman Bob Price

B. Subcommittee No. 4 - Sales and Property Taxation in Nevada - October 23, 1989

Subcommittee No. 4 - Sales and Property Taxation in Nevada held a public hearing on Monday, October 23, 1989, in Meeting Room C, Central Terminal of the McCarran International Airport, Las Vegas, Nevada. The subcommittee heard a staff report on sales and use, and property tax exemptions (Exhibit C), were briefed on Ad Valorem Tax Rates of Nevada Local Governments (The Red Book), by the Department of Taxation and discussed the subcommittee's goals and objectives. The subcommittee further heard a report on the status of cigarette tax revenues and heard testimony from private residents on a variety of related topics.

C. Subcommittee No. 1 - Collection and Distribution - October 24, 1989.

Subcommittee No. 1 on Collection and Distribution held a public hearing on Tuesday, October 24, 1989, in Meeting Room C, Central Terminal of the McCarran International Airport, Las Vegas Nevada. The subcommittee heard a staff report of the "tax shift" (Exhibit D) and discussed the Supplemental City/County Relief Tax (SCCRT) and the Distributive School Fund.

The subcommittee then heard testimony from representatives of Washoe County, the City of Las Vegas, Clark County School District, and McCarran International Airport regarding the distribution of SCCRT revenues and the Distributive School Fund.

D. Subcommittee No. 2 - Local Government Revenue, October 24, 1989.

Subcommittee No. 2 on Local Government Revenue held a public hearing on Tuesday, October 24, 1989, in Meeting Room C, Central Terminal of the McCarran International Airport, Las Vegas, Nevada. The subcommittee heard a staff report on local government revenue sources (Exhibit E), property tax deferral programs in other states (Exhibit F), enterprise zones, residential/nonresidential property tax comparisons, the disposition of property confiscated by local government enforcement agencies and a briefing on the Local Financial Reporting - Statewide Total Summary Report. The subcommittee then had a lengthy discussion of local government finance and the economy in the State of Nevada and received testimony from representatives of Washoe County, the City of Las Vegas, Department of Taxation, the City of North Las Vegas and several private residents.

E. Subcommittee No. 3 - State Government Revenue, November 7, 1989

Subcommittee No. 3 on State Government Revenue held a public hearing on November 7, 1989, in Meeting Rooms A and B, Central Terminal of the McCarran International Airport in Las Vegas, Nevada. The subcommittee heard a staff report on the Price Waterhouse Urban Institute Study - A Fiscal Agenda for Nevada (Exhibit G) and received a comprehensive revenue briefing from the Department of Taxation. Senator Joe Neal testified on the establishment of a Nevada State Bank and the subcommittee received further testimony from representatives of the Citizens for Private Enterprise and the Clark County School District.

F. Subcommittee No. 5 - Tax Policy

Subcommittee No. 5 on Tax Policy in Nevada held a public hearing in Meeting Rooms A and B, Central Terminal of the McCarran International Airport in Las Vegas, Nevada on November 7, 1989. The subcommittee heard a staff report from the Legal Division regarding the Legislature's legal authority and limitations regarding establishing tax policy in Nevada. They then heard testimony from representatives from every state agency that promulgates tax law and collects tax in the state including the Gaming Commission, Gaming Control Board, Department of Administration, Department of Taxation, Department of Transportation and the Insurance Division.

G. Committee as a Whole

The Interim Study Committee on Taxation in Nevada held a public hearing on Wednesday, November 8, 1989 in Meeting Rooms A and B, Central Terminal of the McCarran International Airport, Las Vegas, Nevada. Stephen D. Gold, Director of Fiscal Studies, National Conference of State Legislatures, provided the committee with and testified on a prospectus titled, Suggestions for Reforming the Nevada Tax System. The prospectus included an overview of Nevada's Tax System, framework for considering tax reform and several recommendations for committee consideration (Exhibit H).

The committee then heard testimony from the President of Planning and Information Corporation with regard to economic demographic models and revenue projection. The committee then received status reports from the five subcommittees as follows.

Subcommittee #4 - Sales and Property Taxation in Nevada reported that the subcommittee held a public hearing and organizational meeting and was waiting for the completion of staff research prior to the next meeting.

Subcommittee #5 - Tax Policy in Nevada reported that the subcommittee had held a public hearing and had discussions with the agency heads who collect or administer taxes in the state and were pursuing the possibility of providing the legislature a larger role in the budget process.

Subcommittee #1 - Collection and Distribution reported that the subcommittee had held a public hearing and were also awaiting for the completion of staff research before further action.

Subcommittee #2 - Local Government Revenue reported that the subcommittee had held a public hearing and were still in the process of soliciting information from representatives of both the public and private sector.

Subcommittee #3 - Potential New Revenue for State Government reported that they had also had a public hearing and organizational meeting and had requested bill draft requests establishing additional revenue capabilities.

Representatives of the Clark County and Washoe County assessors' offices testified with regard to the phenomenal growth in the State of Nevada and the pressures that creates in keeping the tax rolls current. A representative of the Lincoln County Assessor's office testified on some of the problems that the rural counties were

having. The committee adjourned after hearing testimony from representatives of Sierra Power and private citizens discuss a franchise tax and other potential revenue generating measures.

H. Subcommittee No. 3 - State Government Revenue

Subcommittee No. 3 - State Government Revenue held a public hearing on Monday, March 2, 1990, in the Reno City/Council Chambers, Reno, Nevada. The subcommittee reviewed four bill draft requests (BDR) prepared by the Legal Division of the Legislative Counsel Bureau. BDR 32-65 - general business tax; BDR S-67 - increase in sales tax, BDR C-64 - repeals sales tax on exemption on food and BDR 32-66 - imposes a sales tax on services.

The subcommittee then heard testimony from a representative from the National Committee to Restore the Constitution on potential sources for new revenue for state government including public lands, Nevada State Bank and a Nevada silver coin. Mr. Garth Dull, of the Nevada Department of Transportation presented the subcommittee with a 10-year forecast on transportation needs and the subcommittee then received an update from the Department of Taxation on revenues collected by that department and an update from fiscal staff regarding revenues not collected by the Department of Taxation.

I. Subcommittee No. 1 - Collection and Distribution

Subcommittee No. 1 - Collection and Distribution held a public hearing on Monday, March 5, 1990, in the Reno City Council Chambers, Reno, Nevada. The subcommittee heard a report from fiscal staff regarding apparent irregularities in the comparison of population growth, building permits and "new property on the rolls" used for the Supplemental City-County Relief Tax (SCCRT) distribution. The tentative conclusion was that the 17 county assessors were not using a standardized method for the calculation of "new property" for the purposes of distribution of SCCRT.

In response, representatives of the Clark County and Washoe County assessors' offices and the Department of Taxation testified in detail with concerning assessment standards and practices and concluded that there was no clear standardized method of calculating the growth factor in the formula. The subcommittee then directed the Fiscal Analysis Division of the Legislative Counsel Bureau to meet with the county assessors and attend their annual meeting to find a resolution to the problem.

J. Subcommittee No. 4 - Sales and Property Tax

Subcommittee No. 4 - Sales and Property Tax held a public hearing on Monday, March 5, 1990, in the Reno City Council Chambers, Reno, Nevada. The subcommittee heard testimony from a representative of the Nevada Mining Association's tax committee regarding reporting, collection and payment of sales tax by non-retail industrial companies. His suggestion was that the large non-retail industrial companies remit sales tax obligations directly to the Department of Taxation as a use tax instead of going through out-of-state retailers. The proposal was discussed in detail by members of the fiscal staff and the Department of Taxation. It was concluded that the proposal had merit and that a bill draft request would be prepared by the Legal Division. The subcommittee heard further testimony from the Department of Taxation with regard to sales and use tax exemptions and a representative of the Nevada Taxpayers Association gave a presentation on the maximizing of existing revenues sources.

K. Subcommittee No. 2 - Local Government Revenue

Subcommittee No. 2 on Local Government Revenue held a public hearing on Friday, March 23, 1990, in the Commissioner's Meeting Room of the Central Terminal of the McCarran International Airport, Las Vegas, Nevada. The subcommittee heard testimony from the Department of Taxation on the status of the collection of sales tax on mail order sales and on Nevada's participation with the Multi-State Tax Commission. Fiscal staff reviewed the findings of a previous study on the taxation of electrical power plants in Nevada and reported that because of economic considerations, no plans for large electrical generating facilities were currently being pursued in this state.

After receiving general testimony from two private residents, the subcommittee was briefed by fiscal staff on the current status of business license fees, property taxes, room taxes and liquor taxes. Fiscal staff was joined by representatives from Clark County and the City of Las Vegas in a discussion of local government autonomy as it relates to the revenue caps, SCCRT distribution and the projected needs of local government.

L. Committee as a Whole

The Legislative Commission's Interim Study Subcommittee on taxation in Nevada held an extended public hearing on August 21, 22, and 23, 1990, in the cities of Tonopah, Ely and Elko. The first hearing was held on Thursday, August 21, 1990, at

the Tonopah Convention Center in Tonopah, Nevada. The committee heard the following status reports from its subcommittees:

Subcommittee #1 - Collection and Distribution - The subcommittee reported on the apparent "work in progress rollups" that were incorrectly calculated by the Washoe and Clark County assessor's offices resulting in errors in the SCCRT distribution (Exhibit I). The subcommittee also reported on the Elko County SCCRT proposal (BDR S-1072), the assessors survey on new property (Exhibit J) and the effects of Assembly Bill 801 on SCCRT distribution (Exhibit K).

Subcommittee #2 - Local Government Revenue - The subcommittee had a Clark County representative explain that Clark County's Fair Share Master Transportation Plan (Exhibit L), and heard a report by fiscal staff on revenue effects of business license fees. The subcommittee then had fiscal staff report its findings on toll roads and the State of Washington's gross receipts tax.

Subcommittee #3 - State Government Revenue - The subcommittee had fiscal staff report on a trend analysis completed by Leisure Time Industries of the U.S. Gaming Industry and of the Traffic Congestion Relief and Spending Limitation Act of 1990.

Subcommittee #4 - Sales and Property Tax in Nevada - The subcommittee had fiscal staff report on the status of sales and use and property tax exemptions in the state and legal staff presented a bill draft request (BDR 32-406) requested by the subcommittee dealing with the remittance in reporting sales tax by large non-retail industries.

Subcommittee #5 - Tax Policy in Nevada - The subcommittee reported that after meeting with the directors of all the agencies that either directly collect taxes or promulgate tax regulations, and in reviewing what other states do, there is little the state Legislature can do to improve the process other than getting involved in the construction of the budget at an earlier date. The subcommittee also expressed this concern regarding certain events which involved non-elected officials attempting to establish or influence tax policy in the state.

The public hearing was recessed and reconvened on Friday, June 22, 1990, at the Bristlecone Convention Center in Ely, Nevada. A Clark County representative again gave the presentation on the Clark County Fair Share Master Transportation Plan (Exhibit L). A representative of the National Association of Counties (NACO) discussed the problem the counties had with mandated expenditures enacted by the state Legislature without the authority to raise the funds to pay for them.

A discussion of the distribution of motor fuel tax revenues was discussed by the member of the Ely City Council and the White Pine County Commission and a representative of the Ely Daily Times made a presentation regarding depreciation of assessed valuation on older homes. He was joined by several other Ely residents in a discussion of the problems of funding needed services in the older towns.

The public hearing was recessed and reconvened on Saturday, June 23, 1990, at the Stockmen's Hotel in Elko, Nevada. A representative of Clark County again gave a report on the Clark County Fair Share Master Transportation Plan (Exhibit L). A representative of the Elko Chamber of Commerce gave a report on the rapid growth in the Elko County and its impacts on infrastructure, local government services and SCCRT distribution. The subject was further discussed by representative of Nevada Business Consultants, the mayor of Elko, the county controller, a representative of the Elko County Commission, the county assessor, a representative of Independence Mining Company, Assemblyman John Carpenter and former Senator Norm Glaser.

M. Subcommittee No. 2 - Local Government Revenue

Subcommittee No. 2 on Local Government Revenue held a short public hearing on October 6, 1990, at the North Las Vegas City Council Chambers, City Hall, North Las Vegas, Nevada. The purpose of the meeting was to review those subjects that were already before the subcommittee for consideration and to allow subcommittee members to identify subjects worth consideration. Several subject areas were discussed; however, the subcommittee did not identify additional subject areas for consideration.

N. Committee as a Whole

The Legislative Commission's Interim Study Committee on Taxation held a public hearing on October 6, 1990 at the North Las Vegas City Council Chambers, City Hall, North Las Vegas, Nevada. Fiscal staff presented information regarding arcade and video games taxes and legal staff presented a legal opinion regarding the constitutionality of the proposed corporate tax initiative tax on the November 1990 ballot.

A representative from the Nevada Taxpayers Association and Circus Circus Hotel Casino, in turn, reported on the various tax plans that have been informally discussed by the Governor's Office, the business community and the gaming industry as an alternative to the teacher's corporate initiative to be on the November ballot. Fiscal staff presented a summary of the alternate SCCRT distribution plan that was introduced at the Elko meeting (BDR S-1072) and Clark County representatives

presented the final version of the Clark County Fair Share Master Transportation Plan. The meeting was adjourned after a private resident testified in favor of improved transportation for Clark County and a representative of the American Federation of Labor testified that his organization was not in favor of any form of payroll tax.

O. Subcommittee No. 4 - Sales and Property Tax

Subcommittee No. 4 on Sales and Property Tax held a public hearing on October 20, 1990, at the Ely Convention Center, Ely, Nevada. A representative of the Nevada Assessor's Association gave a report on the various methods of assessing property for taxation and a recent history of assessment standards and practices in the State of Nevada. A member of the Ely City Council and a representative of the Ely Daily Times then joined the discussion and explained the difficulties of providing necessary services because of the high depreciation of the older buildings.

Fiscal staff presented an analysis showing relative tax revenues and exemptions from the tax base. Legal staff again reviewed the bill draft request regarding the reporting and payment of sales tax by large non-retail companies. The public hearing adjourned after a joint presentation by fiscal and legal staff on the historical background of the "tax shift" and the "revenue caps" and the Legislature's constitutional and statutory authority to impose such restrictions.

P. The Committee as a Whole

The Legislative Commission's Interim Committee on Taxation in Nevada held a public hearing on November 19, 1990, in Meeting Room C, Central Terminal, McCarran International Airport in Las Vegas, Nevada to appoint Senators Ann O'Connell, Bob Coffin and Assemblyman Matthew Callister to those subcommittee assignments vacated by Senators Charles Joerg and Erik Beyer and Assemblyman Jack Regan after the November 1990 general election.

Q. Subcommittee No. 1 - Collection and Distribution

Subcommittee No. 1 - Collection and Distribution held a public hearing on November 19, 1990, in Meeting Room C, Central Terminal, McCarran International Airport, Las Vegas, Nevada. The subcommittee considered four general issues regarding the distribution of local sales tax and one regarding property tax assessment standards and practices as follows:

1. That population be used in place of new property as a factor for adjusting the distribution of the SCCRT to reflect growth.
2. That the SCCRT distribution factor in Elko county be increased and Eureka county's factor be lowered to offset approximately one-half of the increase.
3. That the distribution of out-of-sales tax revenue be based on population.
4. That obsolete SCCRT distribution language in NRS 377.057 be removed.
5. That ratio study equalization limits (NRS 361.333) and land factoring criteria (NRS 361.260) be modified.

All of the above were recommended for consideration of the full committee.

R. Subcommittee #3 - State Government Revenue

Subcommittee #3 - State Government Revenue held a public hearing on November 19, 1990, in Meeting Room C, Central Terminal of McCarran International Airport, Las Vegas, Nevada. The subcommittee considered eight general areas of potential new revenue for state government as follows:

1. The proposals of the Price Waterhouse Urban Institute study.
2. Increases in cigarette and other tobacco taxes.
3. A general business tax (BDR 32-65).
4. Sales tax increase (BDR S-67).
5. Removal of sales tax exemption for food (BDR C-64).
6. Extension of sales tax of services (BDR 32-66).
7. Establishing a State Bank.
8. A tax on arcade video games.

After discussion, the subcommittee withdrew all of the proposals and made no recommendations to the committee as a whole.

S. Subcommittee No. 5 - Tax Policy in Nevada

Subcommittee No. 5 - Tax Policy in Nevada held a public hearing on Monday, November 19, 1990, in Meeting Room C, Central Terminal, McCarran International Airport, Las Vegas, Nevada. The subcommittee considered two recommendations in the area of tax policy as follows:

1. Inclusion of the Legislature in tax decisions during the state budget process.
2. Legislative approval of regulations promulgated from tax collecting agency.

Both were recommended for consideration by the committee as a whole.

T. Subcommittee #2 - Local Government Revenue

Subcommittee #2 - Local Government Revenue held a public hearing Tuesday, November 20, 1990, in Meeting Room C, McCarran International Airport, Las Vegas, Nevada. The subcommittee considered five recommendations in the area of new sources of revenue for local government as follows:

1. Sales tax on mail order sales.
2. Taxation of power plants.
3. Business license fees.
4. Split roll property taxation.
5. Toll roads.

Of those recommendations, numbers 3, 4 and 5 were approved for recommendation to the full committee.

U. Subcommittee #4 - Sales and Property Tax

Subcommittee #4 - Sales and Property Tax held a public hearing on Tuesday, November 20, 1990, in Meeting Room C, Central Terminal, McCarran International Airport, Las Vegas, Nevada. The committee considered four sales and property tax related issues for recommendation to the full committee as follows:

1. Allowing use tax payments by certain tax payers (BDR 32-406).
2. Removal of sales tax exemptions.
3. Removal or consolidation of property tax exemptions.
4. Changes to the rate of property tax assessment.

Of the four recommendations, numbers 1 and 4 were approved for recommendation to the committee as a whole.

V. Committee as a Whole

The Legislative Commission's Interim Study Committee on Taxation in Nevada held a public hearing on Tuesday, November 20, 1990 in Meeting Room C, Central Terminal, Las Vegas, Nevada. The committee considered the recommendations from the five subcommittees as well as other recommendations to be forwarded to the Legislative Commission for consideration by the 66th Nevada Legislature. The committee adopted 14 recommendations which are listed in the Summary of Recommendations (page vi). The committee further requested that a policy statement recommending that the 66th Session of the Nevada Legislature take all necessary steps to preserve the positive tax climate in Nevada be included in this report (Exhibit M).

W. List of Exhibits

A.	Study of Taxation Meeting Schedule.....	19
B.	List of Interested Parties.....	23
C.	Memo to Chairman and Members of the Assembly Committee on Taxation Regarding Property Tax Exemptions.....	27
D.	Explanation and history of "Tax Shift".....	39
E.	Tables which list and explain the major tax and non-tax sources of revenue.....	41
F.	States that operate some form of property tax deferral	45
G.	Urban Institute and Price Waterhouse Study Economic and Institutional Framework Highlights.....	51
H.	Suggestions for Reforming the Nevada Tax System by Steven D. Gold	77
I.	Memo to Ted Zuend from Janice Wright Regarding Washoe County Error in Reporting Assessed Value of New Construction	83
J.	Letter to Assemblyman Louis W. Bergevin from Assessor's Association of Nevada regarding additional information on how various counties assess new property	95
K.	Memo to Assemblyman Louis W. Bergevin from Ted A. Zuend regarding the effect on the SCCRT distribution caused by adjustments made pursuant to A.B. 801	101
L.	Summary of Clark County Master Transportation Plan, Fair Share Funding Program	105
M.	Interim Committee on Taxation Policy Statement	107

Exhibit A

Study of Taxation Meeting Schedule

Exhibit A

**Study of Taxation in Nevada (A.B. 801)
Meeting Schedule**

Committee as a Whole	Carson City	09/29/89
Subcommittee #4 - Sales and Property Tax	Las Vegas	10/23/89
Subcommittee #1 - Collection and Distribution	Las Vegas	10/24/89
Subcommittee #2 - Local Government Revenue	Las Vegas	10/24/89
Subcommittee #3 - State Government Revenue	Las Vegas	11/07/89
Subcommittee #5 - Tax Policy	Las Vegas	11/07/89
Committee as a whole	Las Vegas	11/08/89
Subcommittee #2 - Local Government Revenue	Reno	03/02/90
Subcommittee #3 - State Government Revenue	Reno	03/02/90
Subcommittee #1 - Collection and Distribution	Reno	03/05/90
Subcommittee #4 - Sales and Property Tax	Reno	03/05/89
Committee as a whole	Tonopah	08/21/90
Committee as a whole	Ely	08/22/90

Committee as a whole	Elko	08/23/90
Subcommittee #2 - Local Government Revenue	No. Las Vegas	10/06/90
Committee as a whole	No. Las Vegas	10/06/90
Subcommittee #4 - Sales and Property Tax	Ely	10/20/90
Committee as a whole	Las Vegas	11/19/90
Subcommittee #1 - Collection and Distribution	Las Vegas	11/19/90
Subcommittee #3 - State Government Revenue	Las Vegas	11/19/90
Subcommittee #5 - Tax Policy	Las Vegas	11/19/90
Subcommittee #2 - Local Government Revenue	Las Vegas	11/20/90
Subcommittee #4 - Sales and Property Tax	Las Vegas	11/20/90
Committee as a whole	Las Vegas	11/20/90

Exhibit B

List of Interested Parties

Exhibit B

Legislative Commission's Interim Study on Taxation in Nevada (A.B.801)

Interested Parties

Ashworth, Keith
Bogaert, Bruce
Glaser, Norman
Neal, Joe
Sheerin, Gary

Former Nevada State Senator
Nevada State Assemblyman
Former Nevada State Senator
Nevada State Senator
Nevada State Assemblyman

Alastuey, Michael R.
Allen, Knight
Arnold, Harlan
Askew, Dale
Ballas, Olive.
Bergstrom, Lee
Bible, William A.
Bouchard, W.W.
Brandenburg, Mary
Broadbent, Robert C.
Bunker, Richard
Bybee, Shannon Jr.

Clark County School District
Gubernatorial Candidate
Ely City Council
Clark County
Clark County Resident
Auditor, City of Elko
Gaming Control Board
Clark County Resident

Director, McCarran International Airport
Nevada Resort Association

Carnes, George

Ely Daily Times

Chachas, Don

White Pine County Commission and
Chairman of Regional Transportation
Commission

Chanin, Henry
Comeaux, John P.
Cooke, Dave
Corner, D. George

Clark County
Department of Taxation
Elko Chamber of Commerce
Elko Mayor

Daines, Darrel

State Controller

Dull, Garth	Nevada Department of Transportation
Elder, Kay	Nevada Association of Realtors
Etcheverry, G.P.	Nevada League of Cities
Franklin, Dick	Washoe County Assessor's Office
Gold, Steven	NCSL
Guisti, Bill	Elko County Assessor
Hadfield, Bob	Nevada Association of Counties
Hechter, Marc	Newmont Gold
Hobbs, Guy	Clark County
Holloway, Steve	Independence Mining Company
Horton, David	Reno
Iuppa, Al	Insurance Division
Jasper, Robert	Washoe County
James, Bonnie	Las Vegas Chamber of Commerce
Kenny, Jack	
Kozlowski, Mary	
Leavitt, Marvin A.	City of Las Vegas
Lloyd, Bill	Lincoln County Assessor
Martin, Brook	
Matteucci, Judy	Department of Administration
Millspaugh, Greg	Las Vegas Resident
Merlino, Bernie	Nye County Assessor
Moreno, Rudy	Nevada Department of Transportation
Outland, Orland T.	American Association of Retired Persons
O'Reilly, John	State Gaming Commission
Peckman, Phillip Craig	Las Vegas
Polish, John	Ely Resident
Porter, Dale	Elko County Commission
Pursell, Dave	Department of Taxation

Reck, Lisa
Ritney, Trish
Ritter, Linda

White Pine County Auditor
Tonopah Resident
Elko County Controller

Salo, Jim
Schofield, Mark
Shobe, Terry
Sloan, Mike
Sperry, Frank
Stevens, Warren

Sierra Pacific Power Company
Assistant County Assessor, Clark Co.
Nevada Business Consultants
Circus Circus
White Pine County Commission

Tangren, Richard "Bud"

Vaitkus, Vytas
Vilardo, Carol

North Las Vegas
Nevada Taxpayers Association

Wall, Jerry
Walker, Gordon
Williams, James
Wright, Janice

Department of Taxation
Planning Information Corporation
Deputy Exec. Director, Dept. of Taxation

Exhibit C

**Memo to Chairman and Members of the Assembly
Committee on Taxation Regarding
Property Tax Exemptions**

STATE OF NEVADA
LEGISLATIVE COUNSEL E
LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

Exhibit C

LEGISLATIVE COMMISSION (702) 687-6800
LAWRENCE E. JACOBSEN, Senator, Chairman
Donald A. Rhodes, Director, Secretary

INTERIM FINANCE COMMITTEE (702) 687-6821
WILLIAM J. RAGGIO, Senator, Chairman
Daniel G. Miles, Fiscal Analyst
Mark W. Stevens, Fiscal Analyst

DONALD A. RHODES, Director
(702) 687-6800



JOHN R. CROSSLEY, Legislative Auditor (702) 687-6815
ROBERT E. ERICKSON, Research Director (702) 687-6825
LORNE J. MALKIEWICH, Legislative Counsel (702) 687-6830

February 13, 1989

MEMORANDUM

TO: CHAIRMAN AND MEMBERS OF THE ASSEMBLY COMMITTEE ON
TAXATION

FROM: Ted A. Zuend, Deputy Fiscal Analyst *TAZ*
Fiscal Analysis Division

SUBJECT: Property Tax Exemption

Attached is a table which lists each of the various exemptions from property taxes and its constitutional or statutory citation.

The amounts of assessed value exempted for FY 1987-88, exclusive of governmental property, are as follows:

<u>Category</u>	<u>Amount of Assessed Valuation</u>
Blind	\$ 532,333
Widows	6,122,158
Veterans	12,438,044
Disabled Veterans	4,442,726
Church	102,083,432
Exempt Utilities	40,597,229
Pollution Control	6,796,266
Miscellaneous	118,139,652
	<u>\$291,151,840</u>

The above exemptions include only the exemptions that are measured by the assessors. The value of the exemptions for property such as household furnishings and business inventories is unknown because that value is never measured. Based on a weighted statewide average tax rate of \$2.3433 per \$100 of assessed valuation, the exemptions identified in the table resulted in a "potential" loss of \$6.82 million in revenue for local governments, school districts and state bond interest and redemption.

The Senior Citizen's Property Tax Relief program, which is not a tax exemption program but a tax refund program paid for by the state, cost \$1.19 million in FY 1987-88.

I trust that this information is helpful to you.

TAZ89/pte

NEVADA PROPERTY TAX EXEMPTIONS

<u>Property or Property Owner</u>	<u>Reference</u>
Bank Deposits	Article 10, Section 1
Benevolent and Charitable Organizations ¹	361.135
Blind Persons ²	361.085
Bonds	Article 10, Section 1
Book Accounts	Article 10, Section 1
Business Inventories ³	Article 10, Section 1; 361.068
Canals and Drainage Ditches	361.070
Cemeteries and Graveyards ⁴	361.130
Cemetery Associations	83.110
Charitable Corporations	Article 8, Section 2; 361.140
Charitable Hospitals and Asylums	85.070
Churches and Chapels ⁵	361.125
Cities, Counties and Other Political Subdivisions ⁶	361.060
Disabled Veterans and Their Surviving Spouses ⁷	361.091
Educational Corporations	Article 8, Section 2
Farm Machinery & Equipment Dealers ⁸	361.153

NEVADA PROPERTY TAX EXEMPTIONS

(Continued)

<u>Property or Property Owner</u>	<u>Reference</u>
Fraternal Benefit Societies ⁹	695A.550
Fraternities & Sororities of	
UNR and UNLV	361.100
Gold and Silver-Bearing Ores	361.030
Household Goods and Furniture	
of a Single Household	Article 10, Section 3; 361.069
Housing for Elderly or Handi-	
capped Persons ¹⁰	361.086
Irrigation Systems of Pipes or	
Concrete Lined Ditches and	
Headgates	361.077
Leases Held for Development of	
Geothermal Resources	361.157
Miscellaneous Specified	361.088; 361.110; 361.111;
Organizations ¹¹	361.115; 361.123
Mortgages	Article 10, Section 1
Motor Vehicles	Article 10, Section 1; 361.067
Municipal Airports	496.260
Noncommercial Theaters	361.145
Nonprofit Private Schools	361.105
Orphans and Widows ¹²	361.080
Patented Mines and Mining Claims ¹³	Article 10, Section 1; 362.040

NEVADA PROPERTY TAX EXEMPTIONS

(Continued)

<u>Property or Property Owner</u>	<u>Reference</u>
Personal Property in Transit	Article 10, Section 1; 361.160 et. seq.
Pollution Control Devices	361.077
Promissory Notes	Article 10, Section 1
Property Related to Public Use of Privately Owned Airports	361.061
Qualified Heating & Cooling Systems ¹⁴	361.079
Quartz or Minerals from which Gold or Silver is Extracted	361.030
Residential Improvements to Remove Architectural Barriers to Handicapped Persons	361.087
Residential Property Containing Shelter Against Radioactive Fallout ¹⁵	361.078
School District Property	361.065
Senior Citizens ¹⁶	361.800 et. seq.
State Lands and Property	361.055
Stock	Article 10, Section 1
Systems for Conservation of Water for Agriculture	361.077

NEVADA PROPERTY TAX EXEMPTIONS

(Continued)

<u>Property or Property Owner</u>	<u>Reference</u>
Trusts for Furtherance of	
Public Functions	361.062
United States Property	361.050
Unpatented Mines & Mining Claims	Article 10, Section 1; 361.075
Vehicles ¹⁷	361.067
Vending Stands Operated by Blind	
Persons	361.159
Veterans ¹⁸	361.090
Veterans Organizations ¹⁹	361.095
Volunteer Fire Departments	361.150
Water Users Nonprofit Associ-	
ations or Nonprofit Cooperative	
Corporations	361.073

FOOTNOTES

- ¹ Includes but is not limited to the Benevolent Protective Order of Elks; Fraternal Order of Eagles; Free and Accepted Masons; Independent Order of Odd Fellows; Knights of Pythias; Knights of Columbus; Lahontan Audubon Society; National Audubon Society, Inc. of New York; and the Defenders of Wildlife of the District of Columbia. Exemption of funds, furniture, paraphernalia and regalia limited to \$5,000 of assessed valuation.
- ² Limited to \$3,000 of assessed valuation.
- ³ Includes:
1. Personal property held for sale by a merchant or manufacturer;
 2. Raw materials, components and supplies held by a manufacturer to be used or consumed in the manufacturing process;

3. Livestock; and
4. Colonies of bees.
5. All Boats.
6. When no charge is made for burial therein.
7. Except marriage chapels.
8. Includes domestic municipal corporations; irrigation, drainage and reclamation districts and towns.
9. Limited to \$10,000 assessed valuation based upon percentage of permanent service-connected disability.
10. When held for sale by dealer.
11. Other than taxes on real property and office equipment.
12. Limited to property financed by a loan under the Housing Act of 1959 or owned and operated by a nonprofit corporation authorized to conduct business in Nevada.
13. Includes Nathan Adelson Hospice; Nevada Art Gallery, Inc.; Young Men's Christian Association; Young Women's Christian Association; American National Red Cross or any of its chapters in Nevada; Salvation Army Corps; Girl Scouts of America; Camp Fire Girls, Inc.; Boy Scouts of America; Sierra Arts Foundation; Nature Conservancy; Nevada Children's Foundation, Inc.; and Nevada Heritage Association, Inc.
14. Limited to \$1,000 of assessed valuation.
15. When \$100 of labor has been performed.
16. Limited to those systems which use solar or wind energy, geothermal resources, energy derived from conversion of solid wastes or water power.
17. Limited to \$1,000 of assessed valuation.
18. Ranges from 90 to 10 percent of accrued tax or \$500, whichever is less, as determined by sliding scale based on household income.
19. Except mobile homes. Motor vehicle privilege tax is imposed in lieu of property tax.
20. Limited to \$1,000 of assessed valuation.
21. Exemption of funds, furniture, paraphernalia and regalia limited to \$5,000 of assessed valuation.

MISC17/TAX

ADDENDUM TO MEMORANDUM ON PROPERTY TAX EXEMPTIONS

Subsequent to the exemptions listed on the February 13, 1989, memorandum to the Assembly Taxation Committee, the 1989 Legislature approved the following property tax exemptions:

1. Camper shells.
2. Furniture in certain rental properties.
3. Property of the Airport Authority of Carson City.
4. Property leased, rented or otherwise made available to public officers and employees.
5. Property owned by a charitable foundation established by the University of Nevada System.
6. Slide-in campers.

These new exemptions are expected to have minimal effect on the amount of assessed valuation.

ADDENDUMS/TAZ:tc

EXPLANATION OF INFORMATION PERTAINING TO SALES AND USE TAX EXEMPTIONS

Attached is a list, including an addendum, of the statutory exemptions from the various Nevada sales and use taxes. Generally, only the NRS citation pertaining to the Sales and Use Tax Act is shown. There are separate citations applicable to all the local sales taxes under the Local School Support Tax laws (Chapter 374 of the NRS).

Also attached is a letter that identifies the number of organizations that have been granted tax-exempt status by the Nevada Department of Taxation.

EXEMPTIONS FROM NEVADA SALES AND USE TAXES

<u>Item</u>	<u>Statutory or Constitutional Reference</u>
Animal Life which produces food for humans	372.280
Containers (under specified circumstances)	372.290
Domestic Fuels	372.300
Electricity delivered through electrical lines	372.295
Feed to help produce food for humans	372.280
Fertilizer to help produce food for humans	372.280
Food for human consumption (except prepared food for immediate consumption and alcoholic beverages).	372.284; Art. 10, Sec. 3 (A)
Gas delivered through pipelines	372.295
Materials purchased for use in contracts with United States (only 2% state sales and use tax)	372.340
Materials purchased for use in public works contracts	372.305
Meals and food products sold to teachers and students	372.285
Medicines prescribed or furnished by physician, dentist or chiropodist	372.283
Mine proceeds	372.270
Motor Vehicle Fuels	372.275
Newspapers	372.315
Occasional Sales (except motor vehicles relative to 3-3/4% local sales and use taxes)	372.320
Plants which produce food for humans	372.280
Property exempted by United States Constitution or statute	372.265
Property purchased for resale	372.160 et.seq.; 372.225 et.seq.
Property shipped outside state	372.335
Sales by optometrists and physicians of products for eye care	372.055
Sales to common carriers to a destination outside the state	372.330
Sales to United States, the State of Nevada, political subdivisions of this state and religious or eleemosynary organizations	372.325
Seeds which produce food for humans	372.280
Water delivered through water mains	372.295

ADDENDUM TO TABLE ON SALES AND USE TAX EXEMPTIONS

Since the table entitled "Exemptions from Nevada Sales and Use Taxes" was prepared, the following exemptions have been added:

1. Aircraft and its major components purchased by airline based in Nevada (NRS 372.317).
2. Appliances and supplies relating to an ostomy (NRS 372.283).
3. Manufactured or mobile homes -- 40 percent of the price of a new home and 100 percent of the price of a used home (NRS 372.316).
4. Ocular or ophthalmic devices prescribed by a physician or optometrist -- will apply to all local sales tax by July 1, 1990, but not to the State Sales and Use Tax (NRS 374.287).
5. Personal property loaned or donated to a tax-exempt organization (NRS 372.372).
6. Products for hemodialysis (NRS 372.283).
7. Prosthetic devices for human use (NRS 372.283).

In addition, the exemption from the State Sales and Use Tax for materials purchased for use in contracts with United States government was repealed (formerly NRS 372.340).

Two new exemptions proposed by the 1989 Legislature will be voted on at the 1990 general election. These are for medallions and bars bearing the state seal and for textbooks sold within the University of Nevada System.



STATE OF NEVADA
DEPARTMENT OF TAXATION

Capitol Complex
Carson City, Nevada 89710-0003
Telephone (702) 885-4892
In-State Toll Free 800-992-0900

BOB MILLER
Acting Governor

JOHN P. COMEAUX
Executive Director

October 13, 1989

Ted Zuend
Fiscal Analysis Division
Legislative Counsel Bureau
Legislative Building, Room 341
Carson City, NV 89710

Dear Ted:

In accordance with your request, we have reviewed the sales tax exemptions and provide you the following information. NRS 372.260 - 372.350 provide for specific exemptions from sales and use tax. If an organization is not clearly exempt from tax under the statutes, it may request a review by the Department of Taxation. The following summary shows the types of entities that have been approved for exemptions by the Department.

1.	Governmental entities	350
2.	Religious	
	A) Major	425
	B) Other	352
3.	Charitable	
	A) Health, Safety, Welfare	382
	B) Service Clubs/Special Interest Clubs	199
	C) Youth Sports/Activities	311
	D) The Arts	45
	E) Other	105
	Total Exemptions	2,169

These figures have been compiled from our 6-23-89 exemption list. If you have any questions on this matter, please don't hesitate to contact us.

Sincerely,


John P. Comeaux
Executive Director

JPC:mfs

Exhibit D

Explanation and history of "Tax Shift"

Exhibit D

Kevin Welsh, Deputy Fiscal Analyst, discussed the historical prospective of the "Tax Shift," and the mechanism devised by the Legislature for the distribution of tax revenues. The Tax Shift occurred in 1981, after the people mandated a change in taxing policy by an initiative measure that was successful at one general election. The Legislature promised the people to enact measures that would control the escalating property tax and government spending. The Tax Shift changed the tax burden from property tax to sales tax. At that time, it was estimated that 26 percent of the sales tax burden was borne by visitors from out-of-state. A measure was enacted to collect the sales tax, statewide and distribute it to governmental entities as needed, to replace the reduction in the property tax. This resulted in what some believed was an inequitable distribution in that some entities generated more sales tax than they received. The distribution was designed into the equation and that method is still in effect. The question now, 10 years later, is if that equation should be reexamined, and perhaps changed.

Exhibit E

**Tables which list and explain the
major tax and non-tax sources of revenue**

Exhibit E

EXPLANATION OF TABLES PERTAINING TO SOURCES OF REVENUE FOR COUNTIES AND CITIES

Attached are two tables which list and explain the major tax and non-tax sources of revenue for counties and cities. Excluded are revenue sources such as federal grants that are not controlled by the state or local government. Also excluded are interest income, which is a function of the cash flow of the county or city, and revenue derived from government-operated business activities.

