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Work Session Document
Assembly Committee on Taxation
March 13, 2003

AB 204—This bill proposes to triple the business license tax and cigarette tax and increase liquor taxes by 89 percent and the quarterly fees on restricted slots by 33 percent to provide additional state revenue during the April to June quarter. A spokesman for the Governor and the budget director explained the bill and indicated it was needed to shore up the state's precarious fiscal condition in the event that a war with Iraq or another terrorist attack damages the state's economy even further. The administration estimates the bill will raise about \$77.2 million during the three months; the fiscal division's estimate is \$72.4 million. If state revenues continue to come in as expected for the remainder of the fiscal year, at least \$45 million of the revenues will be used to replenish part of an expected \$100 million appropriation from the state budget stabilization (rainy-day) fund. Staff presented several options that the committee could consider to reach this year's ending fund balance requirement if the Legislature did not appropriate \$45 back to the rainy-day fund. These included a no tax option and several options that required less revenue than AB 204.

In a second day of testimony, several proponents made the same case as the administration, arguing that the only options beyond these tax increases were cuts to education and safety-net programs in the event the state economy declined once again. A couple of proponents argued that the cigarette tax increase was particularly important because it would discourage smoking and improve the health of some Nevadans.

The business community expressed various opinions on AB 204. Some rejected the bill on the grounds that the rainy-day fund was to be the bridge when there were temporary revenue shortfalls, and that raising taxes temporarily to replenish the fund was not logical. Some others supported partial increases in the taxes in AB 204, but generally expressed agreement that the tripling of the business license tax and the cigarette tax was excessive. The maximum acceptable increases expressed by some representatives for business and cigarette taxes were no more than double the current rates. There was little opposition to the liquor tax increases, except that the increases fall most heavily on the same segment of retailers as the other tax increases in AB 204. One small slot route operator suggested that the tax increase on restricted slots should be restructured to fall more heavily on major slot route operations and suggested a way to do that. A representative of slot route operators proposed that the increase in slot fees be limited to 25 percent rather than 33 percent.

AB 208—The bill would authorize a county to impose, with voter approval, a sales tax of up to one-quarter percent to pay for the operation and maintenance of a swimming pool. The bill applies only to counties with a population of less than 15,000. However, because the voters of White Pine County approved an advisory question on this matter at last November's general election, the bill would allow White Pine County to enact the tax without subsequent voter approval. The prime sponsor of the bill indicated that White Pine County was using a sales tax for this purpose because the property tax rate was already at the \$3.64 combined limit within the county.

A spokesman for the Department of Taxation proposed an amendment to make the act effective on July 1, 2003, rather than passage and approval, so that the businesses in White Pine County can be properly notified of the increased tax and to allow proper administration of the tax for those businesses that file quarterly tax returns.