18-Oct-89

NON-TAX SOURCES OF REVENUE FOR COUNTIES AND CITIES

REVENUE SOURCE	COMMENTS
<hr/>	
<u>LEVIED BY LOCAL GOVERNMENT</u>	RATES MAY BE CHANGED SUBJECT TO SPECIFIED LIMITATIONS
BUSINESS LICENSE FEES	Annual revenue increases limited to percentage increases in new property and consumer prices.
GAMING LICENSE FEES	Rates frozen, in most cases, effective April 27, 1981.
LIQUOR LICENSE FEES	Annual revenue increases possibly limited to percentage increases in new property and consumer prices.
PROFESSIONAL LICENSE FEES	Annual revenue increases possibly limited to percentage increases in new property and consumer prices.
FRANCHISE FEES	Authorized for granting franchises to public utilities and other public purpose activities.
BUILDING PERMIT FEES	Increases in fee basis limited to changes in consumer prices.
ANIMAL LICENSE FEES	Authorized for local control of animals.
IMPACT FEES	Limited to amount to pay for specified capital improvements required because of new development.
MISCELLANEOUS FEES AND CHARGES	Imposed to offset costs of government provided services.
MISCELLANEOUS FINES	Imposed for misdemeanors and other statutory or regulatory violations.
<u>FIXED BY STATE GOVERNMENT</u>	RATE AND/OR SHARE MAY ONLY BE CHANGED BY LEGISLATURE
MARRIAGE LICENSE FEES	\$13 and \$3 of total state-imposed fee to pay for county clerk and county recorder, respectively.
COUNTY GAMING LICENSE FEES	Paid quarterly; monthly fees are \$50 per table game, \$25 per certain card game and \$10 per slot machine; 15% allocated to city or town where casino is
ANNUAL FEE ON GAMES	Distributed equally among each of the seventeen counties.
COURT ADMINISTRATIVE ASSESSMENTS	\$4 of the total state-imposed assessment for misdemeanors; \$1.50 allocated for juvenile offenders, \$2.50 allocated to justice or municipal courts.

TAX SOURCES OF REVENUE FOR COUNTIES AND CITIES

REVENUE SOURCE	COMMENTS
<hr/>	
<u>LEVIED BY LOCAL GOVERNMENT</u>	RATES MAY BE CHANGED SUBJECT TO SPECIFIED LIMITATIONS
PROPERTY TAX	Mandatory for certain uses; rate increases, excluding debt, limited by formula; voter overrides allowed; combined taxpayer rate limited to \$3.64 per \$100
PUBLIC TRANSIT/ROAD CONSTRUCTION TAX	Maximum 1/4% Sales Tax for public transit, road construction or both uses; must be approved by voters.
TOURISM TAX	Maximum 1/4% Sales Tax for tourism promotion; must be approved by voters; not applicable in Clark County.
FLOOD CONTROL TAX	Maximum 1/4% Sales Tax for flood control; must be approved by voters; applicable only in Clark County.
COUNTY MOTOR VEHICLE FUEL TAX	Maximum 9 cents per gallon for regional transportation; last 5 cents must be voter approved.
MOTOR VEHICLE FUEL TAX	Optional 1 cent per gallon for road construction and repair.
ROOM TAX	Possibly limited by business license revenue limitation or city charter.
RESIDENTIAL CONSTRUCTION TAX	Limited to 1% of building permit valuation or \$1600, whichever is less; must be used for parks.
<u>LEVIED BY STATE GOVERNMENT</u>	RATE AND/OR SHARE MAY ONLY BE CHANGED BY LEGISLATURE
BASIC CITY-COUNTY RELIEF TAX (BCCRT)	0.5% Sales Tax; distributed within county of collection based on population to county only (no cities), county and city (1 city) or cities only (2 or more)
SUPPLEMENTAL CITY-COUNTY RELIEF TAX	1.75% Sales Tax; distributed to local governments based on FY 1980-81 tax rates and current assessed valuations.
CIGARETTE TAX	10 cents of total state-imposed levy on packages of 20 cigarettes; distributed the same as the BCCRT.
LIQUOR TAX	50 cents per gallon of total state-imposed levy on liquor containing more than 22 percent alcohol; distributed the same as the BCCRT.
VEHICLE PRIVILEGE TAX	Variable share of 4 cents per \$1 of valuation tax; allocation based on FY 1980-81 tax rate and current property valuation; county receives a minimum of 5%
MOTOR VEHICLE FUEL TAX	3.6 cents per gallon of total state-imposed levy on gasoline; distributed by 4-part formula to counties and cities.
MOTOR VEHICLE FUEL TAX	1.75 cents per gallon of total state-imposed levy on gasoline; returned to county where purchased and allocated to county and any cities based on assessed
ROOM TAX	5/8% of total state-imposed levy; returned to county or city where collected; must be used for tourism promotion.
REAL PROPERTY TRANSFER TAX	55 cents per \$500 of unencumbered value of property transferred; 25% of proceeds allocated to county with remainder distributed the same as the BCCRT.
NET PROCEEDS TAX	Share of state-imposed levy on mines equal to the county or city ad valorem rate times the net proceeds in the jurisdiction.

Exhibit F

Lists states that operate some form of property tax deferral.

Exhibit F

EXPLANATION OF ATTACHED MATERIAL CONCERNING PROPERTY TAX DEFERRAL PROGRAMS

Attached is a table recently compiled by the National Conference of State Legislatures (NCSL) that identifies the states that operate some form of property tax deferral program. Also attached is an excerpt from an NCSL report that briefly describes the characteristics of such programs.

Nevada currently does not operate a property tax deferral program.

TAX DEFERRAL/TAZ:tc
Attachment

STATE PROPERTY TAX RELIEF MECHANISMS: 1988

State	Homestead Exemption or Credit		Circuit breaker	Renter Credit	Deferral
	All Ages	Seniors Only			
New England					
Connecticut			S		
Maine			A*	A ¹	
Massachusetts	X	X		A	S
New Hampshire		X			S
Rhode Island			S		
Vermont			A		
Mid Atlantic					
Delaware		X			
Dist. of Columbia	X		A* A* ²		A*
Maryland					
New Jersey	X*	X*		A ¹	
New York		X	A		
Pennsylvania			S*		
Great Lakes					
Illinois	X	X	S*		S
Indiana	X	X		A	
Michigan			A*		S
Ohio ³	X		S*		
Wisconsin ⁴	X		A	A	S
Plains					
Iowa	X		S*		A
Kansas			A*		
Minnesota	X		A*		
Missouri			S		
Nebraska		X			
North Dakota	X*		A*	A*	A*
South Dakota			S*		
Southeast					
Alabama	X*	X*			
Arkansas			S		
Florida	X				A, S
Georgia	X	X			S
Kentucky		X*			
Louisiana	X				
Mississippi	X*	X*			

STATE PROPERTY TAX RELIEF MECHANISMS: 1988
(continued)

State	Homestead Exemption or Credit		Circuit breaker	Renter Credit	Deferral
	All Ages	Seniors Only			
North Carolina		X*			
South Carolina		X*			
Tennessee		X*			S
Virginia		X* ⁵			S
West Virginia		X*	S		
Southwest					
Arizona	X		S	A	
New Mexico	X		S		
Oklahoma	X		S*		
Texas	X*	X*			S
Rocky Mountain					
Colorado		X*	S*		S
Idaho	X		S*		
Montana	X*		S	S ⁶	
Utah		X*	S		S
Wyoming	X ⁷				
Far West					
Alaska		X		S	
California	X		S*	A	S
Hawaii ⁸				A	
Nevada			S		
Oregon			A		S
Washington		X*			S

Notes:

- * = Disabled persons are given the same benefits as senior citizens.
- X = Denotes homestead exemption or credit program.
- S = Program is for senior citizens only.
- A = Program includes persons of all ages.

This table does not include programs restricted to special groups, such as widows or veterans. Some states extend their benefits to such groups.

¹ Maine and New Jersey: Senior citizens receive a greater renter credit benefit than do persons under age 65.

Deferral Programs

Property tax deferral programs allow certain population groups (usually the elderly) to postpone paying all or a portion of their property taxes until either the owner's death or sale of the property.

In some cases, the state finances the program and charges below-market interest rates on the amount of the debt.

Deferral programs generally have few participants for several reasons. An important factor is that many elderly homeowners are reluctant to place liens on their homes. In addition, many states have not done a good job publicizing their programs. The two states with the greatest participation are California and Oregon. California's participation, initially high, dropped after 1978, when Proposition 13 (which lowered property taxes) was adopted. The amount of taxes deferred per participant also dropped after the implementation of Proposition 13. This indicates that the level of property taxes affects participation in deferral programs. In Oregon, participation has been relatively high since the program's inception in the early 1960s. This is generally attributed to the state's high property taxes, the absence of an income restriction (prior to 1984), the low interest rate on de-

ferred taxes, and a state-sponsored public education program to encourage elderly homeowners to participate. *Even in Oregon's deferral program, however, which has the highest participation rate of all such programs, only an estimated 6 percent of the eligible population elected this option in 1983.* (Oregon's property tax relief programs are discussed in a case study in Chapter VI.)

Sixteen states and the District of Columbia have property tax deferral programs for the residential homeowner population. All but the District of Columbia, Florida, and Iowa limit participation to senior citizens. In the District of Columbia and Florida, the general population may defer a limited portion of property taxes. In Iowa, however, all recipients of Supplemental Security Income or the state's supplemental income program may defer all property taxes. Table IV.7 summarizes the key provisions of existing property tax deferral programs.

Most states with a deferral program charge below-market interest rates on the amount of tax deferred. The most common rate charged is six percent, but they range between 0 percent in Alaska and Michigan (taxes may be deferred only until February 15 of the following year) to market rates in California, the District of Columbia, and Florida.

Another design issue in deferral programs is whether to limit participation by income. Eleven states limit the income of its participants. Generally, these limits range from \$10,000 to \$20,000, although they are as low as \$7,500 (for single seniors in Utah) and as high as \$34,000 (for participants in California who first deferred taxes prior to 1984).

As in other property tax relief programs, state financing of deferral programs insures that local property tax rates will not rise to compensate for the amount of revenue lost due to deferrals. Because of low participation in these programs, this may not be a significant issue now, but if participation increases over time the revenue losses may become more significant. Of the 17 residential deferral programs, only six (Alaska, California, Colorado, Illinois, Oregon, and Washington) are state financed.

An issue with the deferral approach is what action the state should take when the amount deferred approaches or exceeds the amount of equity in the home. Most states have responded by placing a maximum on the amount of property taxes that may be deferred in relation to home equity value.

Although participation in property tax deferral programs has been generally low, they have merits that deserve consideration either in conjunction with other relief strategies or by themselves.

Exhibit G

**Urban Institute and Price Waterhouse Study
Economic and Institutional Framework
Highlights**

Exhibit G

URBAN INSTITUTE AND PRICE WATERHOUSE TAX STUDY ECONOMIC AND INSTITUTIONAL FRAMEWORK

HIGHLIGHTS

1. The population of Nevada has grown at rapid rates since 1960 with Clark County leading the way in most years.
2. Net immigration between 1980 and 1986 has come from California (25.5%), four other Pacific states (6.5%), eight Mountain States (23.7%), five East North Central States (25.2%), three Middle Atlantic States (11.3%) and the other 29 states and Washington, D.C. (19.1%).
3. Employment growth has been strong--growing at almost three times the national rate in the 1970's and about double the national rate through 1986.
4. Nevada's economy was adversely affected to a greater degree than the national economy during the 1981-82 recession.
5. The Nevada Constitution places various limits on the Legislature's ability to raise revenue.
6. Continued growth in population is expected to continue to drive government revenues and expenditures over the next 20 years.
7. Budgetary expenditures on a current services basis are expected to outpace revenues because the inflation of particular budgetary components is higher than general inflation and the changing age composition of the population will create additional demands for public services.
8. Sales tax revenues are expected to outpace gaming taxes by less than 1 percent per year.
9. A steep recession or additional gaming competition will exacerbate the expected budgetary imbalances while a high growth scenario alleviates most of the imbalances.
10. As a percentage of personal income, government expenditures in Nevada are slightly above the national average.
11. The mix of expenditures shows Nevada spending below average proportions on education and social services and above average proportions on highways, public safety, parks and recreation, and debt service.

12. Per capita general revenue was slightly above the national average in FY 1986 although the per capita amount received from the Federal Government is considerably below the national average.
13. Because Nevada does not impose income taxes, this state is more dependent on sales taxes, miscellaneous taxes and non-tax revenues than other states.
14. Based on information compiled by the Advisory Commission on Intergovernmental Relations (ACIR), Nevada has a much higher tax capacity, but taxes at a lower percentage of that capacity than almost all other states.
15. The Nevada state government share of revenue raising was considerably above most other states and the national average even though the share of government expenditure by the state is below that of many other states.
16. Nevada ranks very high compared to other states regarding the amount of revenue that is earmarked for specific purposes.
17. While earmarking of revenue is considered appropriate for some purposes (i.e., gas taxes for roads) because of the clear relationship between the benefit being provided and the payment being made, often the earmarking of revenue in Nevada appears to have no logical purpose (i.e, estate tax for education).
18. Although gaming taxes continue to provide a major portion of state revenues, tourism and gaming expenditures have become less important to the Nevada economy in the eighties.
19. Competition from Atlantic City had a small but significant effect on gaming revenues and tourist activity in the early 1980's.
20. The effect of the California lottery on Nevada gaming is so far inconclusive.
21. The outlook for the Nevada tourism industry is very positive as long as the U.S. economy continues to expand at 2.5 percent per year.
22. The direct contribution of tourist spending to general fund revenues was estimated to be 54.5 percent in FY 1986.

23. The combined direct and indirect effect of tourism spending amounted to 66.2 percent of general fund revenues in FY 1986.
24. Tourist expenditures exceeded \$8.2 billion in 1986 or well more than 50 percent of state personal income.
25. Nevada has the lowest general business tax burden of 15 states (all other western states plus Florida and New Jersey).
26. The average business tax burden in California for five key industries is nearly double the Nevada burden, making Nevada highly competitive for business location decisions.
27. Among the 15 states, personal taxes are lowest in Nevada for a family earning \$14,000 per year and an individual earning \$20,000 per year. The personal taxes are second lowest (behind Wyoming) for families with \$35,300 and \$95,000 of income.
28. The low tax climate in Nevada tends to mitigate the need for special incentive programs to attract specific classes of taxpayers.

TAX/h

URBAN INSTITUTE AND PRICE WATERHOUSE TAX STUDY
TAXATION OF MINING

Overview of Nevada Mining

1. Nevada is currently in the midst of its third precious metals mining boom: the first, the famous Comstock boom covered a 25-year period starting near the end of the Civil War; the second boom, which was due to the Tonopah and Goldfield discoveries, lasted for a similar period starting at the turn of the century; the third unfolded slowly beginning about 1970 and has accelerated during the 1980's because of generally stronger gold prices and improved technology to recover gold from ores.
2. The gross yield and net proceeds of Nevada mining have grown almost every year since 1976 and the growth has notably accelerated the past few years. Gross yield and net proceeds are now more than seven times their 1976 levels.
3. In 1987, the gross yield of mines reached \$1.38 billion and net proceeds totaled \$632 million. Of the total gross yield, more than 75 percent was due to gold production with another 10 percent attributable to silver. Oil, at less than 3 percent, ranks third on the list.
4. Currently, cash costs of Nevada gold mines average about \$200 per ounce and total costs average about \$268 per ounce. This compares favorably with a gold price that has averaged above \$350 per ounce since 1981.
5. The costs of gold mining have remained relatively low, partially because of the great amount of newly developed mining property in Nevada. The deposits in these new mines are less expensive to remove and these mines have been able to tap an abundant supply of labor available from the closure of various base metal mines in the 1970's and early 1980's. Average costs are expected to move higher as these mines "mature" and because skilled labor now must be attracted from other states.
6. The current margin between prices and costs suggest that it would take substantial increases in costs or decreases in prices to affect production from existing mines. A narrowing of the margin, however, will offset exploration and development activity depending on the expected returns to recoup such investments.

7. About 80 percent of the gross yield of mines currently comes from five counties: Eureka, Nye, Lander, Elko and Humboldt. Nevertheless, it is estimated that mining contributes significantly to the urban areas of Nevada since 70 percent of purchases by mining firms come from Nevada suppliers. About one job in an urban area is created for every two jobs in the mining industry regardless of the location of the mine.

Economics of Gold Mining

8. Gold production in North America, in part due to the Nevada boom, has increased 35 percent^{since 1981} compared to a worldwide increase of 5.7 percent.
9. Gold production in Nevada in 1988 is expected to be more than 60 percent of all U.S. production. The next biggest state is California with about 11 percent of the production.
10. Official figures indicate that gold supply has decreased over the last 5 years despite the increases in production. The price of gold fluctuated at times because of distress sales of gold from countries such as the Soviet Union (to pay for food imports) and South Africa (to relieve the effect of economic sanctions).
11. One component of gold demand is known as fabrication demand. This consists of the gold needed in jewelry, electronic components, dental work and coins. Generally, it is believed that this demand has decreased in recent years.
12. A second component of gold demand is investment demand, which is the traditional use of gold as a hedge against risk. Because of the decline of fabrication demand, the surplus of gold available for investors has grown steadily in the 1980's. Prices of gold, in addition to being affected by changes in supply and fabrication demand, are also affected by changes in monetary indicators such as stock and bond prices, interest rates and dollar exchange rates. Gold also becomes an investment of choice when inflationary expectations increase.
13. State tax and budget policies should be designed in recognition of the unpredictability of gold prices and the impact this has on mining tax receipts.

Mining Taxes

14. Nevada's mines are taxed on the basis of net proceeds which is a broader definition of net income than that used for the federal income tax. Non-deductible expenses include exploration costs, depletion, interest paid, most state and local taxes and home office expenses. Also, depreciation deductions are less generous and no loss carryovers are allowed.
15. There is considerable disagreement whether or not the Nevada Constitution permits mines to be taxed on a basis other than net proceeds.
16. Under current law, net proceeds are taxed at the same as other taxable property in the same area. This rate, however, varies considerably depending on the location of the mine, averaging about 2 percent statewide.
17. S.J.R. 22 would allow a tax of up to 5 percent on net proceeds and guarantee local governments a share of those taxes equivalent to the amount produced if the local ad valorem tax rates were applied.
18. Since 1985, net proceeds taxes have increased from \$3.5 million to \$12.2 million due to both production and price increases.
19. Mining taxes vary considerably among the western states:
 - A. Colorado imposes a 2.25 percent tax on the net income above \$11 million at severance.
 - B. Idaho imposes a 2 percent tax on the net value of ores.
 - C. Montana imposes a graduated tax on gross value ranging from 0.5 to 1.5 percent and a tax on gross yield of 0.5 percent.
 - D. New Mexico imposes an 0.75 percent tax on gross value and a 0.2 percent tax on 50 percent of gross value.
 - E. South Dakota imposes a 2 percent tax on the gross value of production over 20 ounces and an 8 percent tax on net income.
 - F. Utah imposes a 1 percent tax on the gross value (with certain deductions allowed) in excess of \$50,000.

20. There are three tax bases most commonly used for the taxation of mines: net proceeds or an equivalent, gross proceeds or an equivalent and volume of production.
21. Any form of tax is absorbed by the producer in the short run. In the long run, marginal producers may shift costs backward to employees and suppliers of capital. In some cases, production is curtailed as marginal costs approach marginal revenue. For the most part, a tax falls on out-of-state shareholders and, in some cases, in-state owners, employees, suppliers and royalty holders.
22. Taxes based on volume or gross receipts can have adverse effects in several ways:
 - A. Marginal mines may be forced to limit or halt production.
 - B. Production may be reduced at other mines because the cut-off grade of ore is increased.
 - C. The timing of production may be affected depending on the type of tax and the price of gold.
 - D. The incentives to invest in exploration and development activities are reduced.
23. Net proceeds taxation comes closest to minimizing production decision distortions. It is consistent with the ability-to-pay criterion while the other tax bases are consistent with the benefit received principle.
24. Tax revenue stability is greatest with a volume based tax and least with a net proceeds based tax.
25. Gross yield is the simplest tax to administer while net proceeds is the most difficult to administer.
26. Net proceeds taxes perform best when prices rise and worst when prices fall. They provide opportunity to avoid tax liability, but this effect is limited in Nevada by the relatively broad and strict definition of net proceeds.
27. At a \$400 per ounce gold price, current law is expected to yield \$14 million in taxes in 1989. A net proceeds rate of 5 percent, a gross yield rate of 2 percent or a combination of a 3 percent tax or net and a 0.8 percent tax on gross will yield about \$35 million.

28. Net proceeds is a satisfactory tax base from the standpoint of economic efficiency and economic development. There are two alternatives to lessen the instability of revenues from this base. The first is to supplement the net proceeds tax with a lesser tax based upon gross yield. The second is to avoid reliance upon mining taxes to finance current expenditures for essential public services.
29. Most states split mining tax receipts between state and local governments, a concept envisioned in S.J.R. 22.
30. Some states which have received significant revenue from severance taxes have invested a portion of those receipts in a permanent trust fund to be spent when the economic benefits of mining are no longer available.
31. Nevada should consider budgeting revenues from the mining tax based on a floor price assumption for gold. Revenues received from prices above the floor price should only be used for capital projects or other one-time expenditures.

TAX/M

URBAN INSTITUTE AND PRICE WATERHOUSE TAX STUDY
CIGARETTE AND ALCOHOL TAXATION

HIGHLIGHTS

1. Taxes on tobacco and alcohol are sometimes justified as a method to limit the demand for these unhealthy products. Consumption, however, is not very responsive to increases in the prices (the effect of a higher tax) of tobacco products or alcoholic beverages.
2. Because of this inelasticity of demand for these products, taxes on them provide a stable source of revenue for governments.

Nevada Taxation

3. Taxes on tobacco and alcohol are imposed at the wholesale level on the following bases:

Cigarettes--10 mills per cigarette but not less than 20 cents per package.

Other Tobacco Products--30 percent of wholesale price.

Hard Liquor (over 22 % alcohol)--\$2.05 per wine gallon.

Cordials (14 to 22% alcohol)--\$0.75 per wine gallon.

Wine (to 14% alcohol)--\$0.40 per wine gallon.

Malt Beverages--\$0.09 per gallon.

4. The taxes on other tobacco products, cordials, wine and malt beverages go to the state general fund. One-half (5 mills) of cigarette taxes are allocated to cities and counties with the remainder going to the state general fund. Taxes on hard liquor are distributed as follow: 50 cents to cities and counties, 15 cents to the state account for alcohol and drug abuse, and the remainder to the state general fund.
5. Excise taxes on tobacco and liquor products have generally provided a declining share of state and local revenue in Nevada over the past twenty years.

Interstate Comparisons

6. If a state imposes excise taxes on tobacco and alcohol products that are significantly higher than elsewhere, this can lead to illegal bootlegging of the products into that state.
7. Based on a 1987 comparison with other states, Nevada combined excise tax and general sales tax on cigarettes is greater than that imposed in most other places.
8. This difference in comparable tax burdens is alleviated somewhat by the California initiative which raised the tax per pack to 35 cents in that state.
9. Nevada should consider raising its cigarette tax rate in line with the new California rate.
10. Nevada has one of the lower rates of tax on other tobacco products in the western region.
11. It is difficult to compare Nevada's taxation of alcoholic beverages with other states in the west because many have a monopoly on the wholesale distribution of liquor. In those states, revenue is generated by mandatory mark-up of the product.
12. Compared to states which tax liquor comparably, liquor taxes are below average in Nevada.
13. Based on these comparisons, it appears that Nevada cannot significantly increase liquor taxes at this time.

Analyzing the Current Taxation System

14. Nevada should consider changing the method of cigarette taxation to an ad valorem basis similar to that used for other tobacco products. This change would promote horizontal tax equity and also would allow revenues to increase as the wholesale price of cigarettes increases.
15. As an alternative to imposing an ad valorem tax on cigarettes, the state should consider indexing the per unit rate to some measure of inflation.

16. The state should consider eliminating the sharing of cigarette tax revenues between state and local governments either by retaining all the revenue for the state or by allowing local governments to keep all of the revenue.
17. The same policy alternatives for cigarette taxation and distribution should be considered for alcoholic beverages as well.

89TXD/h7

URBAN INSTITUTE - PRICE WATERHOUSE TAX STUDY
INSURANCE TAXATION

Highlights

1. The taxation of insurance premiums has been stable in Nevada even though it has been the subject of legal challenges and considerable restructuring in many other states.
2. The Nevada insurance premium tax, which is based on the gross amount of premiums received, has been at 3 percent since FY 1983-84.
3. The insurance premium tax provided 43.7 million to the state in FY 1988. Year to year changes in tax revenue have been volatile since 1980.
4. Nevada is one of only a few states that applies the same tax rate to all lines of insurance.
5. Nevada does not have a large domestic insurance industry, which allows the state to set the tax rate without worrying about the effects on domestic insurers of the retaliatory tax in other states.
6. Nevada provides a regional home office credit for domestic insurers which allows those businesses to reduce their insurance premium tax liability from 50 to 80 percent.
7. Certain issues, such as the differential treatment of for-profit and non-profit insurers, do not arise in Nevada because the tax is straightforward and is applied equally to all carriers regardless of legal form.

TAX/it

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 687-6800
LAWRENCE E. JACOBSEN, Senator, Chairman
Donald A. Rhodes, Director, Secretary

INTERIM FINANCE COMMITTEE (702) 687
MARVIN M. SEDWAY, Assemblyman, Chairman
Daniel G. Miles, Fiscal Analyst
Mark W. Stevens, Fiscal Analyst

DONALD A. RHODES, Director
(702) 687-6800

JOHN R. CROSSLEY, Legislative Auditor (702) 687-6815
ROBERT E. ERICKSON, Research Director (702) 687-6825
LORNE J. MALKIEWICH, Legislative Counsel (702) 687-681

May 15, 1989

MEMORANDUM

TO: CHAIRMAN AND MEMBERS
ASSEMBLY COMMITTEE ON TAXATION

FROM: Ted A. Zuend, Deputy Fiscal Analyst
Fiscal Analysis Division

SUBJECT: Business Taxation

In preparation for the May 25, 1989, hearing on A.B. 159, which would impose a general business tax, I have prepared, for your reference, highlights on business taxation issues from the Urban Institute - Price Waterhouse tax study.

Please call me if you have any questions concerning this information.

TX2:bt

URBAN INSTITUTE - PRICE WATERHOUSE TAX STUDY
BUSINESS TAXATION

Highlights

Rationale

1. Taxes on business entities are justified under the benefits received principle of taxation. Taxes and charges are imposed on businesses to cover the costs of providing governmental services to those businesses. In addition, business taxes can be used to help pay for services such as education that indirectly benefit businesses.
2. User charges are a good method of matching business payments to public benefits when the cost of the benefit can easily be measured, such as for water or sewer service. However, when the cost of a benefit to particular businesses is unclear, a general form of business taxation is justified.
3. The ability-to-pay criterion is unclear for business taxation because the tax incidence is often unknown. Even if the incidence of the tax was on the shareholders, the income of the shareholders has no necessary relationship to the income of the business.
4. Business taxes are sometimes justified as a means to lower direct taxes on residents.

Business Taxes in Nevada

5. Nevada, Alaska and Wyoming are the only states which do not impose some form of a general business tax.
6. Gaming, mining and insurance are examples of Nevada industries that are subject to special taxes. Gaming taxes are usually justified because of the substantial public costs associated with tourism. Mining taxes can be justified because of the environmental and social costs the industry imposes on local communities. Insurance taxation does not have a similar rationale, but rather is a tax aimed at a specific form of consumption.

Alternative Business Taxes

7. The most commonly used form of business taxation is the corporate net income tax which is imposed in 45 states and the District of Columbia. This tax raised about \$19 billion in FY 1987 or about 8 percent of state tax collections.

8. The franchise tax, which is based on business capital, is imposed in 29 states and raised about \$3 billion in FY 1987.
9. The value-added tax raised \$1.6 billion in Michigan in FY 1987. This tax is generally based on the sales of the business less the costs of materials and services purchased from other firms.

Corporate Income Tax

10. Most states have adopted the Internal Revenue Code as a starting point for computing state income for corporations. This approach reduces both administrative and compliance costs.
11. There are five issues relevant to the design of a corporate income tax for Nevada:
 - (a) The definition of the tax paying unit;
 - (b) The apportionment formula;
 - (c) The relationship of the corporate tax and taxes on specific industries;
 - (d) The relationship of the corporate tax to the personal income tax; and
 - (e) The rate structure.
12. The most important decision relating to the definition of the taxpaying unit is whether to tax each corporation separately or to require a combined reporting of related corporations. The taxation of corporations as separate entities provides opportunities for shifting income and avoiding tax. Combined reporting is theoretically the best approach particularly for a state without an existing corporate income tax.
13. The apportionment formula used by states for income tax purposes generally rely on three factors: sales, property and payroll. Most states equally weight the three factors while some states give unequal weights to the factors.
14. There are several alternative ways to treat specific business taxes paid by certain industries under the corporate income tax:
 - (a) Allow the specific taxes as a deduction against income tax liability.
 - (b) Allow the specific taxes as a credit against income tax liability.

- (c) Provide no deduction or credit.
 - (d) Provide an income tax exemption to firms subject to the specific taxes.
15. The most important issue concerning the corporate income tax in Nevada relates to the treatment of corporate and noncorporate business in a state that does not impose a personal income tax. Of the seven states which impose a general corporate tax and no personal income tax, only one (New Hampshire) applies its tax to all businesses rather than corporations only. This, however, is considered the better approach because businesses should be treated equally regardless of legal form.
 16. A tax rate for Nevada can be chosen either to raise a given amount of revenue or to compare to other business tax alternatives. A 5 percent flat rate was chosen for comparative purposes. This is the lowest rate imposed among the western states, Florida and New Jersey that impose a corporate income tax.
 17. Based on corporations only, a 5 percent tax would yield a tax liability of \$70 million in 1990.

Corporate Franchise Tax

18. In most states, the franchise tax is a supplement to a net income tax. Exceptions include Texas which has no corporate income tax and Louisiana which raises more from its franchise tax than from its corporate income tax.
19. Most states use net equity as a tax base for the franchise tax. A few exclude retained earnings from net equity while a couple of others broaden the concept by using invested capital as the base by adding long term debt to net equity.
20. The two most defensible options for the tax base are net equity and invested capital. The better of these is invested capital because under the alternative similar companies could have very different tax liabilities because of their relative use of debt.
21. A Nevada franchise tax of about 0.3 percent would yield about the same revenue as the 5 percent corporate income tax.
22. The tax burden would shift more to capital-intensive industries under the franchise tax approach.

Value-Added Tax

23. A value-added tax is a multi-stage tax that is collected at each stage of the process of production and distribution of goods and services.
24. The state could adopt a destination based value-added tax which has the functional result of a tax on retail sales. This approach could be burdensome to implement in a state because many out-of-state producers and distributors are involved in the production and distribution of goods and services in Nevada.
25. An alternative approach to value-added taxation, which has been adopted in Michigan, is based on the origination principle. Under this approach, firms doing business in Nevada would be subject to tax in a manner similar to a corporate income tax, although the base of the two taxes differ in important respects.
26. A value-added tax of 0.5 percent in Nevada, roughly based on the Michigan example, would raise the same \$70 million as the 5 percent income tax or the 0.3 percent franchise tax. The burden of this tax, however, would be shifted away from capital-intensive industries and toward labor-intensive industries.

Evaluation of Alternatives

27. The corporate income tax avoids burdening firms that are in an unprofitable position. The tax provides the administrative advantage of allowing firms to work off of the definition of federal taxable income. The corporate income tax is not based on the benefits-received principle of taxation because unprofitable firms escape taxation altogether. Also, the profits tax base is relatively unstable.
28. The value-added tax is justified by the benefits received principle of taxation. The tax base is also comparatively stable. This type of tax, however, is relatively unfamiliar in the U.S. and would require the development of new administrative procedures. Also, the Michigan experience indicates the potential for substantial erosion of the value-added tax base because of political pressures to provide credits and other preferences to mitigate the effects on certain businesses.

29. An alternative approach to the imposition of any single business tax would be to impose two or more of the taxes to take advantage of the best features of the various taxes. One example would be to impose a 3 percent income tax alongside a 0.12 percent franchise tax to raise the same \$70 million in revenue. This would combine the best features of the income tax (administrative ease and a tax burden related to profitability) with the best features of the franchise tax (tax base stability and benefits received principle).

TAX:bt

URBAN INSTITUTE AND PRICE WATERHOUSE TAX STUDY

LOCAL FINANCE

Economic and Demographic Information

1. There is considerable demographic diversity among Nevada's 17 counties with population ranging from 1,380 in Esmeralda to 632,000 in Clark (1987).
2. Per capita income varies greatly among the counties ranging from \$11,514 in Pershing County to \$19,397 in Douglas County (1986).
3. Wealth, as measured by real per capita assessed valuation, ranges from \$7,694 in Churchill County to \$48,817 in Eureka County (1987 figures expressed in 1982 dollars).
4. Real per capita assessed value increased 14 percent between 1982 and 1987 in Nevada; however, real growth rates for the counties ranged from -16 percent in Eureka to 50 percent in Humboldt.

Fiscal Conditions of Local Governments

1. In 1986, property taxes as a percent of county operating revenues ranged from 3.2 percent in Carson City to 31.9 percent in Eureka. The range for cities was from 0 percent for Yerington to 11.2 percent for Mesquite.
2. The only county or city government to increase its reliance on property taxes between 1977 and 1986 was Douglas County.
3. In 1986, county government's reliance on SCCRT ranged from 5.3 percent in Carson City to 28.2 percent in Lyon County. The range for cities was from 2.7 percent for Caliente to 18.5 percent for Mesquite.
4. The average county reliance on SCCRT dropped from 9.9 percent to 9.0 percent and the average city reliance dropped from 9.5 percent to 7.6 percent between 1982 and 1986.
5. In 1986, licenses and charges contributed from 7.7 percent of revenue in Eureka County to 51.5 percent of revenue in Churchill County. The range for cities was from 13.8 percent for Mesquite to 68.5 percent for Fallon.

Local Government Discretion in Nevada

1. Nevada is a one of eight remaining Dillon's rule states which means that no city or county government has any authority directly conferred by the State Constitution.
2. Counties are directly created by the Legislature while cities may be created either through special charters enacted by the Legislature or under the general law provisions in Chapter 266 of the Nevada Revised Statutes.
3. Special districts are the most common form of local government in Nevada.
4. General Improvement Districts (Chapter 318 of NRS) are permitted to provide as many as 17 specific services in Nevada. The only significant powers not available to GID's are police protection and planning and zoning.
5. Fiscal relationships between state and local governments in Nevada are highly centralized--the level of all local revenue sources are stipulated by act of the Legislature.
6. The lack of autonomy of local governments in Nevada is due, in part, to the existence of relatively few local government entities most of which have small population and undifferentiated economies.
7. Because of the way revenues are distributed among local governments in Nevada, the incorporation of a new city often has adverse fiscal effect on the county government or other cities within the same county.
8. The Legislature should consider allowing some "home rule" through statute. The best candidates for this are local government organization, administration and personnel.

Property Tax

1. The property tax is the single largest source of state and local revenue nationally generating 21.1 percent of own-source revenues in 1986. However, in Nevada the property tax amounts to only 14.9 percent of own-source revenues.
2. The decline in the importance of the property tax to state and local finances in Nevada mirrors the U.S. trend over the past 25 years.

3. Property taxes have been and continue to be a much more important source of revenue for local than state governments.
4. Property taxes are a particularly important revenue for school districts both in Nevada and nationally.
5. The property tax base has in recent years become much more dependent on real property as exemptions for intangible and personal property have become greater and greater.
6. The property tax base, in general, usually does not keep pace with income growth.
7. Property taxation is, in part, consistent with the benefits-received principle of taxation. There is, however, a redistributive intent because it is a tax on wealth.
8. The incidence of the property taxation of land is considered to be directly borne by the landowner. The incidence on other types of property varies by the type of use of the property.
9. The property tax is considered to be regressive for the lowest three income deciles, roughly proportional for the next six income deciles and progressive for the highest income decile.
10. Circuit breakers and other methods of property tax relief are effective methods of alleviating the regressivity of property taxes for low income households, though they should be designed to provide relief to all low income households, not just select groups.
11. Assessed real property in Nevada is comprised 40 percent of land and 60 percent of improvements. Sixteen percent of the assessed value is vacant land.
12. About one-eighth of all property in Nevada is tax exempt. Most of these exemptions are for government-owned property.
13. Until 1981, property in Nevada was generally taxed at a percentage of full cash value. The standard is now taxable value which differs by type of property and whether it is of an intercounty or interstate nature.

14. The taxation of property is principally a local responsibility although the state, through the Department of Taxation and the State Board of Equalization, has a considerable role in local property taxation.
15. There are several limits to property tax rates in Nevada: a \$5 per \$100 constitutional, a \$3.64 per \$100 statutory limit, and specific annual limits on local governments through the maximum allowable combined revenue and allowed ad valorem revenue formulas or, in the case of school districts, the fixed \$0.75 per \$100 rate established by the Legislature.
16. The following areas of property taxation should be reviewed by the Legislature:
 - A. The failure to tie assessed value to market value;
 - B. State limits on local property tax levies and rates; and
 - C. Restriction of circuit-breaker relief to the elderly.

Intergovernmental Relations

1. There are three primary justifications for the intergovernmental transfer of revenues:
 - A. Affected governments should subsidize the provision of goods and services to local jurisdictions where benefits are accruing to non-residents.
 - B. Intergovernmental grants should be made to mitigate the impact of unequal fiscal resources and needs.
 - C. Higher levels of government should provide resources to other governments to insure that residents of those governments have equal access to certain goods and services.
2. Categorical grants from one government to another that require matching funds tend to be more effective in providing additional public services than unrestricted grants or categorical grants without a matching requirement.
3. The intergovernmental grant system in Nevada is both complex and intrusive. This creates problems because complexity breeds misunderstanding while intrusiveness eliminates the accountability of local officials.

School Finances

1. Over the past 10 years public school enrollment in Nevada has increased by 16 percent while per student expenditures have increased by 134 percent which equals a real increase of nearly 25 percent per student.
2. The share of school expenditures financed by the state, which is on average slightly below the national average, ranges from 86 percent in Lincoln County to 15 percent in Eureka County.
3. Basic support per pupil in Nevada is determined from cost-based basic support with a transportation adjustment and a wealth adjustment.

Local Revenue Limitations

1. The state reduced property taxes in 1979 by eliminating the state levy of 25¢, the county medicaid levy of 11¢ and \$1 per \$100 of the school levy. The lost revenue for local governments and schools was replaced from state general fund revenues.
2. The 1981 Legislature reduced local property taxes by replacing them with an additional statewide sales tax and limited local revenues through various formulas.
3. The 1983 Legislature increased property taxes for schools, instituted a 5¢ statewide property tax levy, changed the depreciation schedule for property valuation and instituted a 3/4¢ levy to support hospital care for indigents hurt in automobile accidents.
4. The 1985 Legislature instituted a 3¢ property tax levy for indigent medical care, equalized property taxes among adjacent towns, and provided that new local governments must be funded from revenue of the local governments which formerly provided the service.
5. The 1987 Legislature liberalized certain local government revenue limitations and provided a 5 percent increase in local allowable revenue, removed net proceeds revenues entirely from the revenue limits and provided additional ad valorem revenues for certain jurisdictions for specific purposes.

6. The SCCRT is distributed to local governments on a two-tier formula. The first distribution is to the county-wide level and is determined by the share that total SCCRT has to total statewide maximum allowable combined revenue. The intra-county distribution is based on each entity's 1980-81 operating tax rate multiplied by its current assessed valuation.
7. The SCCRT and revenue limitation program has proven successful in holding down property tax increases; however, it has created problems relating to fiscal centralization, inter-county and intracounty tax equity and the ability of certain jurisdictions with limited fiscal capacity to adapt to the revenue limitations.
8. Alternatives to the current system include the establishment of an overall revenue limit for local governments or a more direct limit on property tax revenues or property tax rates.

TAX/lf

Exhibit H

**Suggestions for Reforming the Nevada
Tax System by Steven D. Gold**

SUGGESTIONS FOR REFORMING THE NEVADA TAX SYSTEM

Interim Tax Committee
Nevada Legislature
November 7, 1989
Las Vegas, Nevada

Steven D. Gold
Director of Fiscal Studies
National Conference of State Legislatures

1. Overview of Nevada's tax system

Nevada's total state-local tax revenue is about average when compared to the personal income and population of the state. But this "averageness" masks the fact that taxes paid by individuals and non-gaming businesses are extremely low compared to those paid elsewhere. Moreover, Nevada has one of the most regressive tax systems in the nation.

The unusual shape of the Nevada tax system explains this paradox:

- o No income tax on individuals or corporations;
- o Low property tax;
- o Extremely narrow sales tax base; and
- o High revenue from gaming (much of the burden of which is exported to non-Nevadans).

2. Framework for considering tax reform

We are in the midst of a wave of state tax reform that began to build early in the 1980s and was spurred on by federal tax reform. I expect this movement to continue in the 1990s because of several important developments in the environment in which states operate:

- o increasing unfunded federal mandates are likely to put more pressure on state budgets;
- o the national economy is almost certain to perform less well in next five years than in past six years (with a possibility of very severe problems exacerbated by indebtedness and international interdependence);
- o the growing service sector tends to reduce the growth rate of sales tax revenue in states like Nevada that exempt services;
- o interstate and international competitiveness place a premium on modernizing state tax systems and providing services conducive to economic growth;
- o state-local relations need to be reexamined because of a vacuum created by federal cutbacks ("fend-for-yourself federalism"), which are thrusting greater responsibility on state governments to reconsider their policies toward local governments across the board; and
- o new technologies and deregulation undermine taxes on specific industries like telecommunications and banking.

Major tax reform is more likely to occur when there is a perceived crisis.

Such a crisis usually comes from one of three sources:

- o budget deficits;
- o state economic stagnation or decline; or

- o service levels that are so inadequate that they seriously impair the quality of life or the business environment.

Nevada clearly does not have now, and is unlikely to have in the next several years, a budget deficit; nor is its economy ailing. So if there is a crisis, it can only be caused by services that are deemed to be inadequate.

The Nevada tax study was widely misunderstood on one key point. In analyzing the budget outlook, it concluded that *if the current level of services is maintained*, there would not be a need to increase taxes significantly until the mid-1990s. This does not necessarily imply that maintaining the current level of services is appropriate. If, for example, it were decided that the quality of the schools should be raised, a tax increase would probably be necessary.

3. Advice for this committee

When I met with a similar Nevada tax committee in Carson City on March 19, 1987, I had four major recommendations on how to conduct a useful tax study: (a) provide sufficient funding (which was done); (b) get good researchers to conduct the analysis (which was also done); (c) set specific priorities for the research; and (d) set up a commission or committee that would work closely with the researchers as the study unfolded to assure that the research would be useful to the legislature, governor, and the public.

The latter two recommendations were not followed, resulting in a study that was very broad rather than focused tightly on a small number of priority issues. Nevertheless, the report does provide a good set of reference books that provide a starting point for this committee and for future legislatures in considering tax reform options.

My advice to this committee is to identify a few priorities that have a chance of being enacted within a few years and to focus on them. While it is up to you to determine what those priorities should be, I shall make a few suggestions:

- o broadening the sales tax base to cover services;
- o enacting a broad general business tax;
- o reforming state-local relations; and
- o reducing the regressivity of the tax system.

Nevada is likely sooner or later to confront a situation of needing to increase taxes. None of the choices will be pleasant ones. You should not expect to find a large amount of revenue available that can be obtained painlessly. This committee can help to chart a course that minimizes the problems of raising that needed tax revenue.

4. Broadening the sales tax base to cover services

Nevada has the distinction of exempting more services from its sales tax than almost any other state. According to an NCSL tabulation in January 1989, the only other states with as little taxation of services are Colorado, Idaho, Illinois, and Michigan. As the table I have distributed indicates, states differ widely in the extent to which their sales tax applies to services. Hawaii, New Mexico, and South Dakota tax services relatively comprehensively, and most of the other 45 states with sales taxes have less broad coverages.

mandates are taken into account.

- o The sorting out of responsibilities between state and local governments should be reconsidered, with some functions transferred to the state level and others perhaps transferred to localities.
- o The state should compile and analyze information about local fiscal trends to provide a stronger basis for making policy on state-local issues.
- o A state-local organization should be created to conduct research on state-local problems, to help devise solutions to state-local problems, and to enable state and local representatives to engage in a dialogue about major issues. This organization should have a close connection to the legislature, with involvement by key legislative officials.

7. Reducing the regressivity of the tax system

Nevada's tax system takes a considerably larger proportion of the income of low-income than of high-income families. The tax study recommended that a tax credit/refund program should be established to change this situation. By targetting relief, the cost could be contained at a relatively low level. A good model is New Mexico's Low Income Comprehensive Tax Rebate. One advantage of such a program is that it could enhance work incentives for low-wage workers.

8. Concluding comments

Two weeks ago at a national tax conference I made nine predictions about the direction of state tax policy in the 1990s:

1. State and local taxes will continue to creep up as a proportion of personal income, in part because of new unfunded federal mandates.
2. Sales and income taxes will continue to rise slowly as a share of total tax revenue. Sales tax rate increases will be more numerous than income tax rate increases, but the income tax's higher elasticity will raise its share.
3. Nationally, local taxes will increase at least as fast as state taxes. States will make major changes in policies affecting localities. State-local relations will become more prominent as an issue in state capitals.
4. Earmarking will continue to proliferate.
5. States will continue to raise excise taxes faster than they did pre-1980.
6. Tax reform will continue to advance incrementally. States with out-moded income taxes will continue to reform them; taxation of consumer services will expand; and telecommunications and bank taxes will change significantly.
7. State tax relief for the poor will expand, especially state earned income tax credits piggybacked on the federal credit. Five states now have these credits (IA, MD, RI, VT, and WI).
8. Numerous states without one broad-based tax will enact it amid fiscal crises. Top candidates: AK, CT, MT, NH, SD, TN; next, FL, OR, TX, WA; last, DE, NV, WY.
9. Tax systems will become more balanced. States with low income taxes will increase reliance on them, but states with high income taxes will not; ditto for sales taxes.

I call your attention particularly to prediction 7: that many states without a sales or income tax will adopt one. You will note that I placed Nevada in the category of the states least likely to fulfill that prediction. My reasoning is that such an action is a last resort, and Nevada is far from being in a position where it has to turn to last resorts.

You do not need to contemplate taxing medical care and advertising if you want to obtain significant revenue from a tax on services.

A strong case can be made that services should be taxed.

- o The service sector is growing faster than the goods-producing sector, so exempting services slows the growth of tax revenue.
- o Taxing services makes the tax system more stable (i.e., less vulnerable to economic fluctuations).
- o Taxing services enhances fairness in that it provides equal treatment of people who like to spend their money on services and those who choose to consume goods. Why should someone who buys a videocassette pay tax but not someone who rents one?

The economic case for taxing consumer services is stronger than for taxing business services. When business services are taxed, it may lead to pyramiding of the tax burden and passage of the tax on to consumers in the form of higher prices. There are better ways to tax business.

One good indicator of how the Nevada sales tax base has narrowed is the sales tax revenue as a percent of personal income per penny of the tax rate. This figure was .86 in 1960, .90 in 1970, .87 in 1975, .82 in 1980, and .64 in 1984. (Source: *Reforming State Tax Systems*, p, 214.)

5. Enacting a broad general business tax

The tax study demonstrated that Nevada's tax burden on businesses is very low compared to that in other western states. Alaska, South Dakota, and Wyoming are the only states in the U.S. without some kind of general business tax. Nevada's taxes are so low that it could impose a set of taxes such as those proposed in the study without putting itself at a competitive disadvantage relative to other states.

In my opinion, the tax study is on firm ground in proposing a combination of a business income tax and a franchise tax on invested capital. The franchise tax adds an element of stability to the revenue system, serves as a kind of minimum tax, and enables a state to have a lower corporation income tax rate. Alternatively, Nevada could adopt a stand-alone tax on invested capital without a business income tax.

6. Reforming state-local relations

NCSL's Task Force on State-Local Relations (which is now a standing committee) has produced a set of recommendations to help guide states in reconsidering their policies toward local governments. Portions of those recommendations that may be particularly relevant to Nevada include these:

- o States should assure that local governments have the tools they need to deal with the problems they confront; this implies allowing them to use additional tax bases and assuring that state-imposed limitations are not too severe.
- o Aid programs should be reconsidered to target them better in accordance with local needs and fiscal capacity.
- o Property taxes should be improved by requiring assessors to meet high standards of competence and performance and by providing property tax relief to low- and moderate-income households.
- o Mandates imposed on local governments should be reviewed. Legislative procedures should be revised to assure that the costs imposed by

mandates are taken into account.

- o The sorting out of responsibilities between state and local governments should be reconsidered, with some functions transferred to the state level and others perhaps transferred to localities.
- o The state should compile and analyze information about local fiscal trends to provide a stronger basis for making policy on state-local issues.

Tommer
A state-local organization should be created to conduct research on state-local problems, to help devise solutions to state-local problems, and to enable state and local representatives to engage in a dialogue about major issues. This organization should have a close connection to the legislature, with involvement by key legislative officials.

7. Reducing the regressivity of the tax system

New Mexico
Nevada's tax system takes a considerably larger proportion of the income of low-income than of high-income families. The tax study recommended that a tax credit/refund program should be established to change this situation. By targetting relief, the cost could be contained at a relatively low level. A good model is New Mexico's Low Income Comprehensive Tax Rebate. One advantage of such a program is that it could enhance work incentives for low-wage workers.

8. Concluding comments

Two weeks ago at a national tax conference I made nine predictions about the direction of state tax policy in the 1990s:

1. State and local taxes will continue to creep up as a proportion of personal income, in part because of new unfunded federal mandates.
2. Sales and income taxes will continue to rise slowly as a share of total tax revenue. Sales tax rate increases will be more numerous than income tax rate increases, but the income tax's higher elasticity will raise its share.
3. Nationally, local taxes will increase at least as fast as state taxes. States will make major changes in policies affecting localities. State-local relations will become more prominent as an issue in state capitals.
4. Earmarking will continue to proliferate.
5. States will continue to raise excise taxes faster than they did pre-1980.
6. Tax reform will continue to advance incrementally. States with out-moded income taxes will continue to reform them; taxation of consumer services will expand; and telecommunications and bank taxes will change significantly.
7. State tax relief for the poor will expand, especially state earned income tax credits piggybacked on the federal credit. Five states now have these credits (IA, MD, RI, VT, and WI).
8. Numerous states without one broad-based tax will enact it amid fiscal crises. Top candidates: AK, CT, MT, NH, SD, TN; next, FL, OR, TX, WA; last, DE, NV, WY.
9. Tax systems will become more balanced. States with low income taxes will increase reliance on them, but states with high income taxes will not; ditto for sales taxes.

4
I call your attention particularly to prediction 8: that many states without a sales or income tax will adopt one. You will note that I placed Nevada in the category of the states least likely to fulfill that prediction. My reasoning is that such an action is a last resort, and Nevada is far from being in a position where it has to turn to last resorts.

Exhibit I

**Memo to Ted Zuend from Janice Wright
Regarding Washoe County Error in Reporting**

Exhibit I



STATE OF NEVADA
DEPARTMENT OF TAXATION
Capitol Complex
Carson City, Nevada 89710-0003
Telephone (702) 687-4892
In-State Toll Free 800-992-0900
Fax (702) 687-5981

RECEIVED

JUN 13 1990

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

BOB MILLER
Governor

JOHN P. COMEAUX
Executive Director

June 11, 1990

MEMO

TO: Ted Zuend
FROM: Janice Wright
SUBJECT: Washoe County Error

The Washoe County Assessor informed the Department of Taxation of an error made in reporting the assessed values of new construction. NRS 361.390 and NAC 361.156 require an assessor to submit a Segregation Report, Forms 8A and 8B, which show various categories of property, including new construction. Any value reported as supplemental real property will be considered as new the first year it goes on the roll. In the subsequent year that value will become part of the base and will not be reported as new for the purposes of distributing SCCRT as required in NRS 377.057(6) and calculating the allowed ad valorem revenue as required in NRS 354.59811. Washoe County determined that from FY 86 through FY 90 it had inadvertently reported supplemental values as new in the second year. The Assessor submitted corrections for the assessed values for FY 90 and a copy of the impact is attached for your review. These figures will change again because each year reflects a cumulative impact due to the effect of rolling up the prior year's base value. The Assessor is now in the process of calculating the correct assessed values for FY 86, 87, 88 and 89. These will be used by the Department of Taxation to determine the actual impact of this error. The Department has no data base of information against which to verify assessed values of new construction and supplemental so errors of this type may have been made by other counties. The reporting of the various categories of values is fairly complex and subject to legislative changes and estimates so it is likely that problems do exist.

Please don't hesitate to contact me if I can provide any other information to you.

A handwritten signature in cursive script that reads "Janice A. Wright".
Deputy Executive Director

JAW:mfs
Attachment

(1) RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
CARSON CITY	5,351,941	5,384,722	32,782
CARSON TRUCK	9,259	9,316	57
CARSON WATER	0	0	0
SIERRA FM CC	82,039	82,541	503
TOTAL CL	5,443,239	5,476,580	33,341
CHURCHILL CO	1,374,622	1,383,042	8,420
FALLON	307,232	309,114	1,882
URS TRUCK CH	2,918	2,936	18
CHURCHILL HOSU	97,256	97,852	596
TOTAL CH	1,782,029	1,792,944	10,915
CLARK COUNTY	58,090,426	58,446,240	355,814
BOULDER CITY	1,091,825	1,098,513	6,688
HENDERSON	4,540,216	4,568,025	27,810
LAS VEGAS	22,168,400	22,304,185	135,785
MESQUITE	439,624	442,317	2,693
N LAS VEGAS	1,853,619	1,864,973	11,354
ROCKVILLE	69,532	69,958	426
E LAS VEGAS	115,629	116,337	708
GLENDALE	0	0	0
INDIAN SPRINGS	0	0	0

(1)

RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
LAUGHLIN	245,535	247,038	1,504
HOAPA TOWN	0	0	0
HOAPA VALLEY	191,062	192,232	1,170
MT CHARLESTON	0	0	0
PARADISE	13,895,924	13,981,038	85,115
SEARCHLIGHT	112,534	113,224	689
SPRING VALLEY	0	0	0
SUNRISE HHR	1,652,482	1,662,604	10,122
WINCHESTER	4,827,085	4,856,652	29,567
BOULDER LB2	136,278	137,113	835
CLK CO FIRE	8,923,437	8,978,095	54,658
HDRSN LIBRY	228,187	229,585	1,398
LV/CLK LIBRY	3,908,860	3,932,802	23,942
NPA VLY FIRE	269,670	271,322	1,652
MT CHAS FIRE	30,956	31,146	190
TOTAL CL	122,791,282	123,543,399	752,117
DOUGLAS CO	2,509,277	2,524,647	15,370
GARDNERVILLE	92,087	92,651	564
GENOA	3,486	3,507	21
HINDEN	97,421	98,017	597
CRS TRUCK DO	9,187	9,244	56
CRS WATER DO	0	0	0
CAVE ROCK	8,120	8,170	50

(1) RECAP SHOWING IMPACT ON SCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCRT FOR 1989-90	DIFFERENCE
DO CO MSUT	37,377	37,606	229
DO CO PARAMED	0	0	0
EST FIRE FIRE	339,386	341,464	2,079
EST FIRE SMITH PL	0	0	0
ELK PNT SANI	5,320	5,353	33
GRDN RANCHOS	217,770	219,104	1,334
INDIAN HILLS	66,938	67,348	410
KINGSBURY	242,499	243,984	1,485
LAKERIDGE	7,732	7,780	47
LOGAN CREEK	3,347	3,367	21
MARLA BAY	24,234	24,383	148
MND/GDNV SAN	69,711	70,138	427
OLIVER PARK	10,856	10,923	66
ROUND HILL	184,626	185,757	1,131
SIERRA FF DO	96,857	97,451	593
SKYLAND	35,490	35,707	217
TH DO FIRE	1,977,025	1,989,134	12,110
TH DO SEWER	286,926	288,684	1,757
TOPAZ RANCH	20,749	20,876	127
ZEPHYR LOVE	12,493	12,569	77
ZEPHYR HGT	43,961	44,230	269
ZEPHYR KNOLLS	1,603	1,618	10
TOTAL DO	6,404,485	6,443,713	39,229

(1) RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
ELKO COUNTY	1,731,692	1,742,299	10,607
CARLIN	123,562	124,319	757
ELKO	815,361	820,355	4,994
WELLS	110,783	111,461	679
JACKPOT	150,066	150,985	919
MONTELEO	1,402	1,410	9
MNTN CITY	1,543	1,553	9
WEST WINDYR	185,028	186,161	1,133
ELKO COMVN AUTH	58,582	58,941	359
ELKO TV	36,898	37,124	226
TOTAL EL	3,214,916	3,234,608	19,692
ESHERALDA CO	570,219	573,712	3,493
GOLDFIELD	16,366	16,466	100
SILVER PEAK	7,361	7,406	45
TOTAL ES	593,946	597,584	3,638
EUREKA CO	1,390,877	1,399,396	8,519
CRESCENT VLY	514	517	3
EUREKA	1,485	1,494	9
DHD VLLY ROD	3,036	3,054	19
DHD VLLY WDD	3,036	3,054	19
EUREKA TV	20,987	21,115	129

(1) RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
TOTAL EU	1,419,934	1,428,632	8,697
HUMBOLDT CO	1,867,646	1,879,085	11,440
WINNEMUCCA	532,865	536,129	3,264
GLANDA FIRE	25,056	25,210	153
HMBLDT FIRE	3,530	3,552	22
HUMBOLDT HOSP	258,573	260,156	1,584
HODRHTT FIRE	4,395	4,422	27
OROVADA CHIR	10,042	10,104	62
OROVADA FIRE	12,553	12,630	77
FRDS FIRE	31,073	31,263	190
PUEBLO FIRE	2,760	2,777	17
MIN RRL FIRE	51,092	51,405	313
TOTAL HU	2,799,586	2,816,734	17,148
LANDER CO	1,038,905	1,045,268	6,363
AUSTIN	22,843	22,983	140
BATTLE MNT	157,153	158,116	963
KINGSTON	12,448	12,524	76
LANDER CO AIRPT	84,815	85,335	520
LANDER HOSP	318,052	320,000	1,948
LANDR CO SHR	7,996	8,045	49

(1) RECAP SHOWING IMPACT ON SCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCRT FOR 1989-90	DIFFERENCE
TOTAL LA	1,642,213	1,652,271	10,059
LINCOLN CO	576,494	580,025	3,531
CALIENTE	65,193	65,593	399
ALAMO	11,884	11,956	73
PANACA	25,375	25,531	155
PIOCHE	18,625	18,739	114
LN HOSPITAL	76,675	77,145	470
PRNF VLY FI	29,611	29,793	181
PIOCHE FIRE	12,150	12,224	74
TOTAL LN	816,007	821,006	4,998
LYON COUNTY	3,300,053	3,320,267	20,213
YERINGTON	37,589	37,819	230
FERNLEY	47,588	47,880	291
CRS TRUCK LY	2,781	2,798	17
CRS WTR LY	0	0	0
ENR LY FIRE	131,925	132,733	808
LY HOSPITAL	97,985	98,585	600
NSN VLY FIRE	26,414	26,576	162
HASHN VLY MUSE	22,031	22,165	135
N LYON FIRE	49,768	50,073	305
SLVR SP/STCH HOSP	34,051	34,259	209
SMT VLY FIRE	17,131	17,236	105

(1) RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
STAGELOACH GID	14,681	14,771	90
WILLOWCREEK GID	2,149	2,163	13
TOTAL LY	3,784,146	3,807,325	23,179
MINERAL CO	1,217,777	1,225,236	7,459
HAWTHORNE	0	0	0
LUNING	0	0	0
MINA	0	0	0
MIN HOSPITAL	101,481	102,103	622
TOTAL MIN	1,319,258	1,327,339	8,081
NYE COUNTY	2,663,032	2,679,343	16,312
GARBS	22,443	22,581	137
AMARGOSA	21,116	21,245	129
BEATTY	26,569	26,731	163
MANHATTAN	3,428	3,449	21
PAHRUMP	205,185	206,441	1,257
ROUND MOUNTAIN	49,076	49,377	301
TOHOPIAI	168,514	169,546	1,032
NYE HOSPITAL	119,800	120,534	734
PAHRUMP SWIM	16,559	16,660	101
PAHRUMP LIBR	29,950	30,133	183

(1) RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
TOTAL NV	3,325,672	3,346,042	20,370
PERSHING CO	844,903	850,079	5,175
LOVELOCK	53,235	53,562	326
TRILAY	0	0	0
PE HOSPITAL	162,116	163,109	993
TOTAL PE	1,060,255	1,066,749	6,494
STOREY CO	741,730	746,273	4,543
GOLDHILL	0	0	0
VIRGINIA CITY	0	0	0
CRS TRUCK ST	388	391	2
TOTAL ST	742,118	746,664	4,546
WASHOE CO	42,591,523	41,944,503	(647,020)
RENO	10,851,793	10,686,941	(164,853)
SPARKS	4,954,407	4,879,144	(75,264)
CRS TRUCK WA	85,468	84,170	(1,298)
CRYSTAL BAY	33,233	32,728	(505)
HORIZON HILL	18,068	17,794	(274)
INCLINE VILL	468,833	461,711	(7,122)
N LK TH FIRE	1,384,553	1,363,520	(21,033)
PALOHIND VLY	77,971	76,786	(1,184)

(1) RECAP SHOWING IMPACT ON SCCRT DISTRIBUTION ESTIMATE
AFTER SEGREGATION CHANGES TO WASHOE COUNTY

ENTITY	(19) 18x14 ESTIMATED SCCRT FOR 1989-90	CORRECTED (19) 18x14 ESTIMATED SCCRT FOR 1989-90	DIFFERENCE
SIERRA FF WA	519,206	511,318	(7,887)
SUN VLY WTR	74,770	73,634	(1,136)
TRK MDW FIRE	2,826,018	2,783,087	(42,931)
VERDI TV	44,588	43,911	(677)
TOTAL WA	63,930,430	62,959,245	(971,185)
WHT PINE CO	952,804	958,641	5,836
ELY	242,325	243,809	1,484
LUND	8,905	8,940	55
MCBILL	29,098	29,276	178
RUTH	9,142	9,198	56
WP HOSPITAL	175,122	176,195	1,073
TOTAL WP	1,417,397	1,426,079	8,682
GRAND TOTAL	222,486,912	222,486,912	0

Exhibit J

**Letter to Assemblyman Louis W. Bergevin
from Assessor's Association of Nevada regarding
additional information on how various counties
assess new property**

ASSESSOR'S ASSOCIATION OF NEVADA

Exhibit J

President

Robert W. McGowan
Washoe County Assessor
P.O. Box 11130
Reno, Nevada 89520

Secretary

Andy Kuhl
P.O. Box 460
Springton, Nevada 89447

RECEIVED

MAR 29 1990

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

March 29, 1990

Assemblyman Louis W. Bergevin,
Chairman, Subcommittee #1
Collection and Distribution
Nevada Legislatures Committee
on Taxation in Nevada

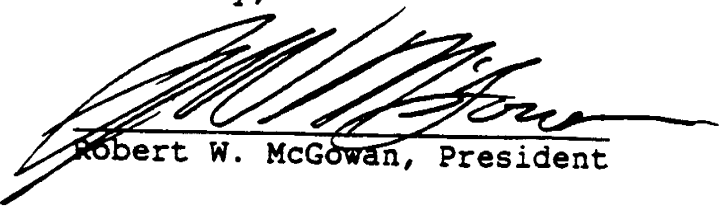
c/o Legislative Council Bureau
Capitol Complex
Carson City, Nevada 89710

Dear Assemblyman Bergevin:

In response to your request for additional information on how the various counties were assessing new property, a committee consisting of Paul Scholz, Kit Weaver, and Dick Franklin gave a questionnaire to the 16 county assessors attending our spring meeting in Pahrump. They were assisted by Dave Pursell of the Department of Taxation in preparing the questionnaire.

The committee's report is enclosed. Please let me know if the Assessor's Association or my office can be of any further assistance to the subcommittee.

Sincerely,



Robert W. McGowan, President

President

Barbara Byington
Douglas County Assessor

Treasurer

Elizabeth A. Knight
Esmeralda County Assessor

Sergeant-at-Arms

Dennis Compston
Lyon County Assessor

Directors

Ruth Rodriguez
Pershing County Assessor

Bernie Merlino
Nye County Assessor

MEMO

DATE : March 29, 1990

TO : Bob McGowan, President
Assessors' Association of Nevada

FROM : Paul Scholz, Kit Weaver, Dick Franklin

SUBJECT: New Property Questionnaire

Dave Pursell helped us to design the questionnaire and he also mailed a preliminary version to all of the counties before our spring meeting. On March 22nd, we gave the revised questionnaire to the 16 assessors that were able to come to Pahrump. On March 27th, our committee met in Carson City to tabulate the responses. These results are attached.

Questions 3 and 4 were probably not too clear. It seems reasonable that the criteria for picking up new construction for the secured roll or during reappraisal would be at least as strict as for the supplemental roll. Some questions went unanswered and more than one answer was appropriate for some questions, so the responses don't always add up to 16.

Our general impression from these results and from discussions of this subject during our spring meeting is that the great majority of counties are working hard to pick up as much new property as they can. Besides an awareness of the statutory requirements, there is a feeling of responsibility to not let revenue escape that may be needed by the local governments. In a very few cases, not all new property has been assessed in a timely manner. In these cases, it appears that the assessor felt he had a shortage of time or staff and assigned a higher priority to other responsibilities.

A second general conclusion is that there is a good deal of variation in the details of picking up new property. No doubt some of this is justified by the very real differences in staff and field situations among the counties but it would seem possible to eliminate much of the inconsistency. There is a need for written, detailed policy regarding the issues included in the questionnaire. A workshop would also be very helpful because some of the issues are quite complex.

Another general problem that needs to be addressed is the manner in which new property is reported on the segregation forms. The department has been steadily improving the forms and instructions, but they have not always been completed in the way that may have been intended. This area should also be included in the workshop.

ASSESSORS NEW PROPERTY QUESTIONNAIRE
March 22, 1990

16 Counties Were Present

New Construction

1. Do you have a shortage of time or staff that causes you to:
Miss or delay picking up some new construction each year? 5
Do a rough job of assessing partially complete new construction? 3
Do a rough job on some new construction until next reappraisal? 1
2. Which of the following are you picking up for supplemental billing?
Buildings 16 Garages 15 Sheds & Outbuildings 15
Building Additions 15 Renovations (Over 10% of building) 9
Paving, Yard Imps., etc. 12 Only if \$1000 assessed or more 6
Only if percent complete is 10% 2 30% 7 50% 1 75% 1 100% 2
1% 3
3. Which of the following do you pick up for your next secured roll?
Buildings 13 Garages 13 Sheds & Outbuildings 12
Building Additions 13 Renovations (Over 10% of building) 8
Paving, Yard Imps., etc. 7 Only if \$1000 assessed or more 3
Only if percent complete is 10% 1 30% 5 50% 1 75% 0 100% 5
1% 4
4. Which do you pick up during reappraisal?
All new construction? 14 Only if \$1000 assessed or more? 0
Only if percent complete is 10% 0 30% 4 50% 0 75% 0 100% 3
5. What percent of your new construction is first billed on the secured roll? 2 didn't answer, 2 bill 100% on supplemental, the rest averaged about 60% on the supplemental and 40% first billed on the secured roll.
What percent is billed on the unsecured (supplemental) roll? _____
6. How do you determine which roll is used to bill new construction?
2 counties bill all new construction on the supplemental.
14 put some new construction on the secured roll.
7. Are you assisted by the use of building permits in your county? 13
 - a. Are the building values fairly accurate? 6 Much too low? 3
 - b. Are they based on Marshall & Swift? 3
 - c. Are the square footages reliable? 3
 - d. Do they include landscaping and yard improvements.? 1
 - e. Are permits issued for just minor imp.? Rarely 2 Usually 9
8. If your county does not issue building permits, how do you find new construction? As they do their other work.
9. When do you work new construction? As it is complete 10
During months of _____ to _____ During reappraisal 12

10. If you inspect construction much before or after July 1, do you estimate the % complete as of July 1 11, pick up only what you find 7, estimate % complete as of following July 1 for the secured roll 5

11. When do you mail supplemental bills? July - 7, Aug. - 2, Sept. - 2, Oct. - 1, Nov. - 2, Dec. - 1.

How many quarterly payments? 2 5 3 4 4 7

New Land

12. What new land do you include in your segregation report?
a. Difference between old parcel and new parcel values 12
b. Site improvements during 1st year 8 later years 6
c. Value added when discount is removed 3

13. Do you add or subtract new property from districts within your county when land is annexed? 7

New Mobile Homes

14. About what percentage of new mobile homes coming into your county are taxed on a prorated basis for part of the fiscal year? 100% - 9, 80% - 2, 1% - 5.

15. Do you keep track of the value of new mobile homes for your segregation report? Unsecured 16 Secured 11

Exhibit K

**Memo to Assemblyman Louis W. Bergevin from
Ted A. Zuend regarding the effect on the SCCRT
distribution caused by adjustments made
pursuant to A.B. 801**

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

Exhibit K



June 18, 1990

LEGISLATIVE COMMISSION (702) 687-6800
JOHN E. JEFFREY, *Assemblyman, Chairman*
John R. Crossley, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 687-6821
WILLIAM J. RAGGIO, *Senator, Chairman*
Daniel G. Miles, *Fiscal Analyst*
Mark W. Servens, *Fiscal Analyst*

JOHN R. CROSSLEY, *Director*
(702) 687-6800
Fax No.: (702) 885-5962

Wm. GARY CREWS, *Acting Legislative Auditor* (702) 687-6815
ROBERT E. ERICKSON, *Research Director* (702) 687-6825
LORNE J. MALKIEWICH, *Legislative Counsel* (702) 687-6830

MEMORANDUM

TO: ASSEMBLYMAN LOUIS W. BERGEVIN

FROM: TED A. ZUEND, DEPUTY FISCAL ANALYST TAZ
FISCAL ANALYSIS DIVISION

SUBJECT: EFFECTS OF AB 801

You asked me to provide an illustration of the effect on the SCCRT distribution caused by adjustments made pursuant to AB 801.

Because the adjustment factors in AB 801 are not fully effective until FY 1992-93, I applied the fully effective county factors and Laughlin adjustments to actual FY 1988-89 data to simulate these effects. Also, I did not make any adjustments for the effects of SB 197, which redistributes a relatively small amount of SCCRT revenue to Carson City and Lincoln County from the other 15 counties.

Attached are tables which show the dollar for dollar return to each county based on each county's share of in-state taxable sales and total taxable sales, respectively. The first table profiles the actual FY 1988-89 experience, while the second table shows an estimate for FY 1988-89 had the full redistribution pursuant to AB 801 been in place. The first data column on each of the table assumes that the norm for the SCCRT distribution is that each county receives a share of SCCRT equivalent to the share of in-state taxable sales generated in that county. Thus the statewide average return is exactly dollar for dollar. The second data column assumes that out-of-state sales provide a windfall source of revenue to each of the counties, which causes the statewide average return (including the distribution of surplus revenues) for FY 1988-89 to be almost \$1.09 per dollar.

As designed, AB 801 increases the per dollar return to Churchill, Clark and Elko counties at the expense of all other counties, with the greatest proportionate loss to Douglas and Washoe counties. Keep in mind, however, that this analysis only considers where the sales taxes are being collected, not the residence of those actually paying the tax. If such figures were available, the dollar return to each county could look significantly different.

ab801 effects/TAZ:nm
TAXATION IN NV

TABLE 1

ACTUAL 1988-89 SCCRT RETURN WITHOUT AB 801

18-Jun-90

COUNTY	RETURN PER \$ OF IN-STATE SCCRT COLLECTIONS /1	RETURN PER \$ OF ALL SCCRT COLLECTIONS /2
ESMERALDA	\$4.98	\$5.41
LINCOLN	\$4.15	\$4.52
LYON	\$2.35	\$2.58
STOREY	\$2.26	\$2.46
PERSHING	\$1.51	\$1.64
MINERAL	\$1.49	\$1.62
WASHOE	\$1.26	\$1.37
DOUGLAS	\$1.22	\$1.32
LANDER	\$1.14	\$1.24
WHITE PINE	\$1.06	\$1.15
NYE	\$0.94	\$1.03
CLARK	\$0.93	\$1.01
CHURCHILL	\$0.86	\$0.93
HUMBOLDT	\$0.78	\$0.85
CARSON CITY	\$0.69	\$0.75
EUREKA	\$0.53	\$0.58
ELKO	\$0.42	\$0.45

/1 This is estimated from the county's percent of SCCRT received to the county's percent of in-state taxable sales collected.

/2 This is estimated from the county's percent of SCCRT received to the county's percent of all taxable sales collected.

TABLE 2

ESTIMATED EFFECTS OF AB 801 ON 1988-89 SCCRT RETURN

18-Jun-90

COUNTY	RETURN PER \$ OF IN-STATE SCCRT COLLECTIONS /1	RETURN PER \$ OF ALL SCCRT COLLECTIONS /2
ESMERALDA	\$4.92	\$5.36
LINCOLN	\$4.11	\$4.47
LYON	\$2.33	\$2.53
STOREY	\$2.23	\$2.43
PERSHING	\$1.49	\$1.62
MINERAL	\$1.48	\$1.61
WASHOE	\$1.20	\$1.31
DOUGLAS	\$1.19	\$1.30
LANDER	\$1.13	\$1.23
WHITE PINE	\$1.05	\$1.14
CLARK	\$0.95	\$1.03
NYE	\$0.93	\$1.02
CHURCHILL	\$0.89	\$0.97
HUMBOLDT	\$0.77	\$0.84
CARSON CITY	\$0.68	\$0.74
EUREKA	\$0.53	\$0.58
ELKO	\$0.46	\$0.50

/1 This is estimated from the county's percent of SCCRT received to the county's percent of in-state taxable sales collected.

/2 This is estimated from the county's percent of SCCRT received to the county's percent of all taxable sales collected.

FISCAL ANALYSIS DIVISION

Exhibit L

**Summary of Clark County Master Transportation
Plan, Fair Share Funding Program**

**SUMMARY
CLARK COUNTY MASTER TRANSPORTATION PLAN
FAIR SHARE FUNDING PROGRAM**

Traffic congestion problems have become critical in Clark County for two basic reasons.

First, over the last twenty years, the County's population has tripled, the number of tourists visiting the County has tripled, and the number of vehicles registered in the County has more than tripled.

Second, most of the major streets and highways in the County are controlled by the Federal or state governments. Over the last twenty years, Federal and state funding for transportation improvements in Clark County has been reduced by over 75% on a per capita constant dollar basis.

The County's Master Transportation Plan is designed to address the existing \$2 billion backlog in needed improvement projects over the next decade and beyond.

Earlier this year, representatives of government, business and civic organizations held numerous meetings and developed a Fair Share Funding Program to implement the Master Transportation Plan. Fair share means spreading the cost of transportation improvements as equitably as possible among all who benefit; i.e., tourists (30%), the State of Nevada (31%), industry/gaming (18%); and residents (21%).

In addition to existing Federal and state revenues, the following new sources are proposed as part of the Fair Share Funding Program:

- a 1% increase in the hotel and motel room tax
- a ¼% increase in sales tax
- a tax on all new development of \$500 per residential unit and 50¢ per square foot of commercial construction
- a phased gasoline tax increase of 3¢ per gallon initially, and another 2¢ per gallon as needed
- a 1¢ increase in the motor vehicle privilege tax
- a 4¢ gallon increase in the tax on jet fuel

The Fair Share Funding Program was on the November 1990 general election ballot as an advisory referendum. The County does not have the power to make the referendum binding without approval of the Nevada Legislature. An overwhelming "yes" vote resulted from this voter referendum. The County will urge the Legislature to adopt the program as a matter of County option so that Clark County will control its own revenues and not have them redirected elsewhere in the state when our need is so critical here.

Exhibit M

Interim Committee on Taxation Policy Statement

Exhibit M

Interim Committee on Taxation Policy Statement

The Interim Committee on Taxation recommends that the 65th Session of the Nevada Legislature through its tax policy continue to protect the positive tax climate in Nevada.

Y. TABLE OF BDR'S

1.	BDR C-64 - Proposes to repeal section of Nevada constitution providing exemption of food from taxes on retail sales.	111
2.	BDR 32-65 - Imposes general business tax.	115
3.	BDR 32-66 - Proposes to impose taxes on sale or use of certain services.	147
4.	BDR S-67 - Proposes to increase rate of taxes imposed by Sales and Use Tax Act.	219
5.	BDR 32-406 - Allows certain businesses to pay sales and use tax and other analogous taxes directly to state.	225
6.	BDR 32-1071 - Revises provisions governing distribution of revenue from supplemental city-county relief tax.	239
7.	BDR S-1072 - Requires adjustment of supplemental city-county relief tax distribution factors of certain counties.	263
8.	BDR 20-1073 - Consolidates Elko and Eureka counties.	269
9.	BDR 32-1074 - Revises provisions governing assessment of property for taxation.	273
10.	BDR 32-1075 - Requires department of taxation to establish uniform standards and required training concerning the assessment of property by county assessors.	281

11.	BDR 35-1076 - Provides for establishment of toll roads and bridges by local governments.....	287
12.	BDR 17-1077 - Creates interim legislative committee on taxation.	291
13.	BDR C-1078 - Proposes to amend Nevada constitution to provide specific authority for legislature to review exercise of certain lawmaking authority delegated to agencies of executive department.	299
14.	BDR 31-1079 - Removes certain limitations on revenue received by local government from property taxes.	303
15.	BDR 32-1120 - Extends to widowers benefit of tax exemptions granted to widows and orphans.	329

1. BDR C-64 - Proposes to repeal section of Nevada constitution providing exemption of food from taxes on retail sales.111

SUMMARY--Proposes to repeal section of Nevada constitution providing exemption of food from taxes on retail sales. (BDR C-64)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

ASSEMBLY JOINT RESOLUTION--Proposing to repeal section 3 of article 10 of the constitution of the State of Nevada which provides an exemption of food from the taxes on retail sales.

RESOLVED BY THE ASSEMBLY AND SENATE OF THE STATE OF NEVADA, JOINTLY, That section 3 of article 10 of the constitution of the State of Nevada, as proposed and passed by the 1981 legislature, agreed to and passed by the 1983 legislature and approved and ratified by the people at the 1984 general election, is hereby repealed.

TEXT OF REPEALED SECTION

Sec. 3[A]. The legislature shall provide by law for:

1. The exemption of food for human consumption from any tax upon the sale, storage, use or consumption of tangible personal property; and
2. These commodities to be excluded from any such exemption:
 - (a) Prepared food intended for immediate consumption.
 - (b) Alcoholic beverages.

2. BDR 32-65 - Imposes general business tax.....115

SUMMARY--Imposes general business tax. (BDR 32-65)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to taxation; imposing a general business tax; providing penalties; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Title 32 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 49, inclusive, of this act.

Sec. 2. As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 3 to 19, inclusive, of this act, have the meanings ascribed to them in those sections.

Sec. 3. "Asset" means any tangible or intangible property, whether real or personal, previously used, currently used or available for use in any business activity.

Sec. 4. "Business activity" means a group of actions performed by a business organization for the purpose of earning income or profit from those actions and includes every operation which forms a part of, or a step in, the process of earning income or profit from that group of actions. The actions

ordinarily include the receipt of money, property or other items of value and the incurring or payment of expenses.

Sec. 5. "Business organization" means any enterprise, whether corporation, partnership, proprietorship, association, business trust, real estate trust or other form of organization, organized for gain or profit, carrying on any business activity within the state, except for enterprises that are expressly made exempt from income taxation pursuant to state or federal law.

Sec. 6. "Combined net income" means the revenues less expenses as would be determined pursuant to the provisions of the Internal Revenue Code and applied consistent with the provisions of this chapter, for all business organizations conducting a unitary business regardless of whether those business organizations are required to file a federal income tax return.

Sec. 7. "Foreign dividends" means dividend income received from affiliated business organizations which have 80 percent or more of the average of their payroll and property assignable to a location outside the 50 states and the District of Columbia.

Sec. 8. "Foreign property, payroll and sales" means the property, payroll and sales data of affiliated business organizations, which have 80 percent or more of the average of their payroll and property assignable to a location outside the 50 states and the District of Columbia, and which have paid dividends to a member of the water's edge combined group.

Sec. 9. "Gross business income" means all income for federal income tax purposes from whatever source derived in the conduct of business activity, including gross proceeds from sales, compensation for rendering services, gross

proceeds realized from trading in stocks, bonds or other evidences of indebtedness, gross proceeds realized from sale of assets used in trade or business, interest, discount, gross rents, royalties, fees, commissions, dividends, without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes or any other expense paid or accrued and without any deduction on account of losses.

Sec. 10. "Gross business profits" means:

1. In the case of a corporation, except "S" corporations, or any other business organization required to make and file a federal corporation income tax return, or in the case of a corporation which does not make and file a separate federal corporation income tax return for itself because it is a member of an affiliated group pursuant to the provisions of chapter 6 of the Internal Revenue Code, the amount of taxable income as would be determinable pursuant to the provisions of the Internal Revenue Code before the application of any net operating loss deduction or any other special deductions allowable only to a certain class of corporate taxpayer.

2. In the case of "S" corporations or any other business organizations required to make and file an "S" corporation return, the net profit from all business activity determined in accordance with regulations adopted by the department.

3. In the case of a partnership or any other business organization required to make and file a federal partnership return of income, the amount of ordinary income as would be determinable pursuant to the provisions of the Internal Revenue Code:

(a) Increased by the amounts shown as payments to partners on the federal partnership return of income, the net amount of any gains from the sale of partnership assets and items of income specifically allocated to partners; and

(b) Decreased by any deductions specifically allocated to partners or losses on the sale of partnership assets.

4. In the case of a proprietorship, the amount of net profit or loss from a business, profession, rental or farming activities as would be determinable pursuant to the provisions of the Internal Revenue Code adjusted by the amount of any gains or losses from the sale of assets held or used in business activity.

5. In the case of a trust, estate or any other business organization engaging in business activity, the amount of net profit from its business activity and the net amount of any gains from the sale of assets held for use in business activity.

6. In the case of any business organization which is a part of a water's edge combined group and which does not make or file a federal income tax return or schedule pursuant to subsections 1 to 4, inclusive, the amount of net income as would be determinable pursuant to the provisions of the Internal Revenue Code and applied consistent with the provisions of this chapter, for those business organizations.

Sec. 11. "Internal Revenue Code" means, unless otherwise provided, the United States Internal Revenue Code of 1986 in effect on December 31, 1990, and includes future amendments to the code and corresponding provisions of future Internal Revenue Laws. The term does not include the rules,

regulations, forms and procedures of the United States Internal Revenue Service.

Sec. 12. "Overseas business organization" means a business organization with 80 percent or more of the average of its payroll and property assignable to a location outside the 50 states and the District of Columbia.

Sec. 13. "Qualified charitable contribution" means a charitable contribution of tangible personal property if:

1. The contribution is either to an educational organization which is described in section 170(b)(1)(A)(ii) of the Internal Revenue Code or to an institution of higher education as defined in section 3304(f) of the Internal Revenue Code or to both an educational organization and an institution of higher education as defined in this subsection;

2. The contribution is made not later than 1 year after the date the manufacture or purchase of the property is substantially completed;

3. The original use of the property is by the donee;

4. The property is a computer or scientific equipment or apparatus, all of the use of which by the donee is directly for the education of students in the State of Nevada;

5. The property is not transferred by the donee in exchange for money, other property or services; and

6. The taxpayer receives from the donee a written statement representing that its use and disposition of the property will be in accordance with these provisions.

Sec. 14. "Qualified research contribution" means a charitable contribution by a taxpayer of tangible personal property if:

1. The contribution is either to an education organization which is described in section 170(b)(1)(A)(ii) of the Internal Revenue Code or to an institution of higher education as defined in section 3304(f) of the Internal Revenue Code or to both an educational organization and an institution of higher education as defined in this subsection;

2. The contribution is made not later than 2 years after the date the manufacture or purchase of the property is substantially completed;

3. The original use of the property is by the donee;

4. The property is scientific equipment or apparatus, substantially all of the use of which by the donee is for research or experimentation, or for research training in physical or biological sciences for students;

5. The property is not transferred by the donee in exchange for money, other property or services; and

6. The taxpayer receives from the donee a written statement representing that its use and disposition of the property will be in accordance with these provisions.

Sec. 15. "Taxable business profits" means gross business profits adjusted by the additions and deductions provided in section 32 of this act and then adjusted by the method of apportionment provided in this chapter.

Sec. 16. "Taxable period" means the calendar year or fiscal year which the taxpayer uses for federal income tax purposes, or that part of a year for which a return is made.

Sec. 17. "Unitary business" means one or more related business organizations engaged in business activity both within and without this state among which there exists:

1. A unity of ownership, operation and use; or
2. An interdependence in their functions.

Sec. 18. "Water's edge combined group" means a group of business organizations operating a unitary business.

Sec. 19. "Water's edge method" means the determination of taxable business profits for a group of business organizations conducting a unitary business by adding their combined net income, calculating the additions and deductions provided in section 32 of this act for the members of the group and apportioning the result as provided in this chapter.

Sec. 20. A tax is imposed at the rate of 1 percent upon the taxable business profits of every business organization.

Sec. 21. The department shall adopt such regulations as it deems necessary to administer the provisions of this chapter.

Sec. 22. Each business organization is subject to taxation pursuant to section 20 of this act as a separate entity, unless specifically authorized by the provisions of this chapter to be treated otherwise. A partnership, estate, trust, "S" corporation, real estate investment trust, regulated investment company or any other such entity whose net income is reportable by the true owners either directly or indirectly is subject to tax at the entity level, and no part of its earnings or loss may be included in the calculation of the gross business profits of the owners of the entity.

Sec. 23. 1. Except as otherwise provided in subsection 2, the department shall determine liability for any business organization subject to the tax imposed by section 20 of this act for the elements of both tax base and apportionment by the water's edge method.

2. The department shall not apply the water's edge method if the taxpayer fails to comply with the procedural requirements of the provisions of this chapter or the regulations adopted by the department pursuant thereto. In such a case the department shall apply worldwide combined reporting.

Sec. 24. Except as otherwise provided in this chapter, gross business profits must be apportioned with equal weight given to property, payroll and sales factors for each business organization that derives gross business profits from business activity both within and without this state and is subject to:

1. A net income tax, a franchise tax measured by net income, or a capital stock tax in another state; or

2. The jurisdiction of another state to impose a net income tax or capital stock tax upon it, whether or not that tax is actually imposed.

The business organization shall apportion its gross business profits so as to allocate to this state a fair and equitable proportion of the business profits.

Sec. 25. The property factor must be calculated as the percentage of value that the total real and tangible personal property owned, rented and employed by the business organization in this state is of the total real and tangible personal property owned, rented and employed by the business organization everywhere. Property owned by the business organization must be valued at its original cost. Property rented by the business organization must be valued at 8

times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the business organization less any annual rental rate received by the business organization from subrentals.

Sec. 26. The payroll factor must be calculated as the percentage that the total compensation paid by the business organization to employees for services rendered in this state is of the total compensation paid by the business organization to employees everywhere. That compensation shall be deemed to be disbursed for services in this state if the service is performed entirely within this state, or if the service is performed both within and without this state and the service performed without this state is incidental to the service within this state, or some of the service is performed in this state and:

1. The base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

2. The base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual performing the service resides within this state.

Sec. 27. 1. The sales factor must be calculated as the percentage that the total sales, including charges for services, made by the business organization in this state is of the total sales, including charges for services, made by the business organization everywhere.

2. Sales of tangible personal property shall be deemed to have been made in this state if the property is:

(a) Delivered or shipped to a purchaser, other than the Federal Government, within this state regardless of any assignment of risk of loss in shipping or other conditions of sale; or

(b) Shipped from an office, store, warehouse, factory or other place of storage in this state and:

(1) The purchaser is the Federal Government; or

(2) The business organization is not taxable in the state where the purchaser is located.

3. Sales other than sales of tangible personal property shall be deemed to have been made in this state if the income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity, based on costs of performance, is performed in this state than in any other state.

Sec. 28. The average of the three percentages in sections 25, 26 and 27 of this act must be applied to the total gross business profits (less foreign dividends) of the business organization to ascertain its gross business profits in this state. If this method of apportionment does not fairly represent the business organization's business activity in this state, the business organization may petition for, or the department may require, in respect to all or any part of the business organization's business activity, if reasonable:

1. The exclusion of any one or more of the apportionment factors;

2. The inclusion of one or more additional apportionment factors which will fairly represent the business organization's business activity in the state; or

3. The employment of any other method to effect an equitable apportionment of the business organization's gross business profits.

Sec. 29. For foreign dividends from unitary sources, the following procedure must be used to modify factors relating to included dividends:

1. Determine a percentage for each dividend payor consisting of dividends paid divided by taxable income which has been computed using federal standards.

2. Apply this percentage to the dividend payor's foreign property, payroll and sales.

3. Add the results in subsection 2 for all dividend payors.

4. Add the result in subsection 3 to the denominators of the combined water's edge group. The numerator will remain the Nevada numerator.

5. Apply the resulting percentage to the foreign dividends.

6. Add this amount to the amount of Nevada taxable business profits computed pursuant to sections 24 to 28, inclusive, of this act.

Sec. 30. When two or more related business organizations are engaged in a unitary business, a part of which is conducted in this state by one or more members of the group, the income attributable to this state must be determined by means of the combined apportionment factors of the unitary business group in accordance with sections 24 to 29, inclusive, of this act.

Sec. 31. The business organization is entitled to a hearing by the department, upon request, to consider any change in its apportionment procedure and has the right of appeal from the department's determination as provided in section 45 of this act.

Sec. 32. The following adjustments must be made to gross business profits in determining taxable business profits:

1. A deduction of that amount of gross business profits as is attributable to income derived from interest on notes, bonds or other securities of the United States.

2. In the case of a proprietorship or partnership, a deduction equal to a fair and reasonable compensation for the personal services of the proprietor or partners actually devoting time and effort in the operation of the enterprise, subject to the following:

(a) In most cases the deduction is the amount reported as earned income on federal income tax returns, but also includes compensation for operating rental property, amounts deemed to be reasonable commissions on the sale of property and other amounts due for services rendered.

(b) If the reasonableness of a deduction claimed pursuant to this subsection is at issue, the department must consider the claimed deduction in light of compensation for personal services of employees in positions requiring similar responsibility, devotion of time, education and experience in business organizations of similar size, volume and complexity. In addition, the department must take into account the value to the proprietorship or partnership of the labor of its employees, the proprietor or any of the partners, and the use of their property and any other factor which may reasonably assist the department in making a determination. The determination by the department is presumed to be reasonable unless the taxpayer proves to the department, by a preponderance of the evidence upon the standards set forth

in this subsection and after notice and hearing, that the deduction claimed by the taxpayer is not grossly excessive.

(c) A minimum deduction of \$3,000 must be allowed on account of the proprietor or each partner actually devoting time and effort in the operation of the enterprise, except that a taxpayer ascertaining its gross business profits in this state by the apportionment procedure established in sections 24 to 30, inclusive, of this act, is allowed only that percentage of the deductions allowable in subsections 1, 2 and 3 as has been applied by it in ascertaining its gross business profits in this state.

3. In the case of a corporation which is the parent of an affiliated group pursuant to the provisions of chapter 6 of the Internal Revenue Code, a deduction of those amounts of gross business profits as are derived from dividends paid to the parent by a subsidiary or subsidiaries whose gross business profits have already been subject to taxation pursuant to the provisions of this chapter during the same taxable period. The purpose of this deduction is to prevent double taxation on the identical gross business profits of a controlled corporation or group of corporations and its parents.

4. In the case of a business organization which is a participant in a joint venture which itself is taxable pursuant to the provisions of this chapter or a partnership which is a partner in a second partnership which itself is taxable pursuant to the provisions of this chapter, a deduction of those amounts of gross business profits as are derived from distributions from the joint venture to the business organizations or from the partnership to the second partnership and which have already been subject to taxation pursuant to the provisions of

this chapter during the same or an overlapping fiscal period. The purpose of this deduction is to prevent double taxation on the identical gross business profits of a joint venture and its participating business organizations or a partnership which is a partner in a second partnership.

5. In the case of a corporation which is the parent of a domestic international sales corporation as defined in section 992 of the Internal Revenue Code, a deduction of the distribution to the parent company by the domestic international sales corporation required by the provisions of subsection 995(b)(1)(F) of the Internal Revenue Code if the profits from which the distribution is made have already been subject to taxation pursuant to the provisions of this chapter during the same taxable period. The purpose of this deduction is to prevent double taxation on the identical gross business profits of a domestic international sales corporation and its parent company.

6. In the case of a business organization which takes any deduction for a net income tax, a franchise tax measured by net income, or a capital stock tax assessed by any state or political subdivision, an addition to gross business profits for the amount of all those deductions.

7. In the case of a corporation, having adopted a plan of liquidation on or after January 1, 1991, which has a nonrecognized gain as a result of the application of section 337 of the Internal Revenue Code, an addition to gross business profits for the amount of that gain.

8. In the case of a business organization required to adjust a portion of its wages pursuant to section 280C of the Internal Revenue Code, a deduction from gross business profits in the amount of that adjustment.

9. In the case of a business organization which receives certain intangible income from nonunitary sources, a deduction from gross business profits for the amount of that income net of related expenses.

10. A deduction of that amount of gross business profits as is attributable to foreign dividend gross-up as determined in accordance with section 78 of the Internal Revenue Code.

11. In the case of a business organization which makes qualified charitable contributions or qualified research contributions, the gross business profits of the organization must be adjusted by:

(a) Adding to gross business profits the amount deducted pursuant to section 170 of the Internal Revenue Code in arriving at federal taxable income; and

(b) Deducting from gross business profits an amount equal to the sum of the taxpayer's basis in the contributed property plus 50 percent of the unrealized appreciation, or twice the basis of the property, whichever is less.

12. A deduction for the amount of the net operating loss carryover determined pursuant to section 172 of the Internal Revenue Code, except that:

(a) The election permitted pursuant to section 172(b)(3)(C) of the Internal Revenue Code is not allowed;

(b) The net operating loss must be apportioned in the year incurred according to sections 24 to 29, inclusive, of this act, and that apportioned net operating loss may only be carried forward for the 5 years following the loss year;

(c) The amount of net operating loss generated in a tax year that may be carried forward may not exceed \$250,000;

(d) In the case of a business organization not qualifying for treatment as a subchapter C corporation pursuant to the Internal Revenue Code, the deduction must be the amount that would be determined pursuant to section 172 of the Internal Revenue Code, if the business organization were a subchapter C corporation and as limited by this section; and

(e) A deduction for the amount of the net operating loss carryover is limited to losses incurred on or after January 1, 1991.

Sec. 33. For the purpose of preserving income lost through federal changes in 1984 and 1986 to the Internal Revenue Code of 1954, as amended, on leasing transactions, the department shall adopt regulations relative to deductions and additions to gross business profits for business organizations involved in leasing transactions known as "safe harbor" leases pursuant to section 168(f)(8) of the Internal Revenue Code of 1954, in effect immediately preceding enactment of the Tax Reform Act of 1986, or other similar leasing transactions.

Sec. 34. The department shall allow the following credits against the tax due pursuant to the provisions of this chapter:

1. Taxes paid by an insurance company pursuant to NRS 680B.027;
2. Taxes paid by a mining company on net proceeds of minerals pursuant to chapter 362 of NRS; and
3. Taxes paid by a gaming licensee pursuant to chapter 463 of NRS.

The total amount of any credit allowed may not exceed the tax due pursuant to the provisions of this chapter.

Sec. 35. 1. Every business organization whose gross business income is in excess of \$12,000 during the taxable period, shall on or before the 15th day of the 3rd month in the case of organizations required to file a federal corporation tax return, and the 15th day of the 4th month in the case of all other business organizations, following expiration of its taxable period, file a return with the department. The department shall adopt regulations establishing the form of the return and the data which it must contain for the correct computation of taxable business profits and gross business income attributable to this state and the tax assessed on it. The department shall not allow the use of consolidated returns as defined in the Internal Revenue Code. All returns must be signed by the taxpayer or by its authorized representative, subject to the penalties of perjury.

2. Every business organization shall, in addition, file a declaration of its estimated business profits tax for its subsequent taxable period, subject to the following:

(a) If the estimated tax is less than \$200, a declaration need not be filed.

(b) A declaration must be filed at the end of any quarter in which estimated tax exceeds \$200.

(c) The declaration must be filed when payments are due pursuant to section 36 of this act.

3. Any return or declaration shall be deemed to be filed timely and the payment due with it timely made if received by the department on or before

the last day of the month in which the original statutory due date or approved extended due date falls.

4. A business organization which is part of a water's edge combined group and required to report pursuant to the provisions of this chapter, shall file a return containing the combined net income of the water's edge combined group and any other informational returns as the department may require by regulation. The department may impose the tax as though the entire combined net income of the water's edge combined group was that of one business organization or it may adjust the tax or income as the department determines to be equitable and necessary in order to reflect clearly the net income earned by those organizations from business done in this state. This provision does not authorize the application of worldwide combined reporting except as provided in subsection 2 of section 23 of this act.

Sec. 36. Overseas business organizations must be included in a water's edge combined group unless all of the following criteria are met:

1. The taxpayer certifies that transactions conducted between those business organizations and other members of the group are on a comparable basis to transactions between other business organizations owned or controlled by the taxpayer and any members of the water's edge combined group.

2. The taxpayer agrees to report to the department any adjustments as finally determined by the United States Internal Revenue Service with respect to the transactions between any related business organizations as may have a bearing on the comparability of transactions referred to in subsection 1. These adjustments must be made to the 80/20 business organizations so that a

comparable basis is maintained for Nevada tax purposes. The report must be made in the manner and within the time limits as provided in section 40 of this act.

Nothing in this section excludes from taxation any business organization carrying on business activity within the State of Nevada.

Sec. 37. 1. All business organizations required pursuant to subsection 2 of section 35 of this act to make payments of estimated tax shall make those payments in installments as follows:

(a) One quarter is due on the 15th day of the 4th month of the subsequent taxable period;

(b) One quarter is due on the 15th day of the 6th month of the subsequent taxable period;

(c) One quarter is due on the 15th day of the 9th month of the subsequent taxable period; and

(d) One quarter is due on the 15th day of the 12th month of the subsequent taxable period.

2. If the return required by subsection 1 of section 35 of this act shows an additional amount to be due, that additional amount is due at the time the return is filed. If the return shows an overpayment of the tax due, the department shall refund the overpayment to the taxpayer or shall allow the taxpayer a credit against a subsequent payment or payments due, to the extent of the overpayment, at the taxpayer's option.

Sec. 38. Any business organization which fails to make payment with a return when due shall pay interest at the rate of 1.5 percent per month from the date the amount was due until the date of payment.

Sec. 39. When the department has reason to believe that a taxpayer has failed to file a return or to include any part of its gross business profits in a filed return, the department may require the taxpayer to file a return or a supplementary return showing any additional information that the department prescribes. Upon the receipt of the supplementary return, or if none is received within the time set by the department, the department may find and assess the amount due upon the information that is available. The making of an additional return does not relieve the taxpayer of any penalty for failure to make a correct original return or relieve it from liability for interest imposed by section 38 of this act or any other additional charges imposed by the department.

Sec. 40. For good cause, the department may extend the time within which a taxpayer is required to file a return, and if the return is filed during the period of extension, no penalty or late payment charge may be imposed for failure to file the return at the time required, but the taxpayer shall pay interest at the rate prescribed in section 38 of this act.

Sec. 41. Each taxpayer shall report to the department any change in the amount of its gross business profits as finally determined by the United States Internal Revenue Service with respect to any previous year for which the taxpayer has made a return pursuant to the provisions of this chapter. The

report must be made not later than the due date of the next annual return after the taxpayer has received notice that the change has finally been determined.

Sec. 42. 1. Every business organization shall:

(a) Keep records as may be necessary to determine the amount of its liability pursuant to the provisions of this chapter;

(b) Preserve those records for 3 years or until any litigation or prosecution pursuant to this chapter is finally determined; and

(c) Make their records available for inspection by the department upon demand at reasonable times during regular business hours.

2. Any person who violates the provisions of subsection 1 is guilty of a misdemeanor if a natural person, or guilty of a felony if any other person.

Sec. 43. 1. The following acts or omissions are unlawful:

(a) Failing to make any return or declaration required by the provisions of this chapter.

(b) Making, causing to be made or permitting to be made any false or fraudulent return or declaration or false statement in any return or declaration, with intent to defraud the state or to evade payment of the tax or any part of the tax imposed by this chapter.

(c) Making, causing to be made or permitting to be made any false entry in books, records or accounts with intent to defraud the state or to evade the payment of the tax or any part of the tax imposed by this chapter or keeping, causing to be kept or permitting to be kept more than one set of books, records or accounts with that intent.

2. Any person who violates the provisions of subsection 1 is guilty of a misdemeanor if a natural person, or guilty of a felony if any other person.

Sec. 44. The department may determine whether there is an error in the assessment of the tax imposed by this chapter in accordance with the following:

1. The taxpayer may demand such a determination, in writing, within 3 years after the tax was due.

2. The department may, on its own motion, undertake a determination upon written notice to the taxpayer given within 3 years after the tax was due or paid, whichever is later, except that where the taxpayer has reported a correction pursuant to section 41 of this act, the notice must be given within 6 months after the report.

3. After a hearing, if requested by the taxpayer, the department shall affirm or shall increase or decrease the tax previously assessed. Any increase ordered by the department must be assessed against the taxpayer and include interest at the rate prescribed in section 38 of this act. Any decrease ordered by the department, including interest at the rate prescribed by section 38 of this act, must be credited against any unpaid tax then due from the taxpayer and any balance due the taxpayer must be certified to the state treasurer who shall pay the balance to the taxpayer. The credit and payment together may not exceed the amount of the tax originally paid.

Sec. 45. 1. A taxpayer may appeal an adjustment of tax in accordance with the procedures set forth in NRS 360.245 and the rules of practice adopted by the Nevada tax commission.

2. After exhausting the administrative remedies provided in subsection 1, a taxpayer may appeal a decision of the Nevada tax commission by filing a petition in the district court in the county in which the taxpayer has its principal place of business or resident agent. The petition must be filed within 20 days after the date the taxpayer receives the decision of the Nevada tax commission. The district court shall determine de novo the correctness of the Nevada tax commission's decision.

Sec. 46. 1. Except as otherwise provided in subsection 2, the records and files of the department concerning the administration of this chapter are confidential and privileged. The department, and any employee engaged in the administration of this chapter, or charged with the custody of any such records or files, may not disclose any information obtained from the department's records or files or from any examination, investigation or hearing authorized by the provisions of this chapter. Neither the department nor any employee of the department may be required to produce any of the records, files and information for the inspection of any person or for use in any action or proceedings.

2. The records and files of the department concerning the administration of the provisions of this chapter are not confidential and privileged in the following cases:

(a) Testimony by a member or employee of the department and production of records, files and information on behalf of the department or a taxpayer in any action or proceeding pursuant to the provisions of this chapter if that

testimony or the records, files or information, or the facts shown thereby are directly involved in the action or proceeding.

(b) Delivery to a taxpayer or his authorized representative of a copy of any return or other paper filed by the taxpayer pursuant to the provisions of this chapter.

(c) Publication of statistics so classified as to prevent the identification of a particular return and the items of the return.

(d) Exchange of information with the United States Internal Revenue Service in accordance with compacts made and provided for such cases.

(e) Disclosure in confidence to the governor or his agent in the exercise of the governor's general supervisory powers, or to any person authorized to audit the accounts of the department in pursuance of an audit, or to the attorney general or other legal representative of the state in connection with an action or proceeding pursuant to the provisions of this chapter.

Sec. 47. The taxes and interest imposed pursuant to the provisions of this chapter and penalties imposed pursuant to NRS 360.417 have preference in any distribution of the assets of the taxpayer, whether in insolvency or otherwise.

Sec. 48. A corporation or other entity organized pursuant to any law of this state shall not be dissolved until all taxes and interest imposed upon the corporation pursuant to the provisions of this chapter and penalties imposed pursuant to NRS 360.417 have been fully paid. The secretary of state shall not issue a certificate of dissolution, and no decree of dissolution may be signed in any court without a certificate from the department that no taxes and interest

imposed pursuant to the provisions of this chapter and no penalties imposed pursuant to NRS 360.417 are due and unpaid.

Sec. 49. A lien upon real estate for taxes imposed by the provisions of this chapter is not binding against any person other than the taxpayer until notice of the lien stating the name and address of the taxpayer and the amount of the tax due is filed with the county recorder in the county in which the real estate is located.

Sec. 50. NRS 360.417 is hereby amended to read as follows:

360.417 [Any] *Except as otherwise provided in sections 2 to 49, inclusive, of this act, any person who fails to pay any tax provided for in chapter 362, 365, 369, 370, 372, 373 or 374 of NRS , or sections 2 to 49, inclusive, of this act, or fee provided for in NRS 590.700 to 590.920, inclusive, to the state or a county within the time required, shall pay a penalty of not more than 10 percent of the amount of the tax or fee which is owed, as determined by the department, in addition to the tax or fee, plus interest at the rate of 1.5 percent per month, or fraction of a month, from the date on which the tax or fee became due until the date of payment.*

Sec. 51. NRS 100.010 is hereby amended to read as follows:

100.010 1. Subject to the provisions of subsection 2, in all assignments of property, whether real or personal, which [shall hereafter be] *are* made by any person [or chartered company or corporation, or by any person or persons,] owning or leasing real or personal property, to trustees or assignees on account of inability at the time of the assignment to pay his [, her or their] debts, the wages of the miners, mechanics, salesmen, servants, clerks or laborers,

employed by [such person or persons, chartered company or corporation shall be held and deemed] *that person are* preferred claims, and *must be* paid by [such] *the* trustees or assignees before any other creditor or creditors of the assignor, including the state as a creditor for amounts due under the provisions of chapter 372 of NRS [.] *or sections 2 to 49, inclusive, of this act.*

2. The claims of each miner, mechanic, salesman, servant, clerk or laborer thus preferred, [shall] *must* not exceed in value \$600, and the services [shall] *must* have been rendered or labor performed within 90 days next preceding the assignment.

Sec. 52. NRS 244A.755 is hereby amended to read as follows:

244A.755 1. If a project is for the generation and transmission of electricity, payments must be made as provided in this section:

(a) In lieu of ad valorem taxes on property owned by the county, and distributed in the same manner as those taxes would be distributed pursuant to NRS 361.320; [and]

(b) In lieu of the sales and use tax, local school support tax and city-county relief tax on tangible personal property purchased or used, and distributed either pursuant to NRS 377.053 or in the same manner as the tax would be distributed pursuant to NRS 372.780 or 374.785, whichever applies [.] ; *and*

(c) *In lieu of the tax imposed by section 20 of this act on the taxable business profits of a business organization.*

2. The payments in lieu of taxes specified in paragraph (b) of subsection 1 must be paid on any incident of sale, use, storage or other consumption of property which, pursuant to the Sales and Use Tax Act, Local School Support

Tax Law or an ordinance or ordinances adopted pursuant to the City-County Relief Tax Law, would be taxable if the exemptions for counties contained, respectively, in NRS 372.325 and 374.330 were not applicable. No such payment applies to any incident previously subjected to a sales or use tax. Except as otherwise provided in this section and except to the extent that they would be inconsistent with the provisions of this section, the provisions of the Sales and Use Tax Act, Local School Support Tax Law, the City-County Relief Tax Law, any ordinance or ordinances adopted pursuant thereto, and other laws of the state dealing with taxes on the sale or use of tangible personal property govern the collection, payment, method of protest, exemptions and other matters relating to the payments required in lieu of these taxes.

3. The payments in lieu of the tax specified in paragraph (c) of subsection 1 must be paid on the taxable business profits which, pursuant to sections 2 to 49, inclusive, of this act, would be taxable if the taxable business profits of a business conducted by a county were taxable. No such payment applies to taxable business profits previously subjected to the tax by this state. Except as otherwise provided in this section and except to the extent that they would be inconsistent with the provisions of this section, the provisions of sections 2 to 49, inclusive, of this act, and any other laws of the state relating to the tax imposed by section 20 of this act govern the collection, payment, method of protest, exemptions and other matters relating to the payments required in lieu of that tax.

4. The payments in lieu of ad valorem taxes must equal the ad valorem taxes that would have been payable were the project subject to ad valorem taxation and to assessment pursuant to NRS 361.320. This section does not preclude the legislature from changing the method of assessment or allocation of payments in lieu of ad valorem taxes. The due date of payments in lieu of ad valorem taxes to a particular taxing entity and the tax rate with respect to the portion of the valuation of a project allocated to that entity must be determined in the same manner as for property which is subject to ad valorem taxation by that taxing entity.

[4.] 5. The county shall, in the agreement with each purchaser of capacity require that the purchaser, or all of them collectively, make timely payments, whether or not the capacity is taken or available, sufficient in time and amount, to the extent that [such] *the* payments are not otherwise provided for from bond proceeds or other funds specifically made available therefor, to provide for the payments in lieu of taxes required by this section. The agreements must provide the method of determining the amount of [such] *the* payments to be made by each [such purchaser.

5.] *purchaser.*

6. The payments in lieu of taxes required by this section during the construction of the project are the responsibility of the participant who, pursuant to subsection 2 of NRS 244A.741, is constructing the project and the payments in lieu of taxes during the period of operation of the project are the responsibility of the participant who, pursuant to that subsection, is operating the project. The responsibility of making [such] *those* payments is limited to

the extent that there is legally available to the responsible participant, from the payments, proceeds or other funds mentioned in subsection [4,] 5, money to make [such] *those* payments and the obligation of [such] *the* participant or participants to make [such] *those* payments in lieu of taxes is not a general obligation or liability of the responsible participant. That participant shall take appropriate action to enforce the obligation, provided for in subsection [4,] 5, of the participants in the project. A payment in lieu of taxes must not be made to the extent that the making of the payment would cause a deficiency in the money available to the county to make required payments of principal of, premium, if any, or interest on any bonds issued by the county to finance the project or to make required payments to any funds established under the proceedings under which [such] *the* bonds were issued and secured. No lien attaches upon any property or money of the county or any property or money of the participant or participants mentioned in the first sentence of this subsection by virtue of any failure to pay all or any part of any in lieu of taxes. The participant or participants constructing or operating the project or any other participant in the project may contest the validity of any payment in lieu of a tax to the same extent as if [such] *the* payment were a payment of the tax itself. The payments in lieu of taxes must be reduced if and to the extent that [such] *the* contest is successful.

[6.] 7. So long as a purchaser of capacity of the project is required to make payments pursuant to subsection [4,] 5, that purchaser is not required to make any payment of tax pursuant to NRS 361.157 or 361.159 in respect of its interest or rights in that project.

[7.] 8. The obligations to make payments in lieu of taxes required by this section do not constitute a debt or indebtedness of the county and do not constitute or give rise to a pecuniary liability of the county or a charge against its general credit or taxing powers.

Sec. 53. This act becomes effective upon passage and approval and applies to taxable periods, as defined in section 18 of this act, beginning on or after January 1, 1991.

3.	BDR 32-66 - Proposes to impose taxes on sale or use of certain services.	147
----	--	-----

SUMMARY--Proposes to impose taxes on sale or use of certain services.

(BDR 32-66)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to taxation; providing for the submission to the voters of the question whether the Sales and Use Tax Act of 1955 should be amended to impose taxes on the sale or use of certain services; establishing the rates of those taxes and providing for their collection; providing exemptions from the taxes; providing penalties; contingently imposing certain analogous taxes; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. At the general election on November 3, 1992, a proposal must be submitted to the registered voters of this state to amend the Sales and Use Tax Act, which was enacted by the 47th session of the legislature of the State of Nevada and approved by the governor in 1955, and subsequently approved by the people of this state at the general election held on November 6, 1956.

Sec. 2. At the time and in the manner provided by law, the secretary of state shall transmit the proposed act to the several county clerks, and the county clerks shall cause it to be published and posted as provided by law.

Sec. 3. The proclamation and notice to the voters given by the county clerks pursuant to law must be in substantially the following form:

Notice is hereby given that at the general election on November 3, 1992, a question will appear on the ballot for the adoption or rejection by the registered voters of the state of the following proposed act:

AN ACT to amend an act entitled "An Act to provide revenue for the State of Nevada; providing for sales and use taxes; providing for the manner of collection; defining certain terms; providing penalties for violation, and other matters properly relating thereto." approved March 29, 1955, as amended.

THE PEOPLE OF THE STATE OF NEVADA

DO ENACT AS FOLLOWS:

Section 1. The above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 762, is hereby amended by adding thereto new sections to be designated as sections 15.1, 57.1 and 57.3, respectively, and to read as follows:

Sec. 15.1. "Service" includes every kind of labor and other professional or personal service, the gross receipts from the sale of

which, or the use or other consumption of which, is not otherwise exempted from the taxes imposed by this act.

Sec. 57.1. 1. There are exempted from the taxes imposed by this act the gross receipts from sales and the use or other consumption in this state of health services furnished by a direct provider of health services or by a health facility.

2. As used in this section, "health facility" and "health services" have the meanings ascribed to them in NRS 439A.015 and 439A.017, respectively.

Sec. 57.3. There are exempted from the taxes imposed by this act the gross receipts from all amounts paid for admission for which a casino entertainment tax is levied pursuant to NRS 463.401.

Sec. 2. Section 5 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 763, is hereby amended to read as follows:

Sec. 5. 1. "Sale" means [and includes any] :

(a) The furnishing of services for a consideration; or

(b) Any transfer of title or possession, exchange, barter, lease or rental, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property for a consideration.

2. "Transfer of possession," "lease," or "rental" includes only transactions found by the tax commission to be in lieu of a transfer of title, exchange or barter.

3. ["Sale"] *For the purposes of this act relating to the taxes on the sale, storage, use or other consumption of tangible personal property, "sale" includes:*

(a) The producing, fabricating, processing, printing or imprinting of tangible personal property for a consideration for consumers who furnish, either directly or indirectly, the materials used in the producing, fabricating, processing, printing or imprinting.

(b) The furnishing and distributing of tangible personal property for a consideration by social clubs and fraternal organizations to their members or others.

(c) The furnishing, preparing, or serving for a consideration of food, meals or drinks.

(d) A transaction whereby the possession of property is transferred but the seller retains the title as security for the payment of the price.

(e) A transfer for a consideration of the title or possession of tangible personal property which has been produced, fabricated or printed to the special order of the customer, or of any publication.

Sec. 3. Section 6 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 763, is hereby amended to read as follows:

Sec. 6. 1. "Retail sale" or "sale at retail" means a sale for any purpose other than resale in the regular course of business of tangible personal property [.] *or services.*

2. The delivery in this state of tangible personal property by an owner or former owner thereof or by a factor, or agent of such owner, former owner or factor, if the delivery is to a consumer or person for redelivery to a consumer, pursuant to a retail sale made by a retailer not engaged in business in this state, is a retail sale in this state by the person making the delivery. He shall include the retail selling price of the property in his gross receipts.

Sec. 4. Section 10 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 764, is hereby amended to read as follows:

Sec. 10. 1. "Purchase" means any transfer, exchange or barter, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property *or services* for a consideration.

2. A transaction whereby the possession of property is transferred but the seller retains the title as security for the payment of the price is a purchase.

3. A transfer for a consideration of tangible personal property which has been produced, fabricated or printed to the special order of the customer, or of any publication, is also a purchase.

Sec. 5. Section 11 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 764, is hereby amended to read as follows:

Sec. 11. 1. "Sales price" means the total amount for which tangible property [is] *or services are* sold, valued in money, whether paid in money or otherwise, without any deduction on account of any of the following:

(a) The cost of [the] property sold.

(b) The cost of materials used, labor or service cost, interest charged, losses, or any other expenses.

(c) The cost of transportation of [the] property prior to its purchase.

2. The total amount for which property [is] *or services are* sold includes all of the following:

(a) [Any] *In the case of a sale of property, any services* that are a part of the sale.

(b) Any amount for which credit is given to the purchaser by the seller.

3. "Sales price" does not include any of the following:

(a) Cash discounts allowed and taken on sales.

(b) The amount charged for property returned by customers when the entire amount charged therefor is refunded either in cash or credit , [;] but this exclusion [shall] *does* not apply in any instance when the customer, in order to obtain the refund, is required to purchase other property at a price greater than the amount charged for the property that is returned.

(c) [The] *In the case of a sale of property, the* amount charged for labor or services rendered in installing or applying the property sold.

(d) The amount of any tax (not including, however, any manufacturers' or importers' excise tax) imposed by the United States upon or with respect to retail sales, whether imposed upon the retailer or the consumer.

Sec. 6. Section 12 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 764, is hereby amended to read as follows:

Sec. 12. 1. "Gross receipts" means the total amount of the sale or lease or rental price, as the case may be, of the retail sales of retailers, valued in money, whether received in money or otherwise, without any deduction on account of any of the following:

(a) The cost of [the] property sold. However, in accordance with such rules and regulations as the tax commission may prescribe, a deduction may be taken if the retailer has purchased property for some other purpose than resale, has reimbursed his vendor for tax which the vendor is required to pay to the state or has paid the use tax with respect to the property, and has resold the property prior to making any use of the property other than retention, demonstration or display while holding it for sale in the regular course of business. If such a deduction is taken by the retailer, no refund or credit will be allowed to his vendor with respect to the sale of the property.

(b) The cost of the materials used, labor or service cost, interest paid, losses or any other expense.

(c) The cost of transportation of [the] property prior to its sale to the purchaser.

2. The total amount of the sale or lease or rental price includes all of the following:

(a) [Any] *In the case of a sale of property, any services that are a part of the sale.*

(b) All receipts, cash, credits and property of any kind.

(c) Any amount for which credit is allowed by the seller to the purchaser.

3. "Gross receipts" does not include any of the following:

(a) Cash discounts allowed and taken on sales.

(b) Sale price of property returned by customers when the full sale price is refunded either in cash or credit; but this exclusion [shall] *does not* apply in any instance when the customer, in order to obtain the refund, is required to purchase other property at a price greater than the amount charged for the property that is returned.

(c) [The] *In the case of a sale of property, the price received for labor or services used in installing or applying the property sold.*

(d) The amount of any tax (not including, however, any manufacturers' or importers' excise tax) imposed by the United

States upon or with respect to retail sales, whether imposed upon the retailer or the consumer.

4. For purposes of the sales tax, if the retailers establish to the satisfaction of the tax commission that the sales tax has been added to the total amount of the sale price and has not been absorbed by them, the total amount of the sale price shall be deemed to be the amount received exclusive of the tax imposed.

Sec. 7. Section 14 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 765, is hereby amended to read as follows:

Sec. 14. 1. "Seller" includes every person engaged in the business of *furnishing services or* selling tangible personal property of a kind, the gross receipts from the retail sale of which are required to be included in the measure of the sales tax.

2. *For the purposes of this act relating to the taxes on the sale, use or other consumption of services, "seller" does not include any person who furnishes services:*

(a) To his employer for a wage, salary or other compensation; or

(b) As an incidental part of a sale of tangible personal property.

Sec. 8. Section 15 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 765, is hereby amended to read as follows:

Sec. 15. 1. "Retailer" includes:

(a) Every seller who makes any retail sale or sales of tangible personal property [,] *or services*, and every person engaged in the business of making retail sales at auction of tangible personal property *or services* owned *or furnished* by the person or others.

(b) Every person engaged in the business of making sales for storage, use or other consumption or in the business of making sales at auction of tangible personal property *or services* owned *or furnished* by the person or others for storage, use or other consumption.

(c) Every person making more than two retail sales of tangible personal property *or services* during any 12-month period, including sales made in the capacity of assignee for the benefit of creditors, or receiver or trustee in bankruptcy.

2. When the tax commission determines that it is necessary for the efficient administration of this act to regard any salesmen, representatives, peddlers or canvassers as the agents of the dealers, distributors, supervisors or employers under whom they operate or from whom [they obtain] *are obtained* the tangible personal property *or services* sold by them, irrespective of whether they are making sales on their own behalf or on behalf of such dealers, distributors, supervisors or employers, the tax commission may so regard them and may regard the dealers, distributors, supervisors or employers as retailers for purposes of this act.

3. A licensed optometrist or physician and surgeon is a consumer of, and shall not be considered [,] a retailer within the provisions of this act [,] with respect to , the ophthalmic materials used or furnished by him in the performance of his professional services in the diagnosis, treatment or correction of conditions of the human eye, including the adaptation of lenses or frames for the aid thereof.

Sec. 9. Section 18.1 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 766, is hereby amended to read as follows:

Sec. 18.1. 1. "Occasional sale" includes:

(a) A sale of property *or services* not held , [or] used *or furnished* by a seller in the course of an activity for which he is required to hold a seller's permit, provided such sale is not one of a series of sales sufficient in number, scope and character to constitute an activity requiring the holding of a seller's permit.

(b) Any transfer of all or substantially all the property held or used by a person in the course of such an activity when after such transfer the real or ultimate ownership of such property is substantially similar to that which existed before such transfer.

2. For the purposes of this section, stockholders, bondholders, partners or other persons holding an interest in a corporation or other entity are regarded as having the "real or ultimate ownership" of the property of such corporation or other entity.

Sec. 10. Section 19 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 766, is hereby amended to read as follows:

Sec. 19. For the privilege of selling tangible personal property *or services* at retail a tax is hereby imposed upon all retailers at the rate of 2 percent of the gross receipts of any retailer from the sale of all [tangible] :

1. *Tangible* personal property sold at retail in this state . [on or after July 1, 1955.]

2. *Services sold at retail in this state on or after July 1, 1993.*

Sec. 11. Section 21 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 766, is hereby amended to read as follows:

Sec. 21. 1. It is unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the retailer or that it will not be added to the selling price of the property *or services* sold or that if added it or any part thereof will be refunded.

2. Any person violating any provision of this section is guilty of a misdemeanor.

Sec. 12. Section 34 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, as amended by chapter 513, Statutes of Nevada 1985, at page 1563, is hereby amended to read as follows:

Sec. 34. 1. An excise tax is hereby imposed on the storage, use or other consumption in this state of [tangible] :

(a) Tangible personal property purchased from any retailer [on or after July 1, 1955,] for storage, use or other consumption in this state at the rate of 2 percent of the sales price of the property.

(b) Services purchased from any retailer on or after July 1, 1993, for use or other consumption in this state at the rate of 2 percent of the sales price of the services.

2. The tax is imposed with respect to all property [which was] *and services* acquired *or furnished* out of state in a transaction that would have been a taxable sale if it had occurred within this state.

Sec. 13. Section 35 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 769, is hereby amended to read as follows:

Sec. 35. Every person storing, using or otherwise consuming in this state tangible personal property *or services* purchased from a retailer is liable for the tax. His liability is not extinguished until the tax has been paid to this state, except that a receipt from a retailer maintaining a place of business in this state or from a retailer who is authorized by the tax commission, under such rules and regulations as it may prescribe, to collect the tax and who is, for the purposes of this act relating to the use tax, regarded as a retailer maintaining a place of business in this state, given to the purchaser pursuant to

section 36 is sufficient to relieve the purchaser from further liability for the tax to which the receipt refers.

Sec. 14. Section 36 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 769, is hereby amended to read as follows:

Sec. 36. Every retailer maintaining a place of business in this state and making sales of tangible personal property *or services* for storage, use or other consumption in this state, not exempted under part 5 of this act, shall, at the time of making the sales or, if the storage, use or other consumption [of the tangible personal property] is not then taxable hereunder, at the time [the storage, use or other consumption] *it* becomes taxable, collect the tax from the purchaser and give to the purchaser a receipt therefor in the manner and form prescribed by the tax commission.

Sec. 15. Section 38 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 769, is hereby amended to read as follows:

Sec. 38. It is unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the retailer or that it will not be added to the selling price of the property *or services* sold or that if added it or any part thereof will be refunded.

Sec. 16. Section 49 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 771, is hereby amended to read as follows:

Sec. 49. There are exempted from the taxes imposed by this act the gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property *or services* the gross receipts from the sale of which, or the storage, use or other consumption of which, this state is prohibited from taxing under the Constitution or laws of the United States or under the constitution of this state.

Sec. 17. Section 50 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 771, is hereby amended to read as follows:

Sec. 50. There are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property *or services* to:

1. The United States, its unincorporated agencies and instrumentalities.
2. Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
3. The State of Nevada, its unincorporated agencies and instrumentalities.

4. Any county, city, district or other political subdivision of this state.

5. Any organization created for religious, charitable or eleemosynary purposes, provided that no part of the net earnings of any such organization inures to the benefit of any private shareholder or individual.

Sec. 18. Section 50.2 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, as added by chapter 182, Statutes of Nevada 1987, at page 406, is hereby amended to read as follows:

Sec. 50.2. There are exempted from the taxes imposed by this act on the storage, use or other consumption of tangible personal property *or services* any such property *or services* loaned or donated to:

1. The United States, its unincorporated agencies and instrumentalities.

2. Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.

3. The State of Nevada, its unincorporated agencies and instrumentalities.

4. Any county, city, district or other political subdivision of this state.

5. Any organization created for religious, charitable or eleemosynary purposes, provided that no part of the net earnings of

any such organization inures to the benefit of any private shareholder or individual.

Sec. 19. Section 51 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, as amended by chapter 513, Statutes of Nevada 1985, at page 1563, is hereby amended to read as follows:

Sec. 51. The taxes imposed under this [chapter] *act* apply to the sale of tangible personal property *or services* to and the storage, use or other consumption in this state of tangible personal property *or services* by a contractor for a governmental, religious or charitable entity which is otherwise exempted from the tax unless the contractor is a constituent part of that entity.

Sec. 20. Section 60 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 772, is hereby amended to read as follows:

Sec. 60. There are exempted from the taxes imposed by this act the gross receipts from the sale of, and the storage, use or other consumption in this state of [, tangible] :

1. *Tangible* personal property used for the performance of a contract on public works executed prior to July 1, 1955.

2. *Services furnished for the performance of a contract on public works executed prior to July 1, 1993.*

Sec. 21. Section 60.1 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 772, is hereby amended to read as follows:

Sec. 60.1. There are exempted from the taxes imposed by this act the gross receipts from the sale of, and the storage, use or other consumption in this state of [, tangible] :

1. *Tangible* personal property used for the performance of a written contract entered into prior to March 29, 1955.

2. *Services furnished for the performance of a written contract entered into prior to July 1, 1993.*

Sec. 22. Section 63 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 773, is hereby amended to read as follows:

Sec. 63. There are exempted from the taxes imposed by this act the gross receipts from occasional sales of tangible personal property *or services* and the storage, use or other consumption in this state of tangible personal property [,] *or services*, the transfer of which to the purchaser is an occasional sale.

Sec. 23. Section 66 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 773, is hereby amended to read as follows:

Sec. 66. There are exempted from the computation of the amount of the sales tax the gross receipts from any sale of [tangible] :

1. *Tangible* personal property which is shipped to a point outside this state pursuant to the contract of sale by delivery by the vendor to such point by means of:

[1.] (a) Facilities operated by the vendor;

[2.] (b) Delivery by the vendor to a carrier for shipment to a consignee at such point; or

[3.] (c) Delivery by the vendor to a customs broker or forwarding agent for shipment outside this state.

2. *Services furnished in this state solely for use outside the state pursuant to the contract of sale.*

Sec. 24. Section 67 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 773, is hereby amended to read as follows:

Sec. 67. The storage, use or other consumption in this state of property [,] *or services*, the gross receipts from the sale of which are required to be included in the measure of the sales tax, is exempted from the use tax.

Sec. 25. Section 67.1 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 773, is hereby amended to read as follows:

Sec. 67.1. If a purchaser certifies in writing to a seller that the property *or services* purchased will be used in a manner or for a purpose entitling the seller to regard the gross receipts from the sale as exempted by this act from the computation of the amount of the sales tax, and uses the property *or services* in some other manner or for some other purpose, the purchaser [shall be] *is* liable for payment of sales tax as if he were a retailer making a retail sale of

the property *or services* at the time of such use, and the cost of the property *or services* to him shall be deemed the gross receipts from such retail sale.

Sec. 26. This act becomes effective on July 1, 1993.

Sec. 4. The ballot page assemblies and the paper ballots to be used in voting on the question must present the question in substantially the following form:

Shall the Sales and Use Tax Act of 1955 be amended to tax the sale and use of certain services?

Yes ☐ No ☐

Sec. 5. The explanation of the question which must appear on each paper ballot and sample ballot and in every publication and posting of notice of the question must be in substantially the following form:

(Explanation of Question)

The proposed amendment to the Sales and Use Tax Act of 1955 would impose taxes on the sale and use in this state of most services furnished for compensation. If this proposal is adopted, the legislature has provided that the Local School Support Tax Law and the City-County Relief Tax Law will be amended to impose similar taxes.

Sec. 6. If a majority of the votes cast on the question is yes, the amendment to the Sales and Use Tax Act of 1955 becomes effective on July 1, 1993. If a majority of votes cast on the question is no, the question fails and the amendment to the Sales and Use Tax Act of 1955 does not become effective.

Sec. 7. All general election laws not inconsistent with this act are applicable.

Sec. 8. Any informalities, omissions or defects in the content or making of the publications, proclamations or notices provided for in this act and by the general election laws under which this election is held must be so construed as not to invalidate the adoption of the act by a majority of the registered voters voting on the question if it can be ascertained with reasonable certainty from the official returns transmitted to the office of the secretary of state whether the proposed amendment was adopted or rejected by a majority of those registered voters.

Sec. 9. NRS 372.120 is hereby amended to read as follows:

372.120 The department may by regulation provide that the amount collected by the retailer from the consumer in reimbursement of the tax be displayed separately from [the] *any* list price, [the] *any* price advertised in the premises, [the] *any* marked price, or *any* other price on the sales check or other proof of sale.

Sec. 10. NRS 372.155 is hereby amended to read as follows:

372.155 For the purpose of the proper administration of this chapter and to prevent evasion of the sales tax it is presumed that all gross receipts are subject to the tax until the contrary is established. The burden of proving that a sale of tangible personal property *or services* is not a sale at retail is upon the person who makes the sale unless he takes from the purchaser a certificate to the effect that the property [is] *or services are* purchased for resale.

Sec. 11. NRS 372.160 is hereby amended to read as follows:

372.160 A resale certificate relieves the seller from the burden of proof only if taken in good faith from a person [who] :

1. *Who* is engaged in the business of selling tangible personal property [and who] *or services*;

2. *Who* holds the permit provided for in NRS 372.125 to 372.180, inclusive [, and who,] ; *and*

3. *Who*, at the time of [purchasing the tangible personal property,] *the purchase*, intends to sell [it] *the property or services* in the regular course of business or is unable to ascertain at the time of purchase whether the property *or services* will be sold or [will be] used for some other purpose.

Sec. 12. NRS 372.165 is hereby amended to read as follows:

372.165 1. The certificate must:

(a) Be signed by and bear the name and address of the purchaser.

(b) Indicate the number of the permit issued to the purchaser.

(c) Indicate the general character of the tangible personal property *or services* sold by the purchaser in the regular course of business.

2. The certificate must be substantially in [such form as the department may prescribe.] *the form prescribed by the department*.

Sec. 13. NRS 372.170 is hereby amended to read as follows:

372.170 If a purchaser who gives a certificate makes any use of the property *or services* other than , *in the case of a sale of property*, retention, demonstration or display while holding it for sale in the regular course of business, the use is taxable to the purchaser as of the time the property [is] *or services are* first so used by him, and the sales price of the property *or services*

to him is the measure of the tax. Only when there is an unsatisfied use tax liability on this basis is the seller liable for sales tax with respect to the sale of the property *or services* to the purchaser. If the sole use of [the] *any such* property other than retention, demonstration or display in the regular course of business is the rental of the property while holding it for sale, the purchaser may elect to include in his gross receipts the amount of the rental charged rather than the sales price of the property to him.

Sec. 14. NRS 372.175 is hereby amended to read as follows:

372.175 Any person who gives a resale certificate for property *or services* which he knows at the time of purchase [is] *are* not to be resold by him in the regular course of business for the purpose of evading payment to the seller of the amount of the tax applicable to the transaction is guilty of a misdemeanor.

Sec. 15. NRS 372.210 is hereby amended to read as follows:

372.210 The tax required to be collected by the retailer from the purchaser must be displayed separately from [the] *any* list price, [the] *any* price advertised in the premises, [the] *any* marked price, or *any* other price on the sales check or other proof of [sales.] *sale*.

Sec. 16. NRS 372.220 is hereby amended to read as follows:

372.220 Every retailer who sells tangible personal property *or services* for storage, use or other consumption in this state shall register with the department and give:

1. The name and address of all agents operating in this state.
2. The location of all distribution or sales houses or offices or other places of business in this state.

3. Such other information as the department [may require.] *requires.*

Sec. 17. NRS 372.225 is hereby amended to read as follows:

372.225 1. For the purpose of the proper administration of this chapter and to prevent evasion of the use tax and the duty to collect the use tax, it is presumed , *until the contrary is established*, that tangible personal property [sold by any person for delivery in this state is] *or services are* sold for storage, use or other consumption in this state [until the contrary is established.] *if:*

(a) *The property is sold for delivery in this state; or*

(b) *The services are furnished to a person who resides or maintains his principal place of business in this state.*

2. The burden of [proving the contrary] *rebutting the presumption created by this section* is upon the person who makes the sale unless he takes from the purchaser a certificate to the effect that the property [is] *or services are* purchased for resale.

Sec. 18. NRS 372.230 is hereby amended to read as follows:

372.230 A resale certificate relieves the person selling the property *or services* from the burden of proof only if taken in good faith from a person [who] :

1. *Who* is engaged in the business of selling tangible personal property [and who] *or services;*

2. *Who* holds the permit provided for by NRS 372.125 to 372.180, inclusive [, and who,] ; *and*

3. *Who*, at the time of [purchasing the tangible personal property,] *the purchase*, intends to sell [it] *the property or services* in the regular course of

business or is unable to ascertain at the time of purchase whether the property *or services* will be sold or [will be] used for some other purpose.

Sec. 19. NRS 372.235 is hereby amended to read as follows:

372.235 1. The certificate must:

- (a) Be signed and bear the name and address of the purchaser.
- (b) Indicate the number of the permit issued to the purchaser.
- (c) Indicate the general character of the tangible personal property *or services* sold by the purchaser in the regular course of business.

2. The certificate must be substantially in [such form as the department may prescribe.] *the form prescribed by the department.*

Sec. 20. NRS 372.240 is hereby amended to read as follows:

372.240 If a purchaser who gives a certificate makes any storage or use of the property *or services* other than , *in the case of a sale of property*, retention, demonstration or display while holding it for sale in the regular course of business, the storage or use is taxable as of the time the property [is] *or services are* first so stored or used. If the sole use of [the] *any such* property, other than retention, demonstration or display in the regular course of business, is the rental of the property while holding it for sale, the purchaser may elect to pay the tax on the use measured by the amount of the rental charged rather than the sales price of the property to him.

Sec. 21. NRS 372.250 is hereby amended to read as follows:

372.250 It is presumed that [tangible] :

1. *Tangible personal property shipped or brought to this state by the purchaser on or after July 1, 1979, was purchased from a retailer on or after July 1, 1979, for storage, use or other consumption in this state.*

2. *Services used or otherwise consumed in this state by the purchaser on or after July 1, 1993, were purchased from a retailer on or after that date for use or other consumption in this state.*

Sec. 22. NRS 372.255 is hereby amended to read as follows:

372.255 1. On and after July 1, 1979, it is presumed that tangible personal property delivered outside this state to a purchaser known by the retailer to be a resident of this state was purchased from a retailer for storage, use or other consumption in this state and stored, used or otherwise consumed in this state.

2. [This presumption] *On and after July 1, 1993, it is presumed that services furnished for use or other consumption outside this state by a purchaser known by the retailer to be a resident of this state were purchased for use or other consumption in this state and were so used or consumed.*

3. *These presumptions may be controverted by:*

(a) A statement in writing, signed by the purchaser or his authorized representative, and retained by the vendor, that the property [was] *or services were purchased for use at a designated point or points outside this state.*

(b) Other evidence satisfactory to the department that the property [was] *or services were not purchased for storage, use or other consumption in this state.*

Sec. 23. NRS 372.360 is hereby amended to read as follows:

372.360 1. On or before the last day of the month following each reporting period, a return for the preceding period must be filed with the

department in [such form as the department may prescribe.] *the form prescribed by the department.*

2. For purposes of the sales tax a return must be filed by each seller. For purposes of the use tax a return must be filed by each retailer maintaining a place of business in the state and by each person purchasing tangible personal property [,] *or services*, the storage, use or other consumption of which is subject to the use tax, who has not paid the use tax due to a retailer required to collect the tax.

3. Returns must be signed by the person required to file the return or by his authorized agent but need not be verified by oath.

Sec. 24. NRS 372.365 is hereby amended to read as follows:

372.365 1. For the purposes of the sales tax, the return must show the gross receipts of the seller during the preceding reporting period. For purposes of the use tax, in *the* case of a return filed by a retailer, the return must show the total sales price of the property *or services* sold by him, the storage, use or consumption of which [property] became subject to the use tax during the preceding reporting period.

2. In *the* case of a return filed by a purchaser, the return must show the total sales price of the property *or services* purchased by him, the storage, use or consumption of which became subject to the use tax during the preceding reporting period.

3. The return must also show the amount of the taxes for the period covered by the return and such other information as the department deems necessary for the proper administration of this chapter.

Sec. 25. NRS 372.397 is hereby amended to read as follows:

372.397 1. Payment of the tax on the sale of capital goods *or services* for a sales price of \$100,000 or more may be deferred without interest in accordance with this section. If the sales price is:

(a) At least \$100,000 but less than \$350,000, the tax must be paid within 12 months.

(b) At least \$350,000 but less than \$600,000, the tax must be paid within 24 months.

(c) At least \$600,000 but less than \$850,000, the tax must be paid within 36 months.

(d) At least \$850,000 but less than \$1,000,000, the tax must be paid within 48 months.

(e) One million dollars or more, the tax must be paid within 60 months.

Payment must be made in each month at a rate which is at least sufficient to result in payment of the total obligation within the permitted period.

2. A person may apply to the commission on economic development for such a deferment. If a purchase is made outside of the state from a retailer who is not registered with the department, an application for a deferment must be made in advance or, if the purchase has been made, within 60 days after the date on which the tax is due. If a purchase is made in this state from a retailer who is registered with the department and to whom the tax is paid, an application must be made within 60 days after the payment of the tax. If the application for a deferment is approved, the taxpayer is eligible for a refund of the tax paid.

3. The commission on economic development shall certify the person's eligibility for a deferment if:

(a) The purchase is consistent with the commission's plan for industrial development and diversification; and

(b) The commission determines that the deferment is a significant factor in the decision of the person to locate or expand a business in this state.

Upon certification, the commission shall immediately forward the deferment to the Nevada tax commission.

4. Upon receipt of such a certification, the Nevada tax commission shall verify the sale, the price paid and the date of the sale and assign the applicable period for payment of the deferred tax. It may require security for the payment in an amount which does not exceed the amount of tax deferred.

5. The Nevada tax commission shall adopt regulations governing:

(a) The aggregation of related purchases which are made to expand a business, establish a new business, or renovate or replace capital equipment; and

(b) The period within which such purchases may be aggregated.

Sec. 26. NRS 372.425 is hereby amended to read as follows:

372.425 1. The department shall give to the retailer or person storing, using or consuming tangible personal property *or services* written notice of its determination.

2. The notice may be served personally or by mail; if by mail, the notice must be addressed to the retailer or person storing, using or consuming

tangible personal property *or services* at his address as it appears in the records of the department.

3. In case of service by mail of any notice required by this chapter, the service is complete at the time of deposit with the United States Postal Service.

Sec. 27. NRS 372.435 is hereby amended to read as follows:

372.435 1. If any person fails to make a return, the department shall make an estimate of the amount of the gross receipts of the person, or, as the case may be, of the amount of the total sales price of tangible personal property *or services* sold or purchased by the person, the storage, use or other consumption of which in this state is subject to the use tax. The estimate must be made for the period or periods in respect to which the person failed to make a return and be based upon any information which is in the department's possession or may come into its possession. Upon the basis of that estimate, the department shall compute and determine the amount required to be paid to the state, adding to the sum thus arrived at a penalty equal to 10 percent of the sum. One or more determinations may be made for one or for more than one period.

2. When a business is discontinued, a determination may be made at any time thereafter within the periods specified in NRS 372.430 as to liability arising out of that business, irrespective of whether the determination is issued before the due date of the liability as otherwise specified in this chapter.

Sec. 28. NRS 372.640 is hereby amended to read as follows:

372.640 No credit or refund of any amount paid pursuant to sections 34 to 38, inclusive, of the Sales and Use Tax Act (chapter 397, Statutes of Nevada
178.

1955) and NRS 372.210 to 372.255, inclusive, may be allowed on the ground that the storage, use or other consumption of the property *or services* is exempt [under] *pursuant to* section 67 of the Sales and Use Tax Act, unless the person who paid the amount reimburses his vendor for the amount of the sales tax imposed upon his vendor with respect to the sale [of the property] and paid by the vendor to the state.

Sec. 29. NRS 372.728 is hereby amended to read as follows:

372.728 In administering the provisions of this chapter, the department shall construe the term "retailer maintaining a place of business in this state" to include:

1. A retailer maintaining, occupying or using, permanently or temporarily, directly or indirectly, or through a subsidiary or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or place of storage, or any other place of business, in this state.

2. A retailer having any representative, agent, salesman, canvasser or solicitor operating in this state under the authority of the retailer or its subsidiary to sell, deliver or take orders for tangible personal property [.] *or services*.

3. With respect to a lease, a retailer deriving rentals from a lease of tangible personal property situated in this state.

4. A retailer soliciting orders for tangible personal property *or services* through a system for shopping by means of telecommunication or television, using toll-free telephone numbers, which is intended by the retailer to be

broadcast by cable television or other means of broadcasting to persons located in this state.

5. A retailer who, pursuant to a contract with a broadcaster or publisher located in this state, solicits orders for tangible personal property *or services* by means of advertising which is disseminated primarily to persons located in this state and only secondarily to bordering jurisdictions.

6. A retailer soliciting orders for tangible personal property *or services* by mail or electronic facsimile if the solicitations are substantial and recurring and if the retailer benefits from any activities occurring in this state related to banking, financing, the collection of debts, telecommunication or marketing, or benefits from the location in this state of authorized facilities for installation, servicing or repairs.

7. A retailer owned or controlled by the same person who owns or controls a retailer who maintains a place of business in the same or a similar line of business in this state.

8. A retailer having a person operating under its trade name, pursuant to a franchise or license authorized by the retailer, if the person so operating is required to collect the tax pursuant to NRS 372.195.

9. A retailer who, pursuant to a contract with the operator of a system of cable television located in this state, solicits orders for tangible personal property *or services* by means of advertising which is transmitted or distributed over a system of cable television in this state.

Sec. 30. NRS 372.735 is hereby amended to read as follows:

372.735 1. Every seller, every retailer, and every person storing, using or otherwise consuming in this state tangible personal property *or services* purchased from a retailer shall keep records, receipts, invoices and other pertinent papers in such form as the department [may require.] *requires*.

2. Every seller, retailer or person who files the returns required [under] *by* this chapter shall keep the records for not less than 4 years [from] *after* their making unless the department in writing sooner authorizes their destruction.

3. Every seller, retailer or person who fails to file the returns required [under] *by* this chapter shall keep the records for not less than 8 years [from] *after* their making unless the department in writing sooner authorizes their destruction.

Sec. 31. NRS 372.740 is hereby amended to read as follows:

372.740 1. The department, or any person authorized in writing by it, may examine the books, papers, records and equipment of any person selling tangible personal property *or services* and any person liable for the use tax and may investigate the character of the business of the person in order to verify the accuracy of any return made, or, if no return is made by the person, to ascertain and determine the amount required to be paid.

2. Any person selling tangible personal property *or services* in this state who is required to obtain a permit pursuant to NRS 372.125 and who keeps outside of this state his records, receipts, invoices and other documents relating to sales he has made, shall pay to the department an amount equal to the allowance provided for state officers and employees generally while traveling outside of the state for each day or fraction thereof during which an employee of the

department is engaged in examining those documents, plus any other actual expenses incurred by the employee while he is absent from his regular place of employment to examine those documents.

Sec. 32. NRS 372.745 is hereby amended to read as follows:

372.745 In its administration of the use tax, the department may require the filing of reports by any person or class of persons having in his or their possession or custody information relating to sales of tangible personal property [,] *or services*, the storage, use or other consumption of which is subject to the tax. The report must:

1. Be filed when the department requires.
2. Set forth the names and addresses of purchasers of the [tangible personal property,] *property or services*, the sales price , [of the property,] the date of sale, and such other information as the department [may require.] *requires*.

Sec. 33. NRS 372.800 is hereby amended to read as follows:

372.800 1. The governing body of an Indian reservation or Indian colony may impose a tax on the privilege of selling tangible personal property *or services* at retail on the reservation or colony.

2. If a sales tax is imposed, the governing body may establish procedures for collecting the tax from any person authorized to do business on the reservation or colony.

Sec. 34. NRS 372.805 is hereby amended to read as follows:

372.805 The department of taxation shall not collect the tax imposed by this chapter on the sale of tangible personal property *or services* on an Indian

reservation or Indian colony on which a tax has been imposed pursuant to NRS 372.800 if:

1. The tax is equal to or greater than the tax imposed by this chapter; and
2. A copy of an approved tribal tax ordinance imposing the tax has been filed with the department of taxation.

Sec. 35. Chapter 374 of NRS is hereby amended by adding thereto the provisions set forth as sections 36, 37 and 38 of this act.

Sec. 36. *"Service" includes every kind of labor and other professional or personal service, the gross receipts from the sale of which, or the use or other consumption of which, is not otherwise exempted from the taxes imposed by this chapter.*

Sec. 37. 1. *There are exempted from the taxes imposed by this chapter the gross receipts from sales and the use or other consumption in this state of health services furnished by a direct provider of health services or by a health facility.*

2. As used in this section, "health facility" and "health services" have the meanings ascribed to them in NRS 439A.015 and 439A.017, respectively.

Sec. 38. *There are exempted from the taxes imposed by this chapter the gross receipts from all amounts paid for admission for which a casino entertainment tax is levied pursuant to NRS 463.401.*

Sec. 39. NRS 374.015 is hereby amended to read as follows:

374.015 The legislature, having carefully considered the needs of the public school system and the financial resources of the State of Nevada, and its several classes of local governments, finds and declares:

1. That sound principles of government require an increased contribution by the local district, which controls its schools, to their support.

2. That such an increase equitably should not and economically cannot be provided through an increase in the tax upon property.

3. That there is no other object of taxation, except retail sales, which is so generally distributed among the several school districts in proportion to their respective population and wealth as to be suitable for the imposition of a tax in each school district for the support of its local schools.

4. That it is therefore necessary to impose, in addition to the sales and use taxes enacted in 1955 to provide revenue for the State of Nevada, a separate tax upon the privilege of selling tangible personal property *or services* at retail in each county to provide revenue for the school district comprising [such] *the* county.

5. That in order to avoid imposing unfair competitive hardships upon [merchants] *retailers* in the several counties, it is necessary that [such] *the* additional tax be imposed:

(a) At the same rate in each county; and

(b) Upon tangible personal property *or services* purchased outside this state for use within the state.

6. That the imposition of such a tax at a mandatory and uniform rate throughout the counties of the state makes [such] *the* tax a fair counterpart to the mandatory property tax levy which it is designed to supplement.

7. That the tax collected upon property *or services* purchased outside the state, which cannot for this reason be returned to its county of origin, can best

serve its purpose of supporting local schools if it is channeled to the several school districts through the state distributive school account in the state general fund.

8. That the convenience of the public and of [retail merchants] *retailers* will best be served by imposing the local school support tax upon exactly the same transactions, requiring the same reports and making [such] *the* tax parallel in all respects to the sales and use taxes.

Sec. 40. NRS 374.020 is hereby amended to read as follows:

374.020 Except where the context otherwise requires, the definitions given in NRS 374.025 to 374.107, inclusive, *and section 36 of this act*, govern the construction of this chapter.

Sec. 41. NRS 374.030 is hereby amended to read as follows:

374.030 1. "Gross receipts" means the total amount of the sale or lease or rental price, as the case may be, of the retail sales of retailers, valued in money, whether received in money or otherwise, without any deduction on account of any of the following:

(a) The cost of [the] property sold. However, in accordance with such rules and regulations as the department may prescribe, a deduction may be taken if the retailer has purchased property for some other purpose than resale, has reimbursed his vendor for tax which the vendor is required to pay to the county or has paid the use tax with respect to the property, and has resold the property prior to making any use of the property other than retention, demonstration or display while holding it for sale in the regular course of

business. If such a deduction is taken by the retailer, no refund or credit will be allowed to his vendor with respect to the sale of the property.

(b) The cost of the materials used, labor or service cost, interest paid, losses or any other expense.

(c) The cost of transportation of [the] property prior to its sale to the purchaser.

2. The total amount of the sale or lease or rental price includes all of the following:

(a) [Any] *In the case of a sale of property, any services that are a part of the sale.*

(b) All receipts, cash, credits and property of any kind.

(c) Any amount for which credit is allowed by the seller to the purchaser.

3. "Gross receipts" does not include any of the following:

(a) Cash discounts allowed and taken on sales.

(b) Sale price of property returned by customers when the full sale price is refunded either in cash or credit; but this exclusion [shall] *does* not apply in any instance when the customer, in order to obtain the refund, is required to purchase other property at a price greater than the amount charged for the property that is returned.

(c) [The] *In the case of a sale of property, the price received for labor or services used in installing or applying the property sold.*

(d) The amount of any tax [(not including, however,) , *except* any manufacturers' or importers' excise tax , D] imposed by the United States

upon or with respect to retail sales, whether imposed upon the retailer or the consumer.

(e) The amount of any allowance against the selling price given by a retailer for the value of:

(1) A used vehicle which is taken in trade on the purchase of another vehicle; or

(2) A used piece of farm machinery or equipment which is taken in trade on the purchase of another piece of farm machinery or equipment.

4. For purposes of the sales tax, if the retailers establish to the satisfaction of the department that the sales tax has been added to the total amount of the sale price and has not been absorbed by them, the total amount of the sale price shall be deemed to be the amount received exclusive of the tax imposed.

Sec. 42. NRS 374.040 is hereby amended to read as follows:

374.040 1. "Occasional sale," except as otherwise provided in subsection 2, includes:

(a) A sale of property *or services* not held , [or] used *or furnished* by a seller in the course of an activity for which he is required to hold a seller's permit, provided [such] *the* sale is not one of a series of sales sufficient in number, scope and character to constitute an activity requiring the holding of a seller's permit.

(b) Any transfer of all or substantially all the property held or used by a person in the course of such an activity when after such transfer the real or ultimate ownership of such property is substantially similar to that which existed before such transfer.

2. The term does not include the sale of a vehicle other than the sale or transfer of a used vehicle to the seller's spouse, child, grandchild, parent, grandparent, brother or sister. For the purposes of this section, the relation of parent and child includes adoptive and illegitimate children and stepchildren.

3. For the purposes of this section, stockholders, bondholders, partners or other persons holding an interest in a corporation or other entity are regarded as having the "real or ultimate ownership" of the property of such corporation or other entity.

Sec. 43. NRS 374.050 is hereby amended to read as follows:

374.050 1. "Purchase" means any transfer, exchange or barter, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property *or services* for a consideration.

2. A transaction whereby the possession of property is transferred but the seller retains the title as security for the payment of the price is a purchase.

3. A transfer for a consideration of tangible personal property which has been produced, fabricated or printed to the special order of the customer, or of any publication, is also a purchase.

Sec. 44. NRS 374.055 is hereby amended to read as follows:

374.055 1. "Retail sale" or "sale at retail" means a sale for any purpose other than resale in the regular course of business of tangible personal property *[.] or services.*

2. The delivery in a county of tangible personal property by an owner or former owner thereof or by a factor, or agent of such owner, former owner or factor, if the delivery is to a consumer or person for redelivery to a consumer,

pursuant to a retail sale made by a retailer not engaged in business in the county, is a retail sale in the county by the person making the delivery. He shall include the retail selling price of the property in his gross receipts.

Sec. 45. NRS 374.060 is hereby amended to read as follows:

374.060 1. "Retailer" includes:

(a) Every seller who makes any retail sale or sales of tangible personal property [,] *or services*, and every person engaged in the business of making retail sales at auction of tangible personal property *or services* owned *or furnished* by the person or others.

(b) Every person engaged in the business of making sales for storage, use or other consumption or in the business of making sales at auction of tangible personal property *or services* owned *or furnished* by the person or others for storage, use or other consumption.

(c) Every person making any retail sale of a vehicle or more than two retail sales of other tangible personal property *or services* during any 12-month period, including sales made in the capacity of assignee for the benefit of creditors, or receiver or trustee in bankruptcy.

2. When the department determines that it is necessary for the efficient administration of this chapter to regard any salesmen, representatives, peddlers or canvassers as the agents of the dealers, distributors, supervisors or employers under whom they operate or from whom [they obtain] *are obtained* the tangible personal property *or services* sold by them, irrespective of whether they are making sales on their own behalf or on behalf of [such] *the* dealers, distributors, supervisors or employers, the department may so regard them and

may regard the dealers, distributors, supervisors or employers as retailers for purposes of this chapter.

Sec. 46. NRS 374.065 is hereby amended to read as follows:

374.065 1. "Sale" means [and includes any] :

(a) *The furnishing of services for a consideration; or*

(b) *Any transfer of title or possession, exchange, barter, lease or rental, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property for a consideration.*

2. "Transfer of possession," "lease," or "rental" includes only transactions found by the department to be in lieu of a transfer of title, exchange or barter.

3. ["Sale"] *For the purposes of this chapter relating to the taxes on the sale, storage, use or other consumption of tangible personal property, "sale" includes:*

(a) *The producing, fabricating, processing, printing or imprinting of tangible personal property for a consideration for consumers who furnish, either directly or indirectly, the materials used in the producing, fabricating, processing, printing or imprinting.*

(b) *The furnishing and distributing of tangible personal property or services for a consideration by social clubs and fraternal organizations to their members or others.*

(c) *The furnishing, preparing, or serving for a consideration of food, meals or drinks.*

(d) *A transaction whereby the possession of property is transferred but the seller retains the title as security for the payment of the price.*

(e) A transfer for a consideration of the title or possession of tangible personal property which has been produced, fabricated or printed to the special order of the customer, or of any publication.

Sec. 47. NRS 374.070 is hereby amended to read as follows:

374.070 1. "Sales price" means the total amount for which tangible property [is] *or services are* sold, valued in money, whether paid in money or otherwise, without any deduction on account of any of the following:

(a) The cost of [the] property sold.

(b) The cost of the materials used, labor or service cost, interest charged, losses, or any other expenses.

(c) The cost of transportation of [the] property before its purchase.

2. The total amount for which property [is] *or services are* sold includes all of the following:

(a) [Any] *In the case of a sale of property, any* services that are a part of the sale.

(b) Any amount for which credit is given to the purchaser by the seller.

3. "Sales price" does not include any of the following:

(a) Cash discounts allowed and taken on sales.

(b) The amount charged for property returned by customers when the entire amount charged therefor is refunded either in cash or credit , [;] but this exclusion does not apply in any instance when the customer, in order to obtain the refund, is required to purchase other property at a price greater than the amount charged for the property that is returned.

(c) [The] *In the case of a sale of property, the* amount charged for labor or services rendered in installing or applying the property sold.

(d) The amount of any tax [(not including, however,] , *except* any manufacturers' or importers' excise tax , D] imposed by the United States upon or with respect to retail sales, whether imposed upon the retailer or the consumer.

(e) The amount of any tax imposed by the State of Nevada upon or with respect to the storage, use or other consumption of tangible personal property *or services* purchased from any retailer.

(f) The amount of any allowance against the selling price given by a retailer for the value of a used vehicle which is taken in trade on the purchase of another vehicle.

4. For the purpose of a sale of a vehicle by a seller who is not required to be registered with the department of taxation, the sales price is the value established in the manner set forth in NRS 374.112.

Sec. 48. NRS 374.075 is hereby amended to read as follows:

374.075 1. "Seller" includes every person engaged in the business of *furnishing services or* selling tangible personal property of a kind, the gross receipts from the retail sale of which are required to be included in the measure of the sales tax.

2. *For the purposes of this chapter relating to the taxes on the sale, use or other consumption of services, "seller" does not include any person who furnishes services:*

(a) *To his employer for a wage, salary or other compensation; or*

(b) As an incidental part of a sale of tangible personal property.

Sec. 49. NRS 374.110 is hereby amended to read as follows:

374.110 For the privilege of selling tangible personal property *or services* at retail a tax is hereby imposed upon all retailers at the rate of 1.5 percent of the gross receipts of any retailer from the sale of all [tangible] :

1. *Tangible* personal property sold at retail in a county.
2. *Services sold at retail in this state on or after July 1, 1993.*

Sec. 50. NRS 374.120 is hereby amended to read as follows:

374.120 1. It is unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the retailer or that it will not be added to the selling price of the property *or services* sold or that if added it or any part thereof will be refunded.

2. Any person violating any provision of this section is guilty of a misdemeanor.

Sec. 51. NRS 374.125 is hereby amended to read as follows:

374.125 The department may by regulation provide that the amount collected by the retailer from the consumer in reimbursement of the tax be displayed separately from [the] *any* list price, [the] *any* price advertised in the premises, [the] *any* marked price, or *any* other price on the sales check or other proof of sale.

Sec. 52. NRS 374.160 is hereby amended to read as follows:

374.160 For the purpose of the proper administration of this chapter and to prevent evasion of the sales tax it shall be presumed that all gross receipts are

subject to the tax until the contrary is established. The burden of proving that a sale of tangible personal property *or services* is not a sale at retail is upon the person who makes the sale unless he takes from the purchaser a certificate to the effect that the property [is] *or services are* purchased for resale.

Sec. 53. NRS 374.165 is hereby amended to read as follows:

374.165 The certificate relieves the seller from the burden of proof only if taken in good faith from a person [who] :

1. *Who* is engaged in the business of selling tangible personal property [and who] *or services*;

2. *Who* holds the permit provided for in NRS 374.130 to 374.185, inclusive [, and who,] ; *and*

3. *Who*, at the time of [purchasing the tangible personal property,] *the purchase*, intends to sell [it] *the property or services* in the regular course of business or is unable to ascertain at the time of purchase whether the property *or services* will be sold or [will be] used for some other purpose.

Sec. 54. NRS 374.170 is hereby amended to read as follows:

374.170 1. The certificate [shall:] *must*:

(a) Be signed by and bear the name and address of the purchaser.

(b) Indicate the number of the permit issued to the purchaser.

(c) Indicate the general character of the tangible personal property *or services* sold by the purchaser in the regular course of business.

2. The certificate [shall] *must* be substantially in [such form as the department may prescribe.] *the form prescribed by the department*.

Sec. 55. NRS 374.175 is hereby amended to read as follows:

374.175 If a purchaser who gives a certificate makes any use of the property *or services* other than , *in the case of a sale of property*, retention, demonstration or display while holding it for sale in the regular course of business, the use [shall be] *is* taxable to the purchaser as of the time the property [is] *or services are* first used by him, and the sales price of the property *or services* to him shall be deemed the measure of the tax. Only when there is an unsatisfied use tax liability on this basis [shall the seller be] *is the seller* liable for sales tax with respect to the sale of the property *or services* to the purchaser. If the sole use of [the] *any such* property other than retention, demonstration or display in the regular course of business is the rental of the property while holding it for sale, the purchaser may elect to include in his gross receipts the amount of the rental charged rather than the sales price of the property to him.

Sec. 56. NRS 374.180 is hereby amended to read as follows:

374.180 Any person who gives a resale certificate for property *or services* which he knows at the time of purchase [is] *are* not to be resold by him in the regular course of business for the purpose of evading payment to the seller of the amount of the tax applicable to the transaction is guilty of a misdemeanor.

Sec. 57. NRS 374.190 is hereby amended to read as follows:

374.190 1. An excise tax is hereby imposed on the storage, use or other consumption in a county of [tangible] :

(a) *Tangible* personal property purchased from any retailer for storage, use or other consumption in the county at the rate of 1.5 percent of the sales price of the property.

(b) Services purchased from any retailer on or after July 1, 1993, for use or other consumption in the county at the rate of 1.5 percent of the sales price of the services.

2. The tax is imposed on all property [which was] *and services* acquired or *furnished* out of state in a transaction which would have been a taxable sale if it had occurred within this state.

Sec. 58. NRS 374.195 is hereby amended to read as follows:

374.195 Every person storing, using or otherwise consuming in a county tangible personal property *or services* purchased from a retailer is liable for the tax. His liability is not extinguished until the tax has been paid to the county, except that a receipt from a retailer maintaining a place of business in the county or from a retailer who is authorized by the department under such regulations as it may prescribe, to collect the tax and who is, for the purposes of this chapter relating to the use tax, regarded as a retailer maintaining a place of business in the county, given to the purchaser pursuant to NRS 374.200 is sufficient to relieve the purchaser from further liability for the tax to which the receipt refers.

Sec. 59. NRS 374.200 is hereby amended to read as follows:

374.200 Every retailer maintaining a place of business in a county and making sales of tangible personal property *or services* for storage, use or other consumption in the county, not exempted [under] *pursuant to* NRS 374.265 to 374.355, inclusive, shall, at the time of making the sales or, if the storage, use or other consumption [of the tangible personal property] is not then taxable hereunder, at the time [the storage, use or other consumption] *it* becomes

taxable, collect the tax from the purchaser and give to the purchaser a receipt therefor in the manner and form prescribed by the department.

Sec. 60. NRS 374.210 is hereby amended to read as follows:

374.210 It is unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the retailer or that it will not be added to the selling price of the property *or services* sold or that if added it or any part thereof will be refunded.

Sec. 61. NRS 374.215 is hereby amended to read as follows:

374.215 The tax required to be collected by the retailer from the purchaser [shall] *must* be displayed separately from [the] *any* list price, [the] *any* price advertised in the premises, [the] *any* marked price, or *any* other price on the sales check or other proof of [sales.] *sale*.

Sec. 62. NRS 374.225 is hereby amended to read as follows:

374.225 Every retailer selling tangible personal property *or services* for storage, use or other consumption in a county shall register with the department and give:

1. The name and address of all agents operating in the county.
2. The location of all distribution or sales houses or offices or other places of business in the county.
3. Such other information as the department [may require.] *requires*.

Sec. 63. NRS 374.230 is hereby amended to read as follows:

374.230 1. For the purpose of the proper administration of this chapter and to prevent evasion of the use tax and the duty to collect the use tax, it

[shall be] is presumed , *until the contrary is established*, that tangible personal property [sold by any person for delivery in a county is] *or services are* sold for storage, use or other consumption in [the county until the contrary is established.] *a county if:*

(a) *The property is sold for delivery in the county; or*

(b) *The services are furnished to a person who resides or maintains his principal place of business in the county.*

2. The burden of [proving the contrary] *rebutting the presumption created by this section* is upon the person who makes the sale unless he takes from the purchaser a certificate to the effect that the property [is] *or services are* purchased for resale.

Sec. 64. NRS 374.235 is hereby amended to read as follows:

374.235 The certificate relieves the person selling the property *or services* from the burden of proof only if taken in good faith from a person [who] :

1. *Who* is engaged in the business of selling tangible personal property [and who] *or services;*

2. *Who* holds the permit provided for by NRS 374.130 to 374.185, inclusive [, and who,] ; *and*

3. *Who*, at the time of [purchasing the tangible personal property,] *the purchase*, intends to sell [it] *the property or services* in the regular course of business or is unable to ascertain at the time of purchase whether the property *or services* will be sold or [will be] used for some other purpose.

Sec. 65. NRS 374.240 is hereby amended to read as follows:

374.240 1. The certificate [shall:] *must:*

- (a) Be signed and bear the name and address of the purchaser.
- (b) Indicate the number of the permit issued to the purchaser.
- (c) Indicate the general character of the tangible personal property *or services* sold by the purchaser in the regular course of business.

2. The certificate [shall] *must* be substantially in [such form as the department may prescribe.] *the form prescribed by the department.*

Sec. 66. NRS 374.245 is hereby amended to read as follows:

374.245 If a purchaser who gives a certificate makes any storage or use of the property *or services* other than , *in the case of a sale of property*, retention, demonstration or display while holding it for sale in the regular course of business, the storage or use is taxable as of the time the property [is] *or services are* first so stored or used. If the sole use of [the] *any such* property, other than retention, demonstration or display in the regular course of business, is the rental of the property while holding it for sale, the purchaser may elect to pay the tax on the use measured by the amount of the rental charged rather than the sales price of the property to him.

Sec. 67. NRS 374.255 is hereby amended to read as follows:

374.255 It [shall be further] *is* presumed that [tangible] :

1. *Tangible* personal property shipped or brought to a county by the purchaser after July 1, 1967, was purchased from a retailer on or after July 1, 1967, for storage, use or other consumption in the county.

2. *Services used or otherwise consumed in a county by the purchaser on or after July 1, 1993, were purchased from a retailer on or after that date for use or other consumption in the county.*

Sec. 68. NRS 374.260 is hereby amended to read as follows:

374.260 1. On and after July 1, 1967, it [shall be further] *is* presumed that tangible personal property delivered outside this state to a purchaser known by the retailer to be a resident of the county was purchased from a retailer for storage, use or other consumption in the county and stored, used or otherwise consumed in the county.

2. [This presumption] *On and after July 1, 1993, it is presumed that services furnished for use or other consumption outside this state by a purchaser known by the retailer to be a resident of the county were purchased for use or other consumption in the county and were so used or consumed.*

3. *These presumptions* may be controverted by:

(a) A statement in writing, signed by the purchaser or his authorized representative, and retained by the vendor, that the property [was] *or services were* purchased for use at a designated point or points outside this state.

(b) Other evidence satisfactory to the department that the property [was] *or services were* not purchased for storage, use or other consumption in this state.

Sec. 69. NRS 374.265 is hereby amended to read as follows:

374.265 "Exempted from the taxes imposed by this chapter," as used in NRS 374.265 to 374.355, inclusive, *and sections 37 and 38 of this act*, means exempted from the computation of the amount of taxes imposed.

Sec. 70. NRS 374.270 is hereby amended to read as follows:

374.270 There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property *or services* the gross receipts from the sale

of which, or the storage, use or other consumption of which, this state is prohibited from taxing [under] *by* the Constitution or laws of the United States or [under] *by* the constitution of this state.

Sec. 71. NRS 374.310 is hereby amended to read as follows:

374.310 1. There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of [, tangible] :

(a) *Tangible* personal property used for the performance of a contract on public works executed prior to July 1, 1967.

(b) *Services furnished for the performance of a contract on public works executed before July 1, 1993.*

2. There are exempted from the additional taxes imposed by amendment to this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property used for the performance of a contract on public works which was executed prior to May 1, 1981, or for which a binding bid was submitted before that date if the bid was afterward accepted.

Sec. 72. NRS 374.315 is hereby amended to read as follows:

374.315 1. There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of [, tangible] :

(a) *Tangible* personal property used for the performance of a written contract entered into prior to July 1, 1967.

(b) Services furnished for the performance of a written contract entered into before July 1, 1993.

2. There are exempted from the additional taxes imposed by amendment to this chapter the gross receipts from the sale of, and the storage, use or other consumption in a county of, tangible personal property used for the performance of a written contract for construction entered into prior to May 1, 1981.

Sec. 73. NRS 374.325 is hereby amended to read as follows:

374.325 There are exempted from the taxes imposed by this chapter the gross receipts from occasional sales of tangible personal property *or services* and the storage, use or other consumption in a county of tangible personal property [,] *or services*, the transfer of which to the purchaser is an occasional sale.

Sec. 74. NRS 374.330 is hereby amended to read as follows:

374.330 There are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property *or services* to:

1. The United States, its unincorporated agencies and instrumentalities.
2. Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
3. The State of Nevada, its unincorporated agencies and instrumentalities.
4. Any county, city, district or other political subdivision of this state.

5. Any organization created for religious, charitable or eleemosynary purposes, provided that no part of the net earnings of any such organization inures to the benefit of any private shareholder or individual.

Sec. 75. NRS 374.331 is hereby amended to read as follows:

374.331 There are exempted from the taxes imposed by this chapter on the storage, use or other consumption of tangible personal property *or services* any such property *or services* loaned or donated to:

1. The United States, its unincorporated agencies and instrumentalities.
2. Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
3. The State of Nevada, its unincorporated agencies and instrumentalities.
4. Any county, city, district or other political subdivision of this state.
5. Any organization created for religious, charitable or eleemosynary purposes, provided that no part of the net earnings of any such organization inures to the benefit of any private shareholder or individual.

Sec. 76. NRS 374.340 is hereby amended to read as follows:

374.340 There are exempted from the computation of the amount of the sales tax the gross receipts from any sale of [tangible] :

1. *Tangible* personal property which is shipped to a point outside this state pursuant to the contract of sale by delivery by the vendor to such point by means of:

[1.] (a) Facilities operated by the vendor;

[2.] (b) Delivery by the vendor to a carrier for shipment to a consignee at such point; or

[3.] (c) Delivery by the vendor to a customs broker or forwarding agent for shipment outside this state.

2. *Services furnished in this state solely for use outside the state pursuant to the contract of sale.*

Sec. 77. NRS 374.345 is hereby amended to read as follows:

374.345 The taxes imposed [under] by this chapter apply to the sale to and the storage, use or other consumption in this state of tangible personal property *or services* by a contractor for a governmental, religious or charitable entity which is otherwise exempted from the tax, unless the contractor is a constituent part of that entity.

Sec. 78. NRS 374.350 is hereby amended to read as follows:

374.350 The storage, use or other consumption in a county of property [,] *or services*, the gross receipts from the sale of which are required to be included in the measure of the sales tax, is exempted from the use tax.

Sec. 79. NRS 374.355 is hereby amended to read as follows:

374.355 If a purchaser certifies in writing to a seller that the property *or services* purchased will be used in a manner or for a purpose entitling the seller to regard the gross receipts from the sale as exempted by this chapter from the computation of the amount of the sales tax, and uses the property *or services* in some other manner or for some other purpose, the purchaser [shall be] *is* liable for payment of sales tax as if he were a retailer making a retail sale of

the property *or services* at the time of such use, and the cost of the property *or services* to him shall be deemed the gross receipts from such retail sale.

Sec. 80. NRS 374.365 is hereby amended to read as follows:

374.365 1. On or before the last day of the month following each reporting period, a return for the preceding period must be filed with the department in [such form as the department may prescribe.] *the form prescribed by the department.*

2. For purposes of the sales tax a return must be filed by every seller. For purposes of the use tax a return must be filed by every retailer maintaining a place of business in the county and by every person purchasing tangible personal property [,] *or services*, the storage, use or other consumption of which is subject to the use tax, who has not paid the use tax due to a retailer required to collect the tax.

3. Returns must be signed by the person required to file the return or by his authorized agent but need not be verified by oath.

Sec. 81. NRS 374.370 is hereby amended to read as follows:

374.370 1. For the purposes of the sales tax, the return [shall] *must* show the gross receipts of the seller during the preceding reporting period. For purposes of the use tax, in *the* case of a return filed by a retailer, the return [shall] *must* show the total sales price of the property *or services* sold by him, the storage, use or consumption of which [property] became subject to the use tax during the preceding reporting period.

2. In *the* case of a return filed by a purchaser, the return [shall] *must* show the total sales price of the property *or services* purchased by him, the storage,

use or consumption of which became subject to the use tax during the preceding reporting period.

3. The return [shall] *must* also show the amount of the taxes for the period covered by the return and such other information as the department deems necessary for the proper administration of this chapter.

Sec. 82. NRS 374.402 is hereby amended to read as follows:

374.402 1. Payment of the tax on the sale of capital goods *or services* for a sales price of \$100,000 or more may be deferred without interest in accordance with this section. If the sales price is:

(a) At least \$100,000 but less than \$350,000, the tax must be paid within 12 months.

(b) At least \$350,000 but less than \$600,000, the tax must be paid within 24 months.

(c) At least \$600,000 but less than \$850,000, the tax must be paid within 36 months.

(d) At least \$850,000 but less than \$1,000,000, the tax must be paid within 48 months.

(e) One million dollars or more, the tax must be paid within 60 months.

Payment must be made in each month at a rate which is at least sufficient to result in payment of the total obligation within the permitted period.

2. A person may apply to the commission on economic development for such a deferment. If a purchase is made outside of the state from a retailer who is not registered with the department, an application for a deferment must be made in advance or, if the purchase has been made, within 60 days after the

date on which the tax is due. If a purchase is made in this state from a retailer who is registered with the department and to whom the tax is paid, an application must be made within 60 days after the payment of the tax. If the application for a deferment is approved, the taxpayer is eligible for a refund of the tax paid.

3. The commission on economic development shall certify the person's eligibility for a deferment if:

(a) The purchase is consistent with the commission's plan for industrial development and diversification; and

(b) The commission determines that the deferment is a significant factor in the decision of the person to locate or expand a business in this state.

Upon certification, the commission shall immediately forward the deferment to the Nevada tax commission.

4. Upon receipt of such a certification, the Nevada tax commission shall verify the sale, the price paid and the date of the sale and assign the applicable period for payment of the deferred tax. It may require security for the payment in an amount which does not exceed the amount of tax deferred.

5. The Nevada tax commission shall adopt regulations governing:

(a) The aggregation of related purchases which are made to expand a business, establish a new business, or renovate or replace capital equipment; and

(b) The period within which such purchases may be aggregated.

Sec. 83. NRS 374.430 is hereby amended to read as follows:

374.430 1. The department shall give to the retailer or person storing, using or consuming tangible personal property *or services* written notice of its determination.

2. The notice may be served personally or by mail; if by mail, the notice must be addressed to the retailer or person storing, using or consuming tangible personal property *or services* at his address as it appears in the records of the department.

3. In case of service by mail of any notice required by this chapter, the service is complete at the time of deposit with the United States Postal Service.

Sec. 84. NRS 374.440 is hereby amended to read as follows:

374.440 1. If any person fails to make a return, the department shall make an estimate of the amount of the gross receipts of the person, or, as the case may be, of the amount of the total sales price of tangible personal property *or services* sold or purchased by the person, the storage, use or other consumption of which in the county is subject to the use tax. The estimate [shall] *must* be made for the period or periods in respect to which the person failed to make a return and [shall] *must* be based upon any information which is in the department's possession or may come into its possession. Upon the basis of this estimate, the department shall compute and determine the amount required to be paid to the county, adding to the sum thus arrived at a penalty equal to 10 percent thereof. One or more determinations may be made for one or for more than one period.

2. When a business is discontinued, a determination may be made at any time thereafter within the periods specified in NRS 374.435 as to liability

arising out of that business, irrespective of whether the determination is issued prior to the due date of the liability as otherwise specified in this chapter.

Sec. 85. NRS 374.643 is hereby amended to read as follows:

374.643 1. Each person who holds a valid certificate, issued [under] *pursuant to* NRS 274.270, as a qualified business within a specially benefited zone may file for a credit or refund to recover the amount of tax paid [under] *pursuant to* this chapter for all tangible personal property *or services* purchased in the conduct of its business for the period, not to exceed 5 years, stated in its agreement with the city or county, as the case may be, made [under] *pursuant to* NRS 274.270, or until the person is no longer certified as a qualified business [under] *pursuant to* that section, whichever occurs first.

2. Claims for credit or refund may be filed [under] *pursuant to* this section only if:

(a) The city or county which designated the specially benefited zone has adopted an ordinance authorizing such claims; and

(b) This benefit is specified in the agreement made [under] *pursuant to* NRS 274.270.

Sec. 86. NRS 374.645 is hereby amended to read as follows:

374.645 No credit or refund of any amount paid pursuant to NRS 374.190 to 374.260, inclusive, [shall] *may* be allowed on the ground that the storage, use or other consumption of the property *or services* is exempted [under] *pursuant to* NRS 374.350, unless the person who paid the amount reimburses his vendor for the amount of the sales tax imposed upon his vendor with respect to the sale [of the property] and paid by the vendor to the county.

Sec. 87. NRS 374.728 is hereby amended to read as follows:

374.728 In administering the provisions of this chapter, the department shall construe the term "retailer maintaining a place of business in a county" to include:

1. A retailer maintaining, occupying or using, permanently or temporarily, directly or indirectly, or through a subsidiary or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or place of storage, or any other place of business, in the county.

2. A retailer having any representative, agent, salesman, canvasser or solicitor operating in the county under the authority of the retailer or its subsidiary to sell, deliver or take orders for tangible personal property *[.] or services.*

3. With respect to a lease, a retailer deriving rentals from a lease of tangible personal property situated in the county.

4. A retailer soliciting orders for tangible personal property *or services* through a system for shopping by means of telecommunication or television, using toll-free telephone numbers, which is intended by the retailer to be broadcast by cable television or other means of broadcasting to persons located in the county.

5. A retailer who, pursuant to a contract with a broadcaster or publisher located in the state, solicits orders for tangible personal property *or services* by means of advertising which is disseminated primarily to persons located in the state and only secondarily to bordering jurisdictions, and which is disseminated to persons located in the county.

6. A retailer soliciting orders for tangible personal property *or services* by mail or electronic facsimile if the solicitations are substantial and recurring and if the retailer benefits from any activities occurring in the county related to banking, financing, the collection of debts, telecommunication or marketing, or benefits from the location in the county of authorized facilities for installation, servicing or repairs.

7. A retailer owned or controlled by the same persons who own or control a retailer who maintains a place of business in the same or a similar line of business in the county.

8. A retailer having a person operating under its trade name, pursuant to a franchise or license authorized by the retailer, if the person so operating is required to collect the tax pursuant to NRS 374.200.

9. A retailer who, pursuant to a contract with the operator of a system of cable television located in the state, solicits orders for tangible personal property *or services* by means of advertising which is transmitted or distributed over a system of cable television in the county.

Sec. 88. NRS 374.740 is hereby amended to read as follows:

374.740 1. Every seller, every retailer, and every person storing, using or otherwise consuming in a county tangible personal property *or services* purchased from a retailer shall keep such records, receipts, invoices and other pertinent papers in such form as the department [may require.] *requires*.

2. Every such seller, retailer or person who files the returns required [under] by this chapter shall keep [such] *the* records for not less than 4 years

[from the making of such records] *after their making* unless the department in writing sooner authorizes their destruction.

3. Every such seller, retailer or person who fails to file the returns required [under] *by* this chapter shall keep [such] *the* records for not less than 8 years [from the making of such records] *after their making* unless the department in writing sooner authorizes their destruction.

Sec. 89. NRS 374.745 is hereby amended to read as follows:

374.745 The department, or any person authorized in writing by it, may examine the books, papers, records and equipment of any person selling tangible personal property *or services* and any person liable for the use tax and may investigate the character of the business of the person in order to verify the accuracy of any return made, or, if no return is made by the person, to ascertain and determine the amount required to be paid.

Sec. 90. NRS 374.750 is hereby amended to read as follows:

374.750 In *its* administration of the use tax, the department may require the filing of reports by any person or class of persons having in his or their possession or custody information relating to sales of tangible personal property [,] *or services*, the storage, use or other consumption of which is subject to the tax. The report [shall:] *must*:

1. Be filed when the department requires.
2. Set forth the names and addresses of purchasers of the [tangible personal property.] *property or services*, the sales price , [of the property,] the date of sale, and such other information as the department [may require.] *requires*.

Sec. 91. NRS 374.800 is hereby amended to read as follows:

374.800 1. The governing body of an Indian reservation or Indian colony may impose a tax on the privilege of selling tangible personal property *or services* at retail on the reservation or colony.

2. If a sales tax is imposed, the governing body may establish procedures for collecting the tax from any person authorized to do business on the reservation or colony.

Sec. 92. NRS 374.805 is hereby amended to read as follows:

374.805 The department of taxation shall not collect the tax imposed by this chapter on the sale of tangible personal property *or services* on an Indian reservation or Indian colony on which a tax has been imposed pursuant to NRS 374.800 if:

1. The tax is equal to or greater than the tax imposed by this chapter; and
2. A copy of an approved tribal tax ordinance imposing the tax has been filed with the department of taxation.

Sec. 93. NRS 377.040 is hereby amended to read as follows:

377.040 The city-county relief tax ordinance enacted [under] *pursuant to* this chapter must include provisions in substance as follows:

1. A provision imposing a tax upon retailers at the rate of 2.25 percent of the gross receipts of any retailer from the sale of all tangible personal property *or services* sold at retail, or stored, used or otherwise consumed, in a county.
2. Provisions substantially identical to those of the Local School Support Tax Law, insofar as applicable.
3. A provision that all amendments to the provisions of the Local School Support Tax Law subsequent to the date of enactment of the ordinance, not

inconsistent with this chapter, automatically become a part of the city-county relief tax ordinance of the county.

4. A provision that the county shall contract before the effective date of the city-county relief tax ordinance with the department to perform all functions incident to the administration or operation of the city-county relief tax.

Sec. 94. NRS 377A.030 is hereby amended to read as follows:

377A.030 Except as provided in NRS 377A.110, any ordinance enacted [under] *pursuant to* this chapter must include provisions in substance as follows:

1. A provision imposing a tax upon retailers at the rate of not more than one-quarter of 1 percent of the gross receipts of any retailer from the sale of all tangible personal property *or services* sold at retail, or stored, used or otherwise consumed, in a county.

2. Provisions substantially identical to those contained in chapter 374 of NRS, insofar as applicable.

3. A provision that all amendments to chapter 374 of NRS after the date of enactment of the ordinance, not inconsistent with this chapter, automatically become a part of an ordinance imposing the tax for public mass transportation and construction of public roads or the tax to promote tourism in the county.

4. A provision that the county shall contract before the effective date of the ordinance with the department to perform all functions incident to the administration or operation of the tax in the county.

Sec. 95. NRS 100.010 is hereby amended to read as follows:

100.010 1. Subject to the provisions of subsection 2, in all assignments of property, whether real or personal, which [shall hereafter be] *are* made by any person [or chartered company or corporation, or by any person or persons, owning or leasing real or personal property,] to trustees or assignees on account of inability at the time of the assignment to pay his [, her or their] debts, the wages of the miners, mechanics, salesmen, servants, clerks or laborers [,] employed by [such person or persons, chartered company or corporation shall be held and deemed] *that person are* preferred claims, and *must be* paid by [such] *the* trustees or assignees before any other creditor or creditors of the assignor, including the state as a creditor for amounts due [under] *pursuant to* the provisions of chapter 372 *or* 374 of NRS.

2. The claims of each miner, mechanic, salesman, servant, clerk or laborer thus preferred [, shall] *must* not exceed in value \$600, and the services [shall] *must* have been rendered or labor performed within 90 days next preceding the assignment.

Sec. 96. NRS 244A.755 is hereby amended to read as follows:

244A.755 1. If a project is for the generation and transmission of electricity, payments must be made as provided in this section:

(a) In lieu of ad valorem taxes on property owned by the county, and distributed in the same manner as those taxes would be distributed pursuant to NRS 361.320; and

(b) In lieu of the sales and use tax, local school support tax and city-county relief tax on tangible personal property *or services* purchased or used, and

distributed either pursuant to NRS 377.053 or in the same manner as the tax would be distributed pursuant to NRS 372.780 or 374.785, whichever applies.

2. The payments in lieu of taxes specified in paragraph (b) of subsection 1 must be paid on any incident of sale, use, storage or other consumption of property *or services* which, pursuant to the Sales and Use Tax Act, Local School Support Tax Law or an ordinance or ordinances adopted pursuant to the City-County Relief Tax Law, would be taxable if the exemptions for counties contained, respectively, in NRS 372.325 and 374.330 were not applicable. No such payment applies to any incident previously subjected to a sales or use tax. Except as otherwise provided in this section and except to the extent that they would be inconsistent with the provisions of this section, the provisions of the Sales and Use Tax Act, Local School Support Tax Law, the City-County Relief Tax Law, any ordinance or ordinances adopted pursuant thereto, and other laws of the state dealing with taxes on the sale or use of tangible personal property *or services* govern the collection, payment, method of protest, exemptions and other matters relating to the payments required in lieu of these taxes.

3. The payments in lieu of ad valorem taxes must equal the ad valorem taxes that would have been payable were the project subject to ad valorem taxation and to assessment pursuant to NRS 361.320. This section does not preclude the legislature from changing the method of assessment or allocation of payments in lieu of ad valorem taxes. The due date of payments in lieu of ad valorem taxes to a particular taxing entity and the tax rate with respect to the portion of the valuation of a project allocated to that entity must be

determined in the same manner as for property which is subject to ad valorem taxation by that taxing entity.

4. The county shall, in the agreement with each purchaser of capacity require that the purchaser, or all of them collectively, make timely payments, whether or not the capacity is taken or available, sufficient in time and amount, to the extent that such payments are not otherwise provided for from bond proceeds or other funds specifically made available therefor, to provide for the payments in lieu of taxes required by this section. The agreements must provide the method of determining the amount of such payments to be made by each such purchaser.

5. The payments in lieu of taxes required by this section during the construction of the project are the responsibility of the participant who, pursuant to subsection 2 of NRS 244A.741, is constructing the project and the payments in lieu of taxes during the period of operation of the project are the responsibility of the participant who, pursuant to that subsection, is operating the project. The responsibility of making such payments is limited to the extent that there is legally available to the responsible participant, from the payments, proceeds or other funds mentioned in subsection 4, money to make such payments and the obligation of such participant or participants to make such payments in lieu of taxes is not a general obligation or liability of the responsible participant. That participant shall take appropriate action to enforce the obligation, provided for in subsection 4, of the participants in the project. A payment in lieu of taxes must not be made to the extent that the making of the payment would cause a deficiency in the money available to the

county to make required payments of principal of, premium, if any, or interest on any bonds issued by the county to finance the project or to make required payments to any funds established under the proceedings under which such bonds were issued and secured. No lien attaches upon any property or money of the county or any property or money of the participant or participants mentioned in the first sentence of this subsection by virtue of any failure to pay all or any part of any in lieu of taxes. The participant or participants constructing or operating the project or any other participant in the project may contest the validity of any payment in lieu of a tax to the same extent as if such payment were a payment of the tax itself. The payments in lieu of taxes must be reduced if and to the extent that such contest is successful.

6. So long as a purchaser of capacity of the project is required to make payments pursuant to subsection 4, that purchaser is not required to make any payment of tax pursuant to NRS 361.157 or 361.159 in respect of its interest or rights in that project.

7. The obligations to make payments in lieu of taxes required by this section do not constitute a debt or indebtedness of the county and do not constitute or give rise to a pecuniary liability of the county or a charge against its general credit or taxing powers.

Sec. 97. Sections 9 to 96, inclusive, of this act become effective on July 1, 1993, only if the question provided for in section 3 of this act is approved by the voters at the general election on November 3, 1992.

4.	BDR S-67 - Proposes to increase rate of taxes imposed by Sales and Use Tax Act.	219
----	---	-----

SUMMARY--Proposes to increase rate of taxes imposed by Sales and Use Tax Act. (BDR S-67)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to taxes on retail sales; providing for the submission to the voters of the question whether the Sales and Use Tax Act of 1955 should be amended to increase the rate of the taxes imposed by the Act; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. At the general election on November 3, 1992, a proposal must be submitted to the registered voters of this state to amend the Sales and Use Tax Act, which was enacted by the 47th session of the legislature of the State of Nevada and approved by the governor in 1955, and subsequently approved by the people of this state at the general election held on November 6, 1956.

Sec. 2. At the time and in the manner provided by law, the secretary of state shall transmit the proposed act to the several county clerks, and the county clerks shall cause it to be published and posted as provided by law.

Sec. 3. The proclamation and notice to the voters given by the county clerks pursuant to law must be in substantially the following form:

Notice is hereby given that at the general election on November 3, 1992, a question will appear on the ballot for the adoption or rejection by the registered voters of the state of the following proposed act:

AN ACT to amend an act entitled "An Act to provide revenue for the State of Nevada; providing for sales and use taxes; providing for the manner of collection; defining certain terms; providing penalties for violation, and other matters properly relating thereto." approved March 29, 1955, as amended.

THE PEOPLE OF THE STATE OF NEVADA DO ENACT AS
FOLLOWS:

Section 1. Section 19 of the above entitled act, being chapter 397, Statutes of Nevada 1955, at page 766, is hereby amended to read as follows:

Sec. 19. For the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of [2] 2.25 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state on or after July 1, 1955.

Sec. 2. Section 34 of the above entitled act, being chapter 397, Statutes of Nevada 1955, as amended by chapter 513, Statutes of Nevada 1985, at page 1563, is hereby amended to read as follows:

Sec. 34. 1. An excise tax is hereby imposed on the storage, use
[,] or other consumption in this state of tangible personal property
purchased from any retailer on or after July 1, 1955, for storage, use
[,] or other consumption in this state at the rate of [2] 2.25 percent
of the sales price of the property.

2. The tax is imposed with respect to all property which was
acquired out of state in a transaction that would have been a taxable
sale if it had occurred within this state.

Sec. 3. This act becomes effective on January 1, 1993.

Sec. 4. The ballot page assemblies and the paper ballots to be used in
voting on the question must present the question in substantially the following
form:

Shall the Sales and Use Tax Act of 1955 be amended to increase the
rate of the taxes imposed by the Act from 2 percent to 2.25 percent?

Yes ☐ No ☐

Sec. 5. The explanation of the question which must appear on each paper
ballot and sample ballot and in every publication and posting of notice of the
question must be in substantially the following form:

(Explanation of Question)

The proposed amendment to the Sales and Use Tax Act of 1955 would
increase the rate of the sales tax from 2 percent to 2.25 percent of the
gross receipts of each retailer and would increase the rate of the use tax

from 2 percent to 2.25 percent of the sales price of property stored, used or consumed in this state.

Sec. 6. If a majority of the votes cast on the question is yes, the amendment to the Sales and Use Tax Act of 1955 becomes effective on January 1, 1993. If a majority of votes cast on the question is no, the question fails and the amendment to the Sales and Use Tax Act of 1955 does not become effective.

Sec. 7. All general election laws not inconsistent with this act are applicable.

Sec. 8. Any informalities, omissions or defects in the content or making of the publications, proclamations or notices provided for in this act and by the general election laws under which this election is held must be so construed as not to invalidate the adoption of the act by a majority of the registered voters voting on the question if it can be ascertained with reasonable certainty from the official returns transmitted to the office of the secretary of state whether the proposed amendment was adopted or rejected by a majority of those registered voters.

5.	BDR 32-406 - Allows certain businesses to pay sales and use tax and other analogous taxes directly to state.	225
----	---	-----

SUMMARY--Allows certain businesses to pay sales and use tax and other analogous taxes directly to state. (BDR 32-406)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to taxation; allowing certain businesses to pay the sales and use tax and other analogous taxes directly to the state; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 372 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 5, inclusive, of this act.

Sec. 2. 1. *Any business that purchases \$800,000 or more of taxable tangible personal property during the previous year may file with the department an application for a direct payment permit.*

2. Every application for a permit must:

(a) Be made on a form prescribed by the department;

(b) Set forth the name under which the applicant transacts business and the location of his place of business;

(c) Include information concerning the purchases made by the business for the 12 months before the date of application; and

(d) Set forth any other information that the department deems necessary.

3. The application must be signed by:

(a) The owner, if the business is owned by a natural person;

(b) A member or partner, if the business is owned by an association or partnership; or

(c) An executive officer or some other person specifically authorized to sign the application, if the business is owned by a corporation.

4. If the application is signed pursuant to paragraph (c) of subsection 3, written evidence of the signer's authority must be attached to the application.

Sec. 3. 1. At the time of making an application, the business must pay to the department a nonrefundable application fee of \$20.

2. An applicant whose permit has been previously suspended or revoked must pay the department a fee of \$20 for the renewal or issuance of a permit.

Sec. 4. 1. The department shall determine if an applicant qualifies for a direct payment permit.

2. If the department determines that the applicant qualifies for a direct payment permit and the applicant has fulfilled the requirements of sections 2 and 3 of this act, and if applicable, NRS 372.510, the department shall issue a permit to the applicant.

3. A permit is not assignable, and is valid only for the business in whose name it is issued.

4. The department shall revoke a permit if it determines that the holder is no longer qualified and may revoke a permit for other just cause. The department

shall adopt regulations setting forth the criteria for the disqualification of a holder of a permit.

Sec. 5. *1. A holder of a direct payment permit shall provide to a seller a copy of the permit issued by the department.*

2. A seller shall keep a copy of the permit in his files and available for inspection by the department.

3. The receipt of a direct payment permit relieves the seller of the obligation of collecting the taxes imposed by this chapter if the permit is taken in good faith from a person who holds the permit in accordance with the provisions of sections 2 to 5, inclusive, of this act.

Sec. 6. NRS 372.360 is hereby amended to read as follows:

372.360 1. On or before the last day of the month following each reporting period, a return for the preceding period must be filed with the department in such form as the department may prescribe.

2. For purposes of [the] :

(a) *The sales tax a return must be filed by each seller. [For purposes of the]*

(b) *The use tax a return must be filed by each retailer maintaining a place of business in the state and by each person purchasing tangible personal property, the storage, use or other consumption of which is subject to the use tax, who has not paid the use tax due to a retailer required to collect the tax.*

(c) *The tax paid pursuant to sections 2 to 5, inclusive, of this act, a return must be filed by the holder of a direct payment permit.*

3. Returns must be signed by the person required to file the return or by his authorized agent but need not be verified by oath.

Sec. 7. NRS 372.735 is hereby amended to read as follows:

372.735 1. Every seller, every retailer, *every holder of a direct payment permit* and every person storing, using or otherwise consuming in this state tangible personal property purchased from a retailer shall keep records, receipts, invoices and other pertinent papers in such form as the department may require.

2. Every seller, retailer or *other* person who files the returns required [under] *pursuant to the provisions of* this chapter shall keep the records for not less than 4 years from their making unless the department in writing sooner authorizes their destruction.

3. Every [seller, retailer or] person who fails to file the returns required [under] *pursuant to the provisions of* this chapter shall keep the records for not less than 8 years from their making unless the department in writing sooner authorizes their destruction.

Sec. 8. NRS 372.740 is hereby amended to read as follows:

372.740 1. The department, or any person authorized in writing by it, may examine the books, papers, records and equipment of any person selling tangible personal property *or holding a direct payment permit* and any person liable for the use tax and may investigate the character of the business of the person in order to verify the accuracy of any return made, or, if no return is made by the person, to ascertain and determine the amount required to be paid.

2. Any person [selling] :

(a) Selling tangible personal property in this state who is required to obtain a permit pursuant to NRS 372.125 [and] ; or

(b) Purchasing or using tangible personal property in this state who obtains a permit pursuant to sections 2 to 5, inclusive, of this act,

and who keeps outside of this state his records, receipts, invoices and other documents relating to sales or purchases he has made, shall pay to the department an amount equal to the allowance provided for state officers and employees generally while traveling outside of the state for each day or fraction thereof during which an employee of the department is engaged in examining those documents, plus any other actual expenses incurred by the employee while he is absent from his regular place of employment to examine those documents.

Sec. 9. Chapter 374 of NRS is hereby amended by adding thereto the provisions set forth as sections 10 to 13, inclusive, of this act.

Sec. 10. 1. *Any business that purchases \$800,000 or more of taxable tangible personal property during the previous year may file with the department an application for a direct payment permit.*

2. Every application for a permit must:

(a) Be made on a form prescribed by the department;

(b) Set forth the name under which the applicant transacts business and the location of his place of business;

(c) Include information concerning the purchases made by the business for the 12 months before the date of application; and

(d) Set forth any other information that the department deems necessary.

3. *The application must be signed by:*

(a) The owner, if the business is owned by a natural person;

(b) A member or partner, if the business is owned by an association or partnership; or

(c) An executive officer or some other person specifically authorized to sign the application, if the business is owned by a corporation.

4. *If the application is signed pursuant to paragraph (c) of subsection 3, written evidence of the signer's authority must be attached to the application.*

Sec. 11. 1. *At the time of making an application, the business must pay to the department a nonrefundable application fee of \$20.*

2. *An applicant whose permit has been previously suspended or revoked must pay the department a fee of \$20 for the renewal or issuance of a permit.*

Sec. 12. 1. *The department shall determine if an applicant qualifies for a direct payment permit.*

2. *If the department determines that the applicant qualifies for a direct payment permit and the applicant has fulfilled the requirements of sections 10 and 11 of this act, and if applicable, NRS 374.515, the department shall issue a permit to the applicant.*

3. *A permit is not assignable, and is valid only for the business in whose name it is issued.*

4. *The department shall revoke a permit if it determines that the holder is no longer qualified and may revoke a permit for other just cause. The department shall adopt regulations setting forth the criteria for the disqualification of a holder of a permit.*

Sec. 13. 1. *A holder of a direct payment permit shall provide to a seller a copy of the permit issued by the department.*

2. *A seller shall keep a copy of the permit in his files and available for inspection by the department.*

3. *The receipt of a direct payment permit relieves the seller of the obligation of collecting the taxes imposed by this chapter if the permit is taken in good faith from a person who holds the permit in accordance with the provisions of sections 10 to 13, inclusive, of this act.*

Sec. 14. NRS 374.365 is hereby amended to read as follows:

374.365 1. On or before the last day of the month following each reporting period, a return for the preceding period must be filed with the department in such form as the department may prescribe.

2. For purposes of [the] :

(a) *The sales tax a return must be filed by every seller. [For purposes of the]*

(b) *The use tax a return must be filed by every retailer maintaining a place of business in the county and by every person purchasing tangible personal property, the storage, use or other consumption of which is subject to the use tax, who has not paid the use tax due to a retailer required to collect the tax.*

(c) *The tax paid pursuant to sections 10 to 13, inclusive, of this act, a return must be filed by the holder of a direct payment permit.*

3. Returns must be signed by the person required to file the return or by his authorized agent but need not be verified by oath.

Sec. 15. NRS 374.740 is hereby amended to read as follows:

374.740 1. Every seller, every retailer, *every holder of a direct payment permit* and every person storing, using or otherwise consuming in a county tangible personal property purchased from a retailer shall keep such records, receipts, invoices and other pertinent papers in such form as the department may require.

2. Every such seller, retailer or person who files the returns required [under] *pursuant to the provisions of* this chapter shall keep such records for not less than 4 years from the making of such records unless the department in writing sooner authorizes their destruction.

3. Every such seller, retailer or person who fails to file the returns required [under] *pursuant to the provisions of* this chapter shall keep such records for not less than 8 years from the making of such records unless the department in writing sooner authorizes their destruction.

Sec. 16. NRS 374.745 is hereby amended to read as follows:

374.745 The department, or any person authorized in writing by it, may examine the books, papers, records and equipment of any person selling tangible personal property *or holding a direct payment permit* and any person liable for the use tax and may investigate the character of the business of the person in order to verify the accuracy of any return made, or, if no return is made by the person, to ascertain and determine the amount required to be paid.

Sec. 17. NRS 374.785 is hereby amended to read as follows:

374.785 1. All fees, taxes, interest and penalties imposed and all amounts of tax required to be paid to counties under this chapter must be paid to the department in the form of remittances payable to the department.

2. The department shall deposit the payments in the state treasury to the credit of the sales and use tax account in the state general fund.

3. The state controller, acting upon the collection data furnished by the department, shall, each month, from the sales and use tax account in the state general fund:

(a) Transfer one-half of 1 percent of all fees, taxes, interest and penalties collected in each county during the preceding month to the appropriate account in the state general fund as compensation to the state for the costs of collecting the tax for the counties.

(b) Determine for each county the amount of money equal to the fees, taxes, interest and penalties collected in the county pursuant to this chapter during the preceding month less the amount transferred pursuant to paragraph (a) of this subsection.

(c) Transfer the total amount of taxes collected pursuant to this chapter during the preceding month from out-of-state businesses not maintaining a fixed place of business within this state to the state distributive school account in the state general fund.

(d) Transfer the amount owed to each county to the intergovernmental fund and remit the money to the credit of the county school district fund.

4. For the purpose of the distribution required by this section [, the] :

(a) *The occasional sale of a vehicle shall be deemed to take place in the county to which the privilege tax payable by the buyer upon that vehicle is distributed.*

(b) *The department shall credit the revenue remitted by a holder of a direct payment permit issued pursuant to section 12 of this act to the county in which the business of the retailer from whom the purchase was made is located.*

Sec. 18. NRS 377.055 is hereby amended to read as follows:

377.055 1. The department, shall monthly determine for each county an amount of money equal to the sum of:

(a) Any fees and any taxes, interest and penalties which derive from the basic city-county relief tax collected in that county pursuant to this chapter during the preceding month, less the amount transferred to the state general fund pursuant to subsection 3 of NRS 377.050 and the sum of any amounts distributed pursuant to NRS 377.053; and

(b) That proportion of the total amount of taxes which derive from that portion of the tax levied at the rate of one-half of 1 percent collected pursuant to this chapter during the preceding month from out-of-state businesses not maintaining a fixed place of business within this state which the population of that county bears to the total population of all counties which have in effect a city-county relief tax ordinance.

2. The department shall apportion and the state controller shall remit the amount determined for each county in the following manner:

(a) If there is one incorporated city in the county, apportion the money between the city and the county general fund in proportion to the respective populations of the city and the unincorporated area of the county.

(b) If there are two or more cities in the county, apportion all such money among the cities in proportion to their respective populations.

(c) If there are no incorporated cities in the county, remit the entire amount to the county treasurer for deposit in the county general fund.

3. The provisions of subsection 2 do not apply to Carson City, where the treasurer shall deposit the entire amount determined for the city and received from the state controller in the general fund.

4. For the purpose of the distribution required by this section [, the] :

(a) *The occasional sale of a vehicle shall be deemed to take place in the county to which the privilege tax payable by the buyer upon that vehicle is distributed.*

(b) *The department shall credit the revenue remitted by a holder of a direct payment permit issued pursuant to section 12 of this act to the county in which the holder declares the sale to have been consummated.*

Sec. 19. NRS 377A.050 is hereby amended to read as follows:

377A.050 1. All fees, taxes, interest and penalties imposed and all amounts of tax required to be paid to the counties [under] *pursuant to* this chapter must be paid to the department in the form of remittances payable to the department.

2. The department shall deposit the payments with the state treasurer for credit to the sales and use tax account in the state general fund.

3. The state controller, acting upon the collection data furnished by the department, shall monthly:

(a) Transfer from the sales and use tax account 1 percent of all fees, taxes, interest and penalties collected in each county during the preceding month to the appropriate account in the state general fund as compensation to the state for the cost of collecting the tax.

(b) Determine for each county an amount of money equal to any fees, taxes, interest and penalties collected in that county pursuant to this chapter during the preceding month, less the amount transferred to the state general fund pursuant to paragraph (a).

(c) Transfer the amount determined for each county to the intergovernmental fund and remit the money to the county treasurer.

4. *For the purpose of the distribution required by this section, the department shall credit the revenue remitted by a holder of a direct payment permit issued pursuant to section 12 of this act to the county in which the holder declares the sale to have been consummated.*

6.	BDR 32-1071 - Revises provisions governing distribution of revenue from supplemental city-county relief tax.	239
----	---	-----

SUMMARY--Revises provisions governing distribution of revenue from supplemental city-county relief tax. (BDR 32-1071)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to taxation; revising the provisions governing the distribution of the revenue from the supplemental city-county relief tax; requiring the annual certification of population to include certain additional local governments; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 360.283 is hereby amended to read as follows:

360.283 1. The department shall adopt regulations to establish a method of determining annually the population of each [city and county in this state] *local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax* and estimate the population of each [city and county] *such local government* pursuant to those regulations.

2. On or before October 30 of each year, the department shall issue a report of the estimated population of each [city and county in this state.] *local*

government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax.

3. Any [city or county in this state] *local government included in the report* may, on or before December 14 of each year, petition the department to revise the estimated population of that [city or county.] *local government.* The department shall by regulation establish a procedure to review each petition and to appeal the decision on review.

4. The department shall, upon the completion of any review and appeal thereon pursuant to subsection 3, determine the population of each [city and county in this state.] *local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax,* and submit its determination to the governor.

5. The department shall employ a demographer to assist in the determination of population pursuant to this section and to cooperate with the Federal Government in the conduct of each decennial census as it relates to this state.

Sec. 2. NRS 360.285 is hereby amended to read as follows:

360.285 1. For the purposes of this Title, the governor shall, on or before February 1 of each year, certify the population of each [city and county in this state] *local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax,* from the determination submitted to him in the preceding year by the department.

2. Where any tax is collected by the department for apportionment in whole or in part to any political subdivision and the basis of the apportionment

is the population of the political subdivision, the department shall use the populations certified by the governor. The transition from one such certification to the next must be made on July 1 following the certification for use in the fiscal year beginning then. Every payment before that date must be based upon the earlier certification and every payment on or after that date must be based upon the later certification.

Sec. 3. NRS 360.287 is hereby amended to read as follows:

360.287 Any person charged with the duty of apportioning any tax proceeds to any [incorporated city] *local government included in the report made pursuant to NRS 360.283* shall use the population figures which are certified annually by the governor.

Sec. 4. Chapter 377 of NRS is hereby amended by adding thereto the provisions set forth as sections 5 and 6 of this act.

Sec. 5. 1. *The department shall monthly determine for each local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax, an amount of money equal to that proportion of the total amount of taxes which derive from the supplemental city-county relief tax during the preceding month from out-of-state businesses not maintaining a fixed place of business within this state, which the population of that local government bears to the total population of all local governments that are eligible to receive a portion of the revenue from the supplemental city-county relief tax.*

2. Upon receipt of the determination of the department pursuant to subsection 1, the state controller shall remit the appropriate amount to each local government for deposit in the general fund of that local government.

Sec. 6. 1. Except as otherwise provided in subsection 2, for each fiscal year beginning on or after July 1, 1991, the supplemental city-county relief tax distribution factor of each local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax must be increased or decreased by the percentage of increase or decrease in the population of the local government compared with the preceding year, using the population figures certified by the governor pursuant to NRS 360.285.

2. The provisions of subsection 1 do not apply to a local government in any year in which its supplemental city-county relief tax distribution factor is established by the Nevada tax commission pursuant to NRS 354.5987.

3. The supplemental city-county relief tax distribution factor, after any adjustment required by subsection 1 or establishment pursuant to NRS 354.5987, must also be adjusted pursuant to the following provisions, if applicable:

(a) For the fiscal years beginning on and after July 1, 1991, if the assessed valuation of all real property, possessory interests and mobile homes owned by the state within the boundaries of a local government exceeds 5 percent of the total assessed valuation of the local government:

(1) An amount equal to any increase over the preceding fiscal year in the assessed valuation of all real property, possessory interests and mobile homes that are owned by the state, exempt from taxation and within the boundaries of the local government, must be added to the assessed valuation of the local

government for the preceding fiscal year including the assessed valuation of property on the central assessment roll allocated to a local government and the assessed valuation attributable to a redevelopment area or tax increment area, but excluding:

(I) Any assessed valuation attributable to the net proceeds of minerals; and

(II) All assessed valuation of new real property, possessory interests and mobile homes added to the assessment rolls in any year after fiscal year 1990-1991; and

(2) The supplemental city-county relief tax distribution factor of the local government must be increased by the percentage increase that the total calculated pursuant to subparagraph (1) represents over the assessed valuation of the local government for the preceding fiscal year including the assessed valuation of property on the central assessment roll allocated to a local government and the assessed valuation attributable to a redevelopment area or tax increment area, but excluding:

(I) Any assessed valuation attributable to the net proceeds of minerals; and

(II) All assessed valuation of new real property, possessory interests and mobile homes added to the assessment rolls in any year after fiscal year 1990-1991.

(b) If a local government levies a tax ad valorem for debt service for an obligation which has previously been repaid from another source, the supplemental city-county relief tax distribution factor of that local government calculated pursuant to this section must be reduced by the amount of that debt levy.

(c) If a board of county commissioners which during the fiscal year ending on June 30, 1981, distributed all or part of the state gaming license fees received pursuant to paragraph (b) of subsection 2 of NRS 463.320 to other local governments thereafter reduces or discontinues that distribution, the supplemental city-county relief tax distribution factor for the county calculated pursuant to this section must be reduced by an equal amount.

Sec. 7. NRS 377.057 is hereby amended to read as follows:

377.057 1. The state controller, acting upon the relevant information furnished by the department, shall monthly from the fees, taxes, interest and penalties which derive from the supplemental city-county relief tax collected in all counties [and from out-of-state businesses] during the preceding month, after making any distributions required by NRS 377.053:

(a) [Distribute the amount specified in this paragraph among the following local governments in the following percentages:

Political Subdivision	Percent- age
Churchill County	3.23
City of North Las Vegas.....	46.52
City of Carlin.....	2.72
Esmeralda County.....	.20
Eureka County.....	.71
City of Winnemucca	5.56

City of Caliente46
City of Yerington	4.77
Mineral County	9.96
City of Gabbs.....	4.31
Pershing County	2.52
City of Lovelock.....	5.77
White Pine County.....	5.37
City of Ely	7.90

For the fiscal year beginning July 1, 1981, the monthly amount is \$71,110. For each succeeding fiscal year, this amount must be reduced by \$7,111 from the preceding year.

(b)] For the fiscal years beginning on and after July 1, 1990, deposit in the emergency fund of the supplemental city-county relief tax the monthly amount required to replenish that fund as determined by the executive director. On or before July 10 of each year the executive director shall determine the balance that existed in the emergency fund of the supplemental city-county relief tax as of June 30 of the preceding fiscal year and subtract that amount from \$2,500,000 to determine the annual amount necessary to replenish the emergency fund. Upon determining the amount necessary to replenish the fund, the executive director shall divide that amount by 12 to determine the monthly amount required to replenish the fund and report that amount to the state controller.

[(c)] (b) Distribute to each local government that is eligible to receive a portion of the tax, the amount calculated for it by the department of taxation pursuant to subsection 2.

2. The amount remaining each month after any distributions required pursuant to NRS 377.053 and [paragraphs (a) and (b)] *paragraph (a)* of subsection 1 must be distributed to the counties in the same proportion that the sum of the supplemental city-county relief tax distribution factors of the county and all local governments in the county that are eligible to receive the tax bears to the sum of the supplemental city-county relief tax distribution factors of all local governments in the state that are eligible to receive the tax, except that, only the portion of the supplemental city-county relief tax distribution factor of a city incorporated after July 1, 1988, which is attributable to any town that the city replaced may be included in the total of the supplemental city-county relief tax distribution factors of the local governments in the county and the state. The amount apportioned to each county must then be apportioned among the several local governments therein, including the county and excluding the school district, any district to provide a telephone number for emergencies, any district created under chapter 318 of NRS to furnish emergency medical services, any redevelopment agency, any tax increment area and any other local government excluded by specific statute, in the proportion which each local government's basic ad valorem revenue bears to the total basic ad valorem revenue of all these local governments.

3. As used in this section, the "basic ad valorem revenue":

(a) Of each local government, except as otherwise provided in subsection 5 of NRS 354.5987, is its assessed valuation, including assessed valuation attributable to a redevelopment agency or tax increment area but excluding the portion attributable to the net proceeds of minerals and assessed valuation of state property included in the calculation of the supplemental city-county relief tax factor, for the year of distribution, multiplied by the rate levied on its behalf for the fiscal year ending June 30, 1981, for purposes other than paying the interest on and principal of its general obligations. For the purposes of this paragraph:

(1) A county whose actual tax rate, for purposes other than debt service, for the fiscal year ending on June 30, 1981, was less than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than 80 cents per \$100 of assessed valuation.

(2) A fire district in such a county whose tax rate was more than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than \$1.10 per \$100 of assessed valuation.

(b) Of the county for the distribution under subsection 1 is the sum of its individual basic ad valorem revenue and those of the other local governments within it, excluding the school district and any district created under chapter 318 of NRS to furnish emergency medical services.

(c) Of a local government listed in subsection 1 of NRS 354.59873 does not include any increase in the basic ad valorem revenue pursuant to that section.

4. For the purposes of this section, a fire protection district organized pursuant to chapter 473 of NRS is a local government.

5. For the purposes of determining basic ad valorem revenue, the assessed valuation of a fire protection district includes property which was transferred from private ownership to public ownership after July 1, 1986, pursuant to:

(a) The Santini-Burton Act, Public Law 96-586; or

(b) Chapter 585, Statutes of Nevada 1985, at page 1866, approved by the voters on November 4, 1986.

6. [For each fiscal year beginning on or after July 1, 1989, the supplemental city-county relief tax distribution factor of each local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax must be calculated as follows:

(a) The assessed valuation of the local government for the preceding fiscal year including the assessed valuation of property on the central assessment roll allocated to a local government and the assessed valuation attributable to a redevelopment area or tax increment area, but excluding any assessed valuation attributable to the net proceeds of minerals, must be added to an amount equal to the product of that assessed valuation multiplied by the proportionate increase in the Consumer Price Index for the preceding calendar year. To this sum must be added the assessed valuation of new real property, possessory interests and mobile homes added to the assessment rolls in the past year and allocable to the local government.

(b) The percentage increase that the total calculated pursuant to paragraph (a) represents over the assessed valuation including the assessed valuation of property on the central assessment roll allocable to the local government but excluding any assessed valuation attributable to the net proceeds of minerals, is

the percentage by which the supplemental city-county relief tax distribution factor may increase over the amount for the previous year.

7. For the fiscal years beginning on and after July 1, 1990, if the assessed valuation of all real property, possessory interests and mobile homes owned by the state within the boundaries of a local government, except a fire protection district to which the provisions of subsection 3 apply, exceeds 5 percent of the total assessed valuation of the local government, an amount equal to any increase over the preceding fiscal year in the assessed valuation of all real property, possessory interests and mobile homes that are owned by the state, exempt from taxation and within the boundaries of the local government must be added to the sum determined pursuant to paragraph (a) of subsection 6 and used in the calculation required by that subsection in the same manner as the assessed value of new real property.

8. The county assessor shall continue to assess real property which is transferred from private ownership to public ownership for the purpose of conservation as if it remained taxable property and the assessed valuation of that property must continue to be included in calculating the supplemental city-county relief tax distribution factor of any fire protection district in which such property is located.

9. If a local government that is eligible to receive a portion of the revenue from the supplemental city-county relief tax levies a tax ad valorem for debt service for an obligation which has previously been repaid from another source, the supplemental city-county relief tax distribution factor of that local

government calculated pursuant to this section must be reduced by the amount of that debt levy.

10. If a board of county commissioners which during the fiscal year ending on June 30, 1981, distributed all or part of the state gaming license fees received pursuant to paragraph (b) of subsection 2 of NRS 463.320 to other local governments thereafter reduces or discontinues that distribution, the supplemental city-county relief tax distribution factor for the county calculated pursuant to this section must be reduced by an equal amount.

11.] On or before February 15 of each year, the executive director shall provide to each local government a preliminary estimate of the revenue it will receive from the supplemental city-county relief tax in the next fiscal year.

[12.] 7. On or before March 15 of each year, the executive director shall:

(a) Make an estimate of the receipts from the supplemental city-county relief tax on an accrual basis for the next fiscal year in accordance with generally accepted accounting principles; and

(b) Provide to each local government an estimate of the tax that local government would receive based upon the estimate made pursuant to paragraph (a) and calculated pursuant to the provisions of this section.

[13.] 8. A local government may use the estimate provided by the executive director pursuant to subsection [12] 7 in the preparation of its budget.

Sec. 8. NRS 354.573 is hereby amended to read as follows:

354.573 "Supplemental city-county relief tax distribution factor" means the factor used in the distribution of a portion of the revenue from the

supplemental city-county relief tax to a local government that is calculated pursuant to the provisions of [NRS 377.057.] *section 6 of this act.*

Sec. 9. NRS 354.5982 is hereby amended to read as follows:

354.5982 1. The local government may exceed the limit imposed by NRS 354.59811 upon the calculated receipts from taxes ad valorem only if its governing body proposes to its registered voters an additional levy ad valorem, specifying the amount of money to be derived, the purpose for which it is to be expended, and the duration of the levy, and the proposal is approved by a majority of the voters voting on the question at a general election or a special election called for that purpose. The governing body may discontinue the levy before it expires and may not thereafter reimpose it in whole or in part without following the procedure required for its original imposition.

2. To the allowed revenue from taxes ad valorem determined pursuant to NRS 354.59811 for a local government, the executive director of the department of taxation shall add any amount approved by the legislature for the cost to that local government of any substantial program or expense required by legislative enactment.

3. Except as otherwise provided in this subsection, if one or more local governments take over the functions previously performed by a local government which no longer exists, the Nevada tax commission shall add to the allowed revenue from taxes ad valorem, the supplemental city-county relief tax distribution factor and the basic ad valorem revenue, respectively, otherwise allowable to the local government or local governments pursuant to NRS 354.59811 and 377.057 [,] *and section 6 of this act*, an amount equal to

the allowed revenue from taxes ad valorem, the supplemental city-county relief tax distribution factor and the basic ad valorem revenue, respectively, for the last fiscal year of existence of the local government whose functions were assumed. If more than one local government assumes the functions, the additional revenue must be divided among the local governments on the basis of the proportionate costs of the functions assumed. The Nevada tax commission shall not allow any increase in the allowed revenue from taxes ad valorem, supplemental city-county relief tax distribution factor or basic ad valorem revenue if the increase would result in a decrease in revenue of any local government in the county which does not assume those functions.

Sec. 10. NRS 354.5987 is hereby amended to read as follows:

354.5987 1. For the purposes of NRS 354.59811 and 377.057 [,] *and section 6 of this act*, the allowed revenue from taxes ad valorem and the supplemental city-county relief tax distribution factor of any local government:

(a) Which comes into being on or after July 1, 1989, whether newly created, consolidated, or both; or

(b) Which was in existence before July 1, 1989, but did not receive revenue from taxes ad valorem, except any levied for debt service, for the fiscal year ending June 30, 1989, must be initially established by the Nevada tax commission.

2. Except as otherwise provided in subsections 3 and 6, if the local government for which the allowed revenue from taxes ad valorem and the supplemental city-county relief tax distribution factor are to be established performs a function previously performed by another local government, the

total revenue allowed to all local governments for performance of substantially the same function in substantially the same geographical area must not be increased. To achieve this result, the Nevada tax commission shall request the local governmental advisory committee to prepare a statement of the prior cost of performing the function for each predecessor local government. Within 60 days after receipt of such a request, the local governmental advisory committee shall prepare a statement pursuant to the request and transmit it to the Nevada tax commission. The Nevada tax commission may accept, reject or amend the statement of the local governmental advisory committee. The decision of the Nevada tax commission is final. Upon making a final determination of the prior cost of performing the function for each predecessor local government, the Nevada tax commission shall:

- (a) Determine the percentage that the prior cost of performing the function for each predecessor local government is of the supplemental city-county relief tax distribution factor of that local government;
- (b) Apply the percentage determined pursuant to paragraph (a) to the basic ad valorem revenue and to the allowed revenue from taxes ad valorem and subtract those amounts respectively from the basic ad valorem revenue and from the allowed revenue from taxes ad valorem of the predecessor local government; and
- (c) Then subtract from the supplemental city-county relief tax distribution factor of each predecessor local government, the prior cost of performing the function.

The basic ad valorem revenue, allowed revenue from taxes ad valorem and supplemental city-county relief tax distribution factor, respectively, attributable to the new local government for the cost of performing the function must equal the total of the amounts subtracted for the prior cost of performing the function from the basic ad valorem revenue, allowed revenue from taxes ad valorem and supplemental city-county relief tax distribution factor, respectively, of all of the predecessor local governments.

3. If the local government for which the supplemental city-county relief tax distribution factor is to be established pursuant to subsection 1 is a city, the Nevada tax commission shall:

(a) Using the supplemental city-county relief tax distribution factor of the town replaced by the city, if any, as a basis, set the supplemental city-county relief tax distribution factor of the city at an amount sufficient to allow the city, with other available revenue, to provide the basic services for which it was created;

(b) Set the basic ad valorem revenue of the city at an amount which bears the same ratio to the supplemental city-county relief tax distribution factor of the city as the sum of the basic ad valorem revenue of the county, and any town which the city is replacing, bears to the sum of the maximum supplemental city-county relief tax distribution factors of the county and the city;

(c) Reduce the basic ad valorem revenue of the county by the amount set for the city pursuant to paragraph (b);

(d) Add to the basic ad valorem revenue of the county the basic ad valorem revenue of any town which the city has replaced; and

(e) Add to the allowed revenue from taxes ad valorem of the county the allowed revenue from taxes ad valorem for any town which the city replaced, except that the addition to the county must be limited so that the county does not receive from the supplemental city-county relief tax and taxes ad valorem an amount greater than its supplemental city-county relief tax distribution factor.

4. In any other case, except as otherwise provided in subsection 6, the allowed revenue from taxes ad valorem and the supplemental city-county relief tax distribution factor of all local governments in the county, determined pursuant to NRS 354.59811 and [377.057,] *section 6 of this act*, must not be increased, but the total basic ad valorem revenue and allowed revenue from taxes ad valorem must be reallocated among the local governments consistent with subsection 2 to accommodate the amount established for the new local government pursuant to subsection 1.

5. Any amount of basic ad valorem revenue allowable which is established or changed pursuant to this section must be used to determine a new tax rate for the fiscal year ending June 30, 1981, for each affected local government. This new tax rate must be used to make the distributions among the local governments in the county required by NRS 377.057 for each year following the year in which the amount was established or changed.

6. In establishing the allowed revenue from taxes ad valorem and the supplemental city-county relief tax distribution factor of a county, city or town

pursuant to this section, the Nevada tax commission shall allow a tax rate for operating expenses of at least 15 cents per \$100 of assessed valuation in addition to the tax rate allowed for any identified and restricted purposes and for debt service.

7. After establishing the supplemental city-county relief tax distribution factor of a local government pursuant to this section, the Nevada tax commission shall adjust the factor as provided in subsection 3 of section 6 of this act, if applicable.

8. As used in this section:

(a) "Predecessor local government" means a local government which previously performed all or part of a function to be performed by the local government for which the allowed revenue from taxes ad valorem and the supplemental city-county relief tax distribution factors are being established pursuant to subsection 1.

(b) "Prior cost of performing the function" means the amount expended by a local government to perform a function which is now to be performed by another local government. The amount must be determined on the basis of the most recent fiscal year for which reliable information is available.

Sec. 11. NRS 354.59874 is hereby amended to read as follows:

354.59874 1. Except as otherwise provided in subsection 3 of NRS 354.5982 and subsection 2 of NRS 354.5987, if one local government takes over a function or provides a service previously performed by another local government pursuant to an agreement between the local governments, upon

petition by the participating local governments, the executive director of the department of taxation shall:

(a) Reduce the allowed revenue from taxes ad valorem calculated pursuant to NRS 354.59811 of the local government which previously performed the function or provided the service, for the first year the service is provided or the function is performed by an amount equal to the cost of performing the function or providing the service; and

(b) Increase the allowed revenue from taxes ad valorem calculated pursuant to NRS 354.59811 of the local government which assumed the performance of the function or the provision of the service, for the first year the service is provided or the function is performed by an amount equal to the amount by which the reduction was made pursuant to paragraph (a).

2. [The changes required by subsection 1 do not apply to the calculations required by NRS 377.057.] In addition to the changes required by subsection 1, the executive director of the department of taxation shall make any other adjustments necessary to ensure that there is no fiscal impact upon either local government in the [calculations] *distributions* required by NRS 377.057 as a result of the changes required by subsection 1.

Sec. 12. NRS 354.5989 is hereby amended to read as follows:

354.5989 1. A local government shall not increase any fee for a business license or adopt a fee for a business license issued for revenue or regulation, or both, except as permitted by this section. This prohibition does not apply to fees:

(a) Imposed by hospitals, county airports, airport authorities, convention authorities, the Las Vegas Valley Water District or the Clark County Sanitation District;

(b) Imposed on public utilities for the privilege of doing business pursuant to a franchise; or

(c) For business licenses which are calculated as a fraction or percentage of the gross revenue of the business.

2. The amount of revenue the local government derives or is allowed to derive, whichever is greater, from all fees for business licenses except those excluded by subsection 1, for the fiscal year ended on June 30, 1989, is the base from which the maximum allowable revenue from such fees must be calculated for the next subsequent year. To the base must be added the sum of the amounts respectively equal to the product of the base multiplied by the percentage increase , *if any*, in the supplemental city-county relief tax distribution factor of the local government for the current year over that factor for the preceding year. *For any year in which the supplemental city-county relief tax distribution factor decreases, the maximum allowable revenue from such fees must remain the same as it was in the preceding year.* The amount so determined becomes the base for computing the allowed increase for each subsequent year.

3. A local government may not increase any fee for a business license which is calculated as a fraction or percentage of the gross revenue of the business if its total revenues from such fees have increased during the

preceding fiscal year by more than the increase in the Consumer Price Index during that preceding calendar year.

4. A local government may submit an application to increase its revenue from fees for business licenses beyond the amount allowable under this section to the Nevada tax commission, which may grant the application only if it finds that:

(a) Under the circumstances a special distribution could be made from the emergency fund of the supplemental city-county relief tax and only to the extent that these circumstances are not relieved by such a distribution; or

(b) The rate of a business license of the local government is substantially below that of other local governments in the state.

5. The provisions of this section apply to any business license regardless of the fund to which the revenue from it is assigned. An ordinance or resolution enacted by a local government in violation of the provisions of this section is void.

Sec. 13. This act becomes effective on July 1, 1991.

7.	BDR S-1072 - Requires adjustment of supplemental city-county relief tax distribution factors of certain counties.	263
----	---	-----

SUMMARY--Requires adjustment of supplemental city-county relief tax distribution factors of certain counties. (BDR S-1072)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to taxation; requiring the adjustment of the supplemental city-county relief tax distribution factors of Elko and Eureka counties; providing for an increase in the allowed revenue from taxes ad valorem of local governments adversely affected by the change in supplemental city-county relief tax distribution factors; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. The legislature hereby finds and declares that:

1. In 1989, the Nevada Legislature substantially revised the formula which allocates the revenue from the supplemental city-county relief tax among the local governments to recognize economic changes that had taken place in the various counties, cities and towns during the 8 years since the formula was enacted;

2. In recent years in northern Eureka County, various mining enterprises have begun major operations which have brought many new employees and

their families to live in Elko County and the financial effects of the resulting "boom" in Elko County was not fully understood when the current formula was established;

3. It is therefore necessary to make certain changes in the distribution of the revenue from the supplemental city-county relief tax to achieve equity and fairness among the local governments of this state;

4. These adjustments are necessary to recognize economic changes that have taken place in the various counties, cities and towns, to recognize the need in some local governments for additional funding for basic services and to provide resources to accommodate expenditures in certain local governments related to community growth; and

5. A general law cannot be made applicable to the situation because of the economic diversity of the local governments of this state, the unusual growth patterns in certain of those local governments and the special conditions experienced in certain counties related to the need to provide basic services.

Sec. 2. Upon determination of the supplemental city-county relief tax distribution factors of Elko and Eureka counties for the fiscal year 1991-1992, the executive director of the department of taxation shall adjust those factors by multiplying the factor for:

1. Elko County by 1.47; and
2. Eureka County by .5.

Sec. 3. As soon as practicable after July 1, 1991, the executive director of the department of taxation shall:

1. Determine the effect of the provisions of this act upon the estimate of the amount of supplemental city-county relief tax to be received by each local government for the fiscal year 1991-1992 and notify each local government of any revision of that estimate; and

2. Increase the allowed revenue from taxes ad valorem of each local government whose revenue from the supplemental city-county relief tax he estimates will be reduced as a direct result of the provisions of this act. Any increase made pursuant to this subsection may only be made for the fiscal year 1991-1992 and must be included in the basis for the calculation of the allowed revenue from taxes ad valorem in all future years.

Sec. 4. This act becomes effective on July 1, 1991.

8.	BDR 20-1073 - Consolidates Elko and Eureka counties.....	269
----	---	-----

SUMMARY--Consolidates Elko and Eureka counties. (BDR 20-1073)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to counties; providing in skeleton form for the consolidation of Elko and Eureka counties; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 243 of NRS is hereby amended by adding thereto a new section to read as follows:

The counties of Elko and Eureka shall hereafter form but one county, to be known as Eurelko County. The county shall embrace the territory within the present boundaries of Elko and Eureka counties.

Sec. 2. This act becomes effective upon proclamation of the governor pursuant to NRS 243.455 that a majority of all qualified voters voting approved this act at the elections held in both Elko and Eureka counties pursuant to NRS 243.420 to 243.450, inclusive.

9.	BDR 32-1074 - Revises provisions governing assessment of property for taxation.....	273
----	---	-----

SUMMARY--Revises provisions governing assessment of property for taxation.

(BDR 32-1074)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to property taxes; revising the standards used by the department of taxation in conducting the ratio study of the assessed value of property; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 361.333 is hereby amended to read as follows:

361.333 1. Not later than May 1 of each year, the department shall:

(a) Determine the ratio of the assessed value of each type or class of property for which the county assessor has the responsibility of assessing in each county to:

(1) The assessed value of comparable property in the remaining counties.

(2) The taxable value of that type or class of property within that county.

(b) Publish and deliver to the county assessors and the boards of county commissioners of the counties of this state:

(1) [The average ratio of assessed valuation to the taxable value of property in each county and the state.

(2) The average ratio of assessed valuation to the taxable value of property in each county.] *A comparison of the latest median ratio, overall ratio and coefficient of dispersion of the median for:*

(I) The total property for each of the 17 counties; and

(II) Each major property class within each county.

(2) A determination of whether each county has adequate procedures to ensure that all property subject to taxation is being assessed in a correct and timely manner.

(3) A summary for each county of any deficiencies that were discovered in carrying out the ratio study.

2. The ratio study must be conducted on nine counties in one year and eight counties in the next year with the same combination of counties being tested in alternate years.

3. [The formulas and standard procedures used by the department in conducting the ratio study must include a random sampling of property and sales and the use of the mean, median, standard deviation and any other] *In conducting the ratio study the department shall include an adequate sample of each major property class and may use any statistical criteria that will indicate an accurate ratio of taxable value to assessed value and an accurate measure of assessment equality. [The formulas and standard procedures are the mandatory formulas and procedures to be used by the county assessors.]*

4. During the month of May of each year, the board of county commissioners, or a representative designated by the board's chairman, and the county assessor, or a representative designated by the assessor, of each county in which the ratio study was conducted shall meet with the Nevada tax commission. The board of county commissioners and the county assessor, or their representatives, shall:

(a) Present evidence to the Nevada tax commission of the steps taken to ensure that all property subject to taxation within the county has been assessed as required by law.

(b) Demonstrate to the Nevada tax commission that any adjustments in assessments ordered in the preceding year as a result of the appraisal procedure provided in paragraph (c) of subsection 5 have been complied with.

5. At the conclusion of each meeting with the board of county commissioners and the county assessor, or their representatives, the Nevada tax commission [shall:] *may*:

(a) If it finds that all property subject to taxation within the county has been assessed at the proper percentage, take no further action.

(b) If it finds that any class of property [, as designated in the segregation of the tax roll filed with the secretary of the state board of equalization pursuant to NRS 361.390,] is assessed at less or more than the proper percentage, and if the board of county commissioners approves, order a specified percentage increase or decrease in the assessed valuation of that class on the succeeding tax list and assessment roll.

(c) If it finds the existence of underassessment or overassessment wherein the ratio of assessed value to taxable value is less than [30] 32 percent or more than [37 1/2 percent within each of the several classes of property] 36 percent in any of the following classes:

- (1) *Improvement values for the reappraisal area;*
- (2) *Land values for the reappraisal area; and*
- (3) *Total property values for each of the following use categories in the reappraisal area:*

- (I) *Vacant;*
- (II) *Single-family residential;*
- (III) *Multi-residential;*
- (IV) *Commercial and industrial; and*
- (V) *Rural,*

of the county which are required by law to be assessed at 35 percent of their taxable value, *if in the nonreappraisal area the approved land and improvement factors are not being correctly applied or new construction is not being added to the assessment roll in a timely manner*, or if the board of county commissioners does not agree to an increase or decrease in assessed value as provided in paragraph (b), order the board of county commissioners to employ forthwith one or more qualified appraisers approved by the department. The payment of such appraisers' fees is a proper charge against the county notwithstanding that the amount of such fees has not been budgeted in accordance with law. The appraisers shall determine whether or not the county assessor has assessed all real and personal property in the county subject to taxation at the rate of

assessment required by law. The appraisers may cooperate with the department in making their determination if so agreed by the appraisers and the department, and shall cooperate with the department in preparing a report to the Nevada tax commission. The report to the Nevada tax commission must be made on or before October 1 following the date of the order. If the report indicates that any real or personal property in the county subject to taxation has not been assessed at the rate required by law, a copy of the report must be transmitted to the board of county commissioners by the department before November 1. The board of county commissioners shall then order the county assessor to raise or lower the assessment of such property to the rate required by law on the succeeding tax list and assessment roll.

6. The Nevada tax commission may adopt regulations reasonably necessary to carry out the provisions of this section.

7. Any county assessor who refuses to increase or decrease the assessment of any property pursuant to an order of the Nevada tax commission or the board of county commissioners as provided in this section is guilty of malfeasance in office.

Sec. 2. This act becomes effective on July 1, 1991.

10.	BDR 32-1075 - Requires department of taxation to establish uniform standards and required training concerning the assessment of property by county assessors.	281
-----	---	-----

SUMMARY--Requires department of taxation to establish uniform standards and required training concerning the assessment of property by county assessors. (BDR 32-1075)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to taxation; requiring the department of taxation to establish uniform standards and required training concerning the assessment of property by county assessors; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 360.215 is hereby amended to read as follows:

360.215 The department [may:

1. Assist] :

1. *May assist* the county assessors in appraising property within their respective counties which the ratio study shows to be [assessed at more or less than 35 percent of its taxable value.

2. Consult] *in need of reappraisal.*

2. *Shall consult* with and assist county assessors to develop and maintain standard assessment procedures to be applied and used in all of the counties of

the state, to [the end] *ensure* that assessments of property by county assessors are made equal in each of the several counties of this state.

3. [Visit] *Shall visit* a selective cross section of assessable properties within the various counties in cooperation with the county assessor and examine these properties and compare them with the tax roll and assist the various county assessors in correcting any inequalities found to exist with factors of equal value and actual assessed value considered, and place upon the rolls any property found to be omitted from the tax roll.

4. [Carry] *Shall carry* on a continuing study, the object of which is the equalization of property values between counties.

5. [Carry] *Shall carry* on a program of in-service training for county assessors of the several counties of the state, and each year hold classes of instruction in assessing procedure for the purpose of bringing each county assessor and his authorized personnel the newest methods, procedures and practices in assessing property. Expenses of attending such classes are a proper and allowable charge by the board of county commissioners in each county.

6. [Continually] *Shall continually* supervise assessment procedures which are carried on in the several counties of the state and advise county assessors in the application of such procedures. The department shall make a complete written report to each session of the legislature, which must include all reports of its activities and findings and all recommendations which it has made to the several county assessors, and the extent to which [such] *the* recommendations have been followed.

7. [Carry] *Shall carry* on a continuing program to maintain and study the assessment of public utilities and all other property assessed by the department to the end that [such] *the* assessment is equalized with the property assessable by county assessors.

8. [Conduct] *May conduct* appraisals at the request of and in conjunction with any county assessor when [such] *the* assessor considers such assistance necessary. One-half of the cost of [such] *the* appraisal must be paid by the county. In lieu of a cash payment, the county may provide labor, material or services having a value equal to one-half of the appraisal cost.

9. *Shall establish and maintain a manual of assessment policies and procedures.*

Sec. 2. NRS 360.230 is hereby amended to read as follows:

360.230 The department shall [have the power:

1. To make diligent investigation with reference to any] :

1. *Diligently investigate any* class or kind of property believed to be escaping just taxation. In pursuance thereof, the department may examine the books and accounts of any person, copartnership or corporation doing business in the state, when such *an* examination is deemed necessary to a proper determination of the valuation of any property subject to taxation, or the determination of any licenses for the conduct of any business, or the determination of the net proceeds of any mine.

2. [To require] *Require* county assessors, county boards of equalization, county auditors or county treasurers to place upon the roll any property found to be escaping taxation.

11. BDR 35-1076 - Provides for establishment of toll roads and bridges by local governments.....	287
---	-----

SUMMARY--Provides for establishment of toll roads and bridges by local governments. (BDR 35-1076)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to roads; providing in skeleton form for the establishment of toll roads and bridges by local governments; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 406 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 5, inclusive, of this act.

Sec. 2. *As used in this chapter, unless the context otherwise requires:*

1. *"Governing body" means the board of county commissioners, city council, city commission, board of supervisors or town council of the municipality.*

2. *"Municipality" means a county, incorporated city, town or unincorporated town.*

Sec. 3. *The governing body of a municipality may:*

1. *Construct, maintain and operate toll roads and toll bridges.*

2. Defray the cost of the construction, operation and maintenance of a toll road or toll bridge by the issuance of bonds or other securities pursuant to NRS 350.500 to 350.720, inclusive.

3. Apply for, accept and expend any federal or private grant of money or other type of assistance that becomes available to carry out the provisions of sections 2 to 5, inclusive, of this act.

Sec. 4. 1. The governing body of a municipality may enter into an agreement with another governing body or the director of the department of transportation to:

(a) Study the feasibility of constructing a toll road or toll bridge;

(b) Construct, operate and maintain a toll road or toll bridge; or

(c) Defray the cost of the construction, operation and maintenance of the toll road or toll bridge by the issuance of bonds or other securities pursuant to NRS 350.500 to 350.720, inclusive.

2. Any agreement entered pursuant to subsection 1 must:

(a) Not exceed 40 years in term; and

(b) Be payable from any money lawfully available to the governing body or the department of transportation.

Sec. 5. The ordinance providing for the issuance of any bonds or other securities pursuant to section 3 or 4 of this act must:

1. Specify the length of time that the project will remain a toll facility and the use of the revenues therefrom; and

2. Provide that when the project is no longer a toll facility it will become part of the state highway system.

12.	BDR 17-1077 - Creates interim legislative committee on taxation.....	291
-----	---	-----

SUMMARY--Creates interim legislative committee on taxation. (BDR 17-1077)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to the legislature; creating the interim legislative committee on taxation; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 218 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this act.

Sec. 2. *As used in sections 2 to 8, inclusive, of this act "committee" means the interim legislative committee on taxation.*

Sec. 3. *1. There is hereby established an interim legislative committee on taxation consisting of four members of the senate and four members of the assembly, appointed by the legislative commission. The members of the committee must be appointed at the first meeting of the legislative commission after each regular legislative session and serve until the convening of the next session. The members of the committee must have been members of the senate or assembly standing committee on taxation during the legislative session immediately preceding the interim for which they are appointed.*

2. *The members of the committee shall elect a chairman from one house of the legislature and a vice chairman from the other to serve for the interim. After the initial selection of a chairman and a vice chairman, the chairmanship must alternate between the houses of the legislature by interim. If a vacancy occurs in the chairmanship or vice chairmanship, the members of the committee shall elect a replacement, who meets the requirements of this subsection, for the remainder of the unexpired term.*

3. *Any member of the committee who is not a candidate for reelection or who is defeated for reelection continues to serve until the convening of the next session of the legislature.*

4. *Vacancies on the committee must be filled in the same manner as original appointments.*

5. *On or before December 1 of each even-numbered year the committee shall submit to the legislative commission a report concerning its activities and any recommendations for proposed legislation. Upon approval of the report by the legislative commission, the director of the legislative counsel bureau shall transmit a copy to each legislator who has been preliminarily designated as a member of the senate or assembly standing committee on taxation for the next regular legislative session and to any other member of the legislature who so requests.*

Sec. 4. 1. *The members of the committee shall meet throughout the interim at the times and places specified by a call of the chairman or a majority of the committee. The director of the legislative counsel bureau or a person he has designated shall act as the nonvoting recording secretary. The committee shall*

prescribe regulations for its own management and government. Five members of the committee constitute a quorum, and a quorum may exercise all the power and authority conferred on the committee.

2. Except during a special session of the legislature, the members of the committee are entitled to receive the compensation provided for a majority of the members of the legislature during the first 60 days of the preceding session, the per diem allowance provided for state officers and employees generally and the travel expenses provided pursuant to NRS 218.2207 for each day of attendance at a meeting of the committee and while engaged in the business of the committee.

3. The salaries and expenses of the committee must be paid from the legislative fund.

Sec. 5. 1. *The committee may:*

(a) Review and comment on any law, administrative policy, rule or regulation concerning state or local taxation;

(b) Conduct investigations and hold hearings in connection with its review, including, but not limited to, investigating the effect on the state, its residents, political subdivisions, businesses and industries of those policies, rules, regulations and related laws;

(c) Consult with and advise the department of taxation, the Nevada tax commission and local governments on matters concerning policies and activities related to taxation in this state;

(d) Appoint subcommittees, which may include members of the public and private sectors for technical advice, to carry out specifically assigned tasks or study specified subjects;

(e) Direct the legislative counsel bureau to assist in its research, investigations, review and comment;

(f) Recommend to the legislature as a result of its review any appropriate state legislation or corrective federal legislation; and

(g) Apply for any available grants and accept any gifts, grants or donations to aid the committee in carrying out its duties.

2. The expenses of a member of the public or private sector who is appointed to a subcommittee pursuant to paragraph (d) of subsection 1 must be paid by the entity he represents, if any, or by the member.

Sec. 6. The committee shall:

1. Review and evaluate the equity, distribution and adequacy of all existing taxes;

2. Analyze and determine the feasibility and functionality of future revenue sources of the state and all of its political subdivisions; and

3. Carry out any additional duties assigned to it by the legislative commission.

Sec. 7. 1. In conducting the investigations and hearings of the committee:

(a) The secretary of the committee, or in his absence any member of the committee, may administer oaths.

(b) The secretary or chairman of the committee may cause the deposition of witnesses, residing either within or without the state, to be taken in the manner

prescribed by rule of court for taking depositions in civil actions in the district courts.

(c) The secretary or chairman of the committee may issue subpoenas to compel the attendance of witnesses and the production of books and papers.

2. If any witness refuses to attend or testify or produce any books and papers as required by the subpoena, the secretary or chairman of the committee may report to the district court by petition, setting forth that:

(a) Due notice has been given of the time and place of attendance of the witness or the production of the books and papers;

(b) The witness has been subpoenaed by the committee pursuant to this section; and

(c) The witness has failed or refused to attend or produce the books and papers required by the subpoena before the committee which is named in the subpoena, or has refused to answer questions propounded to him, and asking for an order of the court compelling the witness to attend and testify or produce the books and papers before the committee.

3. Upon such petition, the court shall enter an order directing the witness to appear before the court at a time and place to be fixed by the court in its order, the time to be not more than 10 days from the date of the order, and then and there show cause why he has not attended or testified or produced the books or papers before the committee. A certified copy of the order shall be served upon the witness.

4. If it appears to the court that the subpoena was regularly issued by the committee, the court shall enter an order that the witness appear before the

committee at the time and place fixed in the order and testify or produce the required books or papers, and upon failure to obey the order the witness shall be dealt with as for contempt of court.

Sec. 8. *Each witness who appears before the committee by its order, except a state officer or employee, is entitled to receive for his attendance the fees and mileage provided for witnesses in civil cases in the courts of record of this state. The fees and mileage shall be audited and paid from the legislative fund upon the presentation of proper claims sworn to by the witness and approved by the secretary and chairman of the committee.*

Sec. 9. This act becomes effective upon passage and approval.

13. BDR C-1078 - Proposes to amend Nevada constitution to provide specific authority for legislature to review exercise of certain lawmaking authority delegated to agencies of executive department.....	299
---	-----

SUMMARY--Proposes to amend Nevada constitution to provide specific authority for legislature to review exercise of certain lawmaking authority delegated to agencies of executive department.
(BDR C-1078)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

JOINT RESOLUTION--Proposing to amend the constitution of the State of Nevada to provide specific authority for the legislature to review the exercise of certain lawmaking authority delegated to the agencies of the executive department.

RESOLVED BY THE AND OF THE STATE OF NEVADA, JOINTLY, That a new section be added to article 4 of the constitution of the State of Nevada to read as follows:

Sec. 38. 1. The legislature may by law specifically authorize agencies of the executive department of the state government to adopt regulations that bind persons outside the agency and have the force and effect of law.

2. For each regulation the legislature authorizes pursuant to subsection 1, it shall provide by law for:

(a) A reasonable opportunity for all interested persons to submit data, views or arguments concerning the proposed regulation to the agency before the

regulation is adopted unless the regulation is adopted in an emergency and will only be in effect for a limited amount of time;

(b) Review by a legislative agency before the effective date to determine initially whether the proposed regulation is within the statutory authority for its adoption;

(c) Suspension before the effective date of the regulation by a legislative body composed of members of the Senate and Assembly which is authorized to act on behalf of both houses of the legislature, if the legislative body determines that the proposed regulation exceeds the statutory authority; and

(d) Nullification of any regulation suspended pursuant to paragraph (c) unless approved by concurrent resolution of the legislature at the first regular session of the legislature immediately following the suspension.

3. The legislature may exempt an agency from the provisions of subsection 2 if it finds that those provisions are not required to protect the public interest as it relates to the specific agency.

14.	BDR 31-1079 - Removes certain limitations on revenue received by local government from property taxes.....	303
-----	--	-----

SUMMARY--Removes certain limitations on revenue received by local government from property taxes. (BDR 31-1079)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governmental finances; removing certain limitations on the amount of revenue that may be received by a local government from property taxes; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 354.430 is hereby amended to read as follows:

354.430 Except as otherwise provided in NRS 496.155:

1. Upon the adoption of a short-term financing resolution, as provided in NRS 354.618, by a local government as defined in NRS 354.474, a certified copy thereof must be forwarded to the executive director of the department of taxation. As soon as is practicable, the executive director of the department of taxation shall, after consideration of the tax structure of the political subdivisions concerned and the probable ability of the political subdivision to repay the requested short-term financing, [unless the resolution is governed by subsection 3,] either approve or disapprove the resolution in writing to the

governing board. No such resolution is effective until approved by the executive director of the department of taxation. The written approval of the executive director of the department of taxation must be recorded in the minutes of the governing board.

2. If the executive director of the department of taxation does not approve the short-term financing resolution, the governing board of the political subdivision may appeal the executive director's decision to the Nevada tax commission.

[3. Short-term financing for a capital expenditure for public safety may be repaid from the proceeds of a special tax exempt from the limitation on taxes ad valorem, but only if the Nevada tax commission approves this method of repayment in the particular case. The executive director shall recommend approval or disapproval to the commission.]

Sec. 2. NRS 354.5987 is hereby amended to read as follows:

354.5987 1. For the purposes of NRS [354.59811 and] 377.057, the [allowed revenue from taxes ad valorem and the] supplemental city-county relief tax distribution factor of any local government:

(a) Which comes into being on or after July 1, 1989, whether newly created, consolidated, or both; or

(b) Which was in existence before July 1, 1989, but did not receive revenue from taxes ad valorem, except any levied for debt service, for the fiscal year ending June 30, 1989,
must be initially established by the Nevada tax commission.

2. Except as otherwise provided in subsections 3 and 6, if the local government for which the [allowed revenue from taxes ad valorem and the] supplemental city-county relief tax distribution factor [are] *is* to be established performs a function previously performed by another local government, the total revenue allowed to all local governments for performance of substantially the same function in substantially the same geographical area must not be increased. To achieve this result, the Nevada tax commission shall request the local governmental advisory committee to prepare a statement of the prior cost of performing the function for each predecessor local government. Within 60 days after receipt of such a request, the local governmental advisory committee shall prepare a statement pursuant to the request and transmit it to the Nevada tax commission. The Nevada tax commission may accept, reject or amend the statement of the local governmental advisory committee. The decision of the Nevada tax commission is final. Upon making a final determination of the prior cost of performing the function for each predecessor local government, the Nevada tax commission shall:

(a) Determine the percentage that the prior cost of performing the function for each predecessor local government is of the supplemental city-county relief tax distribution factor of that local government;

(b) Apply the percentage determined pursuant to paragraph (a) to the basic ad valorem revenue [and to the allowed revenue from taxes ad valorem] and subtract [those amounts respectively] *that amount* from the basic ad valorem revenue [and from the allowed revenue from taxes ad valorem] of the predecessor local government; and

(c) Then subtract from the supplemental city-county relief tax distribution factor of each predecessor local government, the prior cost of performing the function.

The basic ad valorem revenue [, allowed revenue from taxes ad valorem] and supplemental city-county relief tax distribution factor, respectively, attributable to the new local government for the cost of performing the function must equal the total of the amounts subtracted for the prior cost of performing the function from the basic ad valorem revenue [, allowed revenue from taxes ad valorem] and supplemental city-county relief tax distribution factor, respectively, of all of the predecessor local governments.

3. If the local government for which the supplemental city-county relief tax distribution factor is to be established pursuant to subsection 1 is a city, the Nevada tax commission shall:

(a) Using the supplemental city-county relief tax distribution factor of the town replaced by the city, if any, as a basis, set the supplemental city-county relief tax distribution factor of the city at an amount sufficient to allow the city, with other available revenue, to provide the basic services for which it was created;

(b) Set the basic ad valorem revenue of the city at an amount which bears the same ratio to the supplemental city-county relief tax distribution factor of the city as the sum of the basic ad valorem revenue of the county, and any town which the city is replacing, bears to the sum of the [maximum] supplemental city-county relief tax distribution factors of the county and the city;

(c) Reduce the basic ad valorem revenue of the county by the amount set for the city pursuant to paragraph (b); *and*

(d) Add to the basic ad valorem revenue of the county the basic ad valorem revenue of any town which the city has replaced . [; and

(e) Add to the allowed revenue from taxes ad valorem of the county the allowed revenue from taxes ad valorem for any town which the city replaced, except that the addition to the county must be limited so that the county does not receive from the supplemental city-county relief tax and taxes ad valorem an amount greater than its supplemental city-county relief tax distribution factor.]

4. In any other case, except as otherwise provided in subsection 6, the [allowed revenue from taxes ad valorem and the] supplemental city-county relief tax distribution factor of all local governments in the county, determined pursuant to NRS [354.59811 and] 377.057, must not be increased, but the total basic ad valorem revenue [and allowed revenue from taxes ad valorem] must be reallocated among the local governments consistent with subsection 2 to accommodate the amount established for the new local government pursuant to subsection 1.

5. Any amount of basic ad valorem revenue allowable which is established or changed pursuant to this section must be used to determine a new tax rate for the fiscal year ending June 30, 1981, for each affected local government. This new tax rate must be used to make the distributions among the local governments in the county required by NRS 377.057 for each year following the year in which the amount was established or changed.

6. In establishing the [allowed revenue from taxes ad valorem and the] supplemental city-county relief tax distribution factor of a county, city or town pursuant to this section, the Nevada tax commission shall allow a tax rate for operating expenses [of at least 15 cents per \$100 of assessed valuation] *which would be appropriate for 1981 values*, in addition to the tax rate allowed for any identified and restricted purposes and for debt service.

7. As used in this section:

(a) "Predecessor local government" means a local government which previously performed all or part of a function to be performed by the local government for which the [allowed revenue from taxes ad valorem and the] supplemental city-county relief tax distribution [factors are] *factor is* being established pursuant to subsection 1.

(b) "Prior cost of performing the function" means the amount expended by a local government to perform a function which is now to be performed by another local government. The amount must be determined on the basis of the most recent fiscal year for which reliable information is available.

Sec. 3. NRS 354.59872 is hereby amended to read as follows:

354.59872 1. A local government may apply to the local governmental advisory committee for a determination of the amount of revenue from population-based taxes the local government lost as a result of the incorporation of a new city on or after July 1, 1989.

2. Within 60 days after the receipt of a request made pursuant to subsection 1, the local governmental advisory committee shall make a determination of the amount of revenue from population-based taxes the local government lost

as a result of the incorporation of a new city on or after July 1, 1989, and transmit it to the department of taxation and the local government which made the request.

3. Upon receipt of the determination of the local governmental advisory committee, the local government may petition the Nevada tax commission for approval of the determination. As soon as practicable after receipt of such a request, the Nevada tax commission shall review the determination and may accept, reject or amend the determination. The decision of the Nevada tax commission is final.

4. Upon receipt of a final determination from the Nevada tax commission pursuant to this section, the executive director of the department of taxation shall add the amount approved by the Nevada tax commission to the [allowed revenue from taxes ad valorem and the] supplemental city-county relief tax distribution factor of the local government.

Sec. 4. NRS 354.618 is hereby amended to read as follows:

354.618 1. If the public interest requires short-term financing, the governing body of any local government, by a resolution adopted by two-thirds of its members, may authorize short-term financing. The resolution must contain:

(a) A finding by the governing body that the public interest requires the short-term financing; and

(b) A statement of the facts upon which the finding is based.

2. Except as *otherwise* provided in subsection 3, before the adoption of any such resolution, the governing body shall publish notice of its intention to act

thereon in a newspaper of general circulation for at least one publication. No vote may be taken upon the resolution until 10 days after the publication of the notice. The cost of publication of the notice required of an entity is a proper charge against its general fund.

3. In school districts having less than 100 pupils in average daily attendance the publication of the resolution may be made by posting conspicuously, in three different places in the school district, a notice containing in full the short-term financing resolution with the date upon which the board of trustees of the school district is to meet to act upon the resolution. Posting of the notice must be made not less than 10 days previous to the date fixed in the resolution for action thereon.

[4. If the short-term financing is for a capital expenditure for public safety, the governing body may in its resolution request the approval of the Nevada tax commission to repay it from the proceeds of a special tax that is exempt from the limitation on allowed revenue from taxes ad valorem imposed by NRS 354.59811.]

Sec. 5. NRS 62.327 is hereby amended to read as follows:

62.327 1. Except as otherwise provided in subsection [7,] 6, each county shall pay an assessment for the operation of each regional facility for children that is partially supported by the state and is operated by a county whose population is less than 400,000.

2. The assessment owed by each county equals the total amount budgeted by the legislature for the operation of the facility, minus any money appropriated by the legislature for the support of the facility, divided by the

total number of pupils in the state in the preceding school year, excluding pupils in counties whose population is 400,000 or more, and multiplied by the number of pupils in the assessed county. The administrator of the division shall calculate the assessment owed by each county in June of each year for the ensuing fiscal year.

3. Each county must pay the assessed amount to the division in quarterly installments that are due the first day of the first month of each calendar quarter.

4. The administrator of the division shall deposit the money received pursuant to subsection 3 in a separate account in the state general fund. The money in the account may only be withdrawn by the administrator for the operation of regional facilities for children.

5. As used in this section:

(a) "Division" means the youth services division of the department of human resources.

(b) "Regional facility for children" includes:

(1) The institution in Douglas County known as China Spring Youth Camp; and

(2) Any other institution established and maintained for the care of minors adjudged delinquent and committed thereto, except the Nevada youth training center and the Caliente youth center.

6. [Revenue raised by a county to pay the assessment required pursuant to subsection 1 is not subject to the limitations on revenue imposed pursuant to

chapter 354 of NRS and must not be included in the calculation of those limitations.

7.] The provisions of this section do not apply to a county whose population is 400,000 or more.

Sec. 6. NRS 244A.773 is hereby amended to read as follows:

244A.773 The board shall, upon the approval of the voters of the county pursuant to NRS 244A.767 and 244A.768, levy and collect, from year to year, a tax ad valorem on all taxable property in the district. [The district is exempt from the limitation imposed by NRS 354.59811.]

Sec. 7. NRS 268.773 is hereby amended to read as follows:

268.773 The council, upon the approval of the voters of the city pursuant to NRS 268.767, may levy and collect, from year to year, a tax ad valorem on all taxable property in the district. [The district is exempt from the limitation imposed by NRS 354.59811.]

Sec. 8. NRS 268.785 is hereby amended to read as follows:

268.785 1. After creation of the district, the council shall annually ascertain and include in its budget the rate of special tax upon all taxable property in the district sufficient to yield the additional revenue required to provide the higher level of police protection found beneficial to the public interest. [The limitations in chapter 354 of NRS upon revenue from taxes ad valorem do not apply to revenue received from a tax levied pursuant to this subsection.]

2. The city council shall designate an existing citizens' group within the area or create an advisory committee, to recommend to the council any

appropriate changes in the level or kind of additional police protection to be provided in the district. The council shall consider these recommendations, and any others that may be offered by interested persons, at a public hearing before adopting its annual budget for the district.

3. The rate ascertained pursuant to subsection 1 must be included in the annual levy of taxes upon all taxable property within the district. The county treasurer shall credit the revenue received from the levy to the city for the purposes of the district. The tax so levied, together with any interest or penalty and the cost of collecting any such amounts, is a lien upon the property upon which it is levied equal in priority to a lien for general taxes and may be collected in the same manner.

4. A district is not entitled to receive any distribution of supplemental city-county relief tax.

Sec. 9. NRS 268.795 is hereby amended to read as follows:

268.795 1. After creation of the district, the council shall annually ascertain and include in its budget the rate of special tax upon all taxable property in the district sufficient to yield the additional revenue required to provide the maintenance found beneficial to the public interest. [The limitations in chapter 354 of NRS upon revenue from taxes ad valorem do not apply to revenue received from a tax levied pursuant to this subsection.]

2. The city council shall designate an existing citizens' group within the area or create an advisory committee, to recommend to the council any appropriate changes in the level or kind of maintenance to be provided in the district. The council shall consider these recommendations, and any others that

may be offered by interested persons, at a public hearing before adopting its annual budget for the district.

3. The rate ascertained pursuant to subsection 1 must be included in the annual levy of taxes upon all taxable property within the district. The county treasurer shall credit the revenue received from the levy to the city for the purposes of the district. The tax so levied, together with any interest or penalty and the cost of collecting any such amounts, is a lien upon the property upon which it is levied equal in priority to a lien for general taxes and may be collected in the same manner.

4. A district is not entitled to receive any distribution of supplemental city-county relief tax.

Sec. 10. NRS 361.4545 is hereby amended to read as follows:

361.4545 1. On or before May 5 of each year or within 5 days after receiving the projections of revenue from the department, whichever is later, the ex officio tax receivers shall prepare and cause to be published in a newspaper of general circulation in their respective counties, a notice which contains at least the following information:

(a) A statement that the notice is not a bill for taxes owed but an informational notice. The notice must state:

(1) That public hearings will be held on the dates listed in the notice to adopt budgets and tax rates for the fiscal year beginning on July 1;

(2) That the purpose of the public hearings is to receive opinions from members of the public on the proposed budgets and tax rates before final action is taken thereon; and

(3) The tax rate to be imposed by the county and each political subdivision within the county for the ensuing fiscal year if the tentative budgets which affect the property in those areas become final budgets.

(b) [A brief description of the limitation imposed by the legislature on the revenue of the local governments.

(c)] The dates, times and locations of all of the public hearings on the tentative budgets which affect the taxes on property.

[(d)] (c) The names and addresses of the county assessor and ex officio tax receiver who may be consulted for further information.

[(e)] (d) A brief statement of how property is assessed and how the combined tax rate is determined.

The notice must be displayed in the format used for news and must be printed on at least one-half of a page of the newspaper.

2. Each ex officio tax receiver shall prepare and cause to be published in a newspaper of general circulation within the county a notice, displayed in the format used for news and printed in not less than 8-point type, disclosing any increase in the property taxes as a result of any change in the tentative budget. This notice must be published within 10 days after the receipt of the information pursuant to NRS 354.596.

Sec. 11. NRS 428.185 is hereby amended to read as follows:

428.185 1. [The] *In addition to the taxes levied pursuant to NRS 428.050 and 428.285 and any tax levied pursuant to NRS 450.425, the board of county commissioners of each county shall levy an ad valorem tax at a rate which must be calculated by:*

(a) First multiplying the tax rate of 1.5 cents on each \$100 of assessed valuation by the assessed valuation of all taxable property in this state, including new real property, possessory interests and mobile homes, during the next fiscal year.

(b) Then subtracting the amount of unencumbered money in the fund on May 1 of the current fiscal year.

(c) Then setting the rate so that the revenue from the tax does not exceed the amount resulting from the calculations made in paragraphs (a) and (b).

2. [The tax so levied, and its proceeds, must be excluded in computing the maximum amount of money which the county is permitted to receive from taxes ad valorem and the highest permissible rate of such taxes.

3.] The proceeds of this tax must be remitted in the manner provided for in NRS 361.745 to the state treasurer for credit to the fund for hospital care to indigent persons.

Sec. 12. NRS 428.285 is hereby amended to read as follows:

428.285 1. The board of county commissioners of each county shall establish a tax rate of at least 6 cents on each \$100 of assessed valuation for the purposes of the tax imposed pursuant to subsection 2. A board of county commissioners may increase the rate to not more than 10 cents on each \$100 of assessed valuation.

2. In addition to the levies provided in NRS 428.050 and 428.185 [,] *and any tax levied pursuant to NRS 450.425*, the board of county commissioners shall levy a tax ad valorem at a rate necessary to produce revenue in an amount equal to an amount calculated by multiplying the assessed valuation of

all taxable property in the county by the tax rate established pursuant to subsection 1, and subtracting from the product the amount of unencumbered money remaining in the fund on May 1 of the current fiscal year.

3. For each fiscal year beginning on or after July 1, 1989, the board of county commissioners of each county shall remit to the state treasurer from the money in the fund an amount of money equivalent to 1 cent on each \$100 of assessed valuation of all taxable property in the county for credit to the supplemental fund.

[4. The tax so levied, and its proceeds must be excluded in computing the maximum amount of money which the county is permitted to receive from taxes ad valorem and the highest permissible rate of such taxes.]

Sec. 13. NRS 439B.340 is hereby amended to read as follows:

439B.340 1. Before September 30 of each year, each county in which hospitals subject to the provisions of NRS 439B.300 to 439B.340, inclusive, are located shall provide to the division a report showing:

(a) The total number of inpatients treated by each such hospital who are claimed by the hospital to be indigent;

(b) The number of such patients for whom no reimbursement was provided by the county because of the limitation imposed by subsection 3 of NRS 439B.320;

(c) The total amount paid to each such hospital for treatment of such patients; and

(d) The amount the hospital would have received for patients for whom no reimbursement was provided.

2. The administrator shall verify the amount of treatment provided to indigent inpatients by each hospital to which no reimbursement was provided by:

(a) Determining the number of indigent inpatients who received treatment. For a hospital that has contracted with the department of human resources pursuant to subsection 4 of NRS 428.030, the administrator shall determine the number based upon the evaluations of eligibility made by the employee assigned to the hospital pursuant to the contract. For all other hospitals, the administrator shall determine the number based upon the report submitted pursuant to subsection 1 of this section.

(b) Multiplying the number of indigent inpatients who received each type of treatment by the highest amount paid by the county for that treatment.

(c) Adding the products of the calculations made pursuant to paragraphs (a) and (b) for all treatment provided.

If the total amount of treatment provided to indigent inpatients in the previous fiscal year by the hospital was less than its minimum obligation for the year, the director shall assess the hospital for the amount of the difference between the minimum obligation and the actual amount of treatment provided by the hospital to indigent inpatients. Upon receiving satisfactory proof from a hospital that a decision of a county regarding the indigent status of one or more inpatients is pending appeal pursuant to subsection 4 of NRS 439B.330, the director shall defer assessing the hospital the amount that may be offset by the determination on appeal until the court hearing the appeal renders its decision.

3. If the administrator determines that a hospital has met its obligation to provide treatment to indigent inpatients, he shall certify to the county in which the hospital is located that the hospital has met its obligation. The county is not required to pay the hospital for the costs of treating indigent inpatients until the certification is received from the administrator. The county shall pay the hospital for such treatment within 30 days after receipt of the certification to the extent that money was available for payment pursuant to NRS 428.050, 428.285 and 450.425 at the time the treatment was provided.

4. The director shall determine the amount of the assessment which a hospital must pay pursuant to this section and shall notify the hospital in writing of that amount on or before November 1 of each year. The notice must include, but is not limited to, a written statement for each claim which is denied indicating why the claim was denied. Payment is due 30 days after receipt of the notice, except for assessments deferred pursuant to subsection 2 which, if required, must be paid within 30 days after the court hearing the appeal renders its decision. If a hospital fails to pay the assessment when it is due the hospital shall pay, in addition to the assessment:

(a) Interest at a rate of 1 percent per month for each month after the assessment is due in which it remains unpaid; and

(b) Any court costs and fees required by the director to obtain payment of the assessment and interest from the hospital.

5. Any money collected pursuant to this section must be paid to the county in which the hospital paying the assessment is located for use in paying other hospitals in the county for the treatment of indigent inpatients by those

hospitals. The money received by a county from assessments made pursuant to this section does not constitute revenue from taxes ad valorem . [for the purposes of NRS 354.59811, 428.050, 428.285 and 450.425, and must be excluded in determining the maximum rate of tax authorized by those sections.]

Sec. 14. NRS 450.425 is hereby amended to read as follows:

450.425 1. The board of county commissioners of a county in which a public hospital is located may, upon approval by a majority of the voters voting on the question in an election held throughout the county, levy an ad valorem tax of not more than 2.5 cents on each \$100 of assessed valuation upon all taxable property in the county, to pay the cost of services rendered by the hospital pursuant to subsection 3 of NRS 450.420. The approval required by this subsection may be requested at any general or special election.

2. Any tax imposed pursuant to this section is in addition to the taxes imposed pursuant to NRS 428.050 , 428.185 and 428.285. [The proceeds of any tax levied pursuant to this section are exempt from the limitations imposed by NRS 354.59811, 428.050 and 428.285 and must be excluded in determining the maximum rate of tax authorized by those sections.]

Sec. 15. NRS 496.155 is hereby amended to read as follows:

496.155 1. Subject to the provisions of NRS 496.150 and subsections 2 and 3 of this section, for any undertaking authorized in NRS 496.150, the governing body of a municipality, as it determines from time to time, may, on the behalf and in the name of the municipality, borrow money, otherwise become obligated, and evidence the obligations by the issuance of bonds and other

municipal securities, and in connection with the undertaking or the municipal airport, including without limitation air navigation facilities and other facilities appertaining to the airport, the governing body may otherwise proceed as provided in the Local Government Securities Law or as provided in subsections 4 and 5.

2. General obligation bonds, whether or not their payment is additionally secured by a pledge of net revenues, must be sold as provided in the Local Government Securities Law.

3. Revenue bonds may be sold at a public sale as provided in the Local Government Securities Law or at a private sale.

4. The governing body may by resolution acquire real property for the expansion of airport or air navigation facilities by entering into contracts of purchase, of a type and duration and on such terms as the governing body determines, including without limitation, contracts secured by a mortgage or other security interest in the real property. The governing body may not use any revenue derived from taxes ad valorem to pay for the acquisition, and the obligation under the contract does not constitute a general obligation of the municipality or apply against any debt limitation pertaining to the municipality.

5. The governing body may by resolution enter into short-term financing for any undertaking authorized in NRS 496.150 and issue negotiable instruments without regard to the requirements specified in:

(a) Paragraphs (a) and (b) of subsection 2 of NRS 354.440; and

(b) [Subsections 1 and 2 of NRS 354.430, unless the financing is to be repaid from the proceeds of a special tax exempt from limitations on taxes ad valorem.] *NRS 354.430.*

Sec. 16. NRS 543.600 is hereby amended to read as follows:

543.600 1. In a county whose population is 400,000 or more, the board of county commissioners shall hold public hearings before deciding which one or combination of the powers set forth in subsections 2 and 3 is to be used to provide revenue for the support of the district. The method selected must be approved, in an election held throughout the district, by a majority of the voters voting on the question.

2. The board of county commissioners in such a county may levy and collect taxes ad valorem upon all taxable property in the county. [This levy is not subject to the limitations imposed by NRS 354.59811.] A district for which a tax is levied pursuant to this subsection is not entitled to receive any distribution of revenue from the supplemental city-county relief tax.

3. The board of county commissioners in such a county may impose a tax of not more than 0.25 percent on retail sales and the storage, use or other consumption of tangible personal property in the county. The ordinance imposing this tax must conform, except as to amount, to the requirements of chapter 377 of NRS and the tax must be paid as provided in that chapter.

4. In any other county, the board of county commissioners may only levy taxes ad valorem upon all taxable property in the district.

5. In any county, the board of directors may use any other money, including federal revenue sharing, that is made available to the district.

Sec. 17. NRS 354.59811, 354.59813, 354.59815, 354.5982, 354.5984, 354.59871, 354.59874, 354.59875, 354.613 and 354.621 are hereby repealed.

Sec. 18. Section 28 of chapter 861, Statutes of Nevada 1989, at page 2099, is hereby amended to read as follows:

Sec. 28. As soon as practicable after July 1, 1989, for the 1989-1990 fiscal year and on or before March 15 immediately preceding the 1990-1991 [, 1991-1992 and 1992-1993] *and 1991-1992* fiscal years, the executive director of the department of taxation shall:

1. Determine the effect of the provisions of this act upon the estimate of the amount of supplemental city-county relief tax to be received by each local government for the fiscal year for which the determination is being made and notify each local government of any revision of that estimate.

2. Increase the allowed revenue from taxes ad valorem of each local government whose revenue from the supplemental city-county relief tax he estimates will be reduced as a direct result of the amendatory provisions of this act by the amount he estimates will be lost as a direct result of the amendatory provisions of this act. Any increase made pursuant to this subsection may only be made for the fiscal year for which the calculation was made and must be included in the basis for the calculation of the allowed revenue from taxes ad valorem in all future years.

Sec. 19. Sections 8 and 9 of this act become effective only if section 17 of chapter 745, Statutes of Nevada 1989, at page 1749, is repealed or amended to

extend the date on which that chapter expires by limitation to a date that is after October 1, 1991.

Sec. 20. In preparing the reprint of the Nevada Revised Statutes, the legislative counsel shall:

1. If an internal reference is made to a section repealed by this act, correct it by reference to the superseding section, if any, or delete the reference; and

2. If a reference is made to the allowed revenue from taxes ad valorem of any local government, remove the reference if removal is possible without otherwise substantively changing the section,
in any section which is not amended by this act or is further amended by another act.

LEADLINES OF REPEALED SECTIONS

354.59811 Limitation upon revenue from taxes ad valorem: Calculation.

354.59813 Limitation upon revenue from tax ad valorem: Levy of additional tax ad valorem for operating purposes under certain circumstances.

354.59815 Limitation upon revenue from taxes ad valorem: Levy of additional tax ad valorem for capital projects.

354.5982 Limitation upon revenue from taxes ad valorem: Exceeding pursuant to vote of people; addition of imposed costs; assumption of functions previously performed by local government which no longer exists.

354.5984 Reduction of apportionment or distribution of general road fund; intergovernmental and intragovernmental transfers and grants and levy of taxes ad valorem.

354.59871 Nevada tax commission authorized to establish rate for levy of taxes ad valorem to provide aid to indigent persons.

354.59874 Adjustment of allowed revenue from taxes ad valorem upon assumption by local government of function previously performed by another local government.

354.59875 Calculation and imposition of common levy for unincorporated town.

354.613 Special ad valorem capital projects fund.

354.621 Limitation on use of ending balance of general or special revenue fund.

15. BDR 32-1120 - Extends to widowers benefit
of tax exemptions granted to widows and orphans.329

SUMMARY--Extends to widowers benefit of tax exemptions granted to widows and orphans. (BDR 32-1120)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to taxation; extending to widowers the benefits of certain exemptions granted to widows and orphans; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 361.080 is hereby amended to read as follows:

361.080 1. The property of widows , *widowers* and orphan children, not to exceed the amount of \$1,000 assessed valuation, is exempt from taxation, but no such exemption may be allowed to anyone but actual bona fide residents of this state, and must be allowed in [but] *only* one county in this state to the same family.

2. For the purpose of this section, property in which the widow , *widower* or orphan child has any interest shall be deemed the property of the widow , *widower* or orphan child.

3. The person claiming such an exemption shall file with the county assessor an affidavit declaring his residency and that the exemption has been

claimed in no other county in this state for that year. After the filing of the original affidavit, the county assessor shall mail a form for renewal of the exemption to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

Sec. 2. NRS 361.1565 is hereby amended to read as follows:

361.1565 The personal property tax exemption to which a widow, *widower*, orphan child, totally blind person, veteran or surviving spouse of a disabled veteran is entitled [under] *pursuant to* NRS 361.080, 361.085, 361.090 or 361.091 is reduced to the extent that he is allowed an exemption from the vehicle privilege tax [under] *pursuant to* chapter 371 of NRS.

Sec. 3. NRS 361.850 is hereby amended to read as follows:

361.850 1. A person may receive assistance [under] *pursuant to* the Senior Citizens' Property Tax Assistance Act while receiving a property tax exemption as a widow, *widower*, blind person or veteran if the person has filed a claim for the exemption with the county assessor.

2. The assessed valuation of any property used to determine a refund pursuant to the Senior Citizens' Property Tax Assistance Act must be reduced by the amount of such an exemption.

Sec. 4. NRS 371.101 is hereby amended to read as follows:

371.101 1. Vehicles registered by widows , *widowers* and orphan children, not to exceed the amount of \$1,000 determined valuation, are exempt from taxation, but the exemption must not be allowed to anyone but actual bona

fide residents of this state, and must be filed in [but] *only* one county in this state [to] *for* the same family.

2. For the purpose of this section, vehicles in which the widow , *widower* or orphan child has any interest shall be deemed to belong entirely to that widow , *widower* or orphan child.

3. The person claiming the exemption shall file with the department in the county where the exemption is claimed an affidavit declaring his residency and that the exemption has been claimed in no other county in this state for that year. After the filing of the original affidavit, the county assessor shall mail a form for renewal of the exemption to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

Sec. 5. This act becomes effective on July 1, 1991.