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Work Session Document
Assembly Taxation Committee
March 27, 2003

AB 200—Provides for the sale to a private party of a tax lien against real property after taxes have been delinquent for one year. The prime sponsor and another proponent of the measure pointed out that the use of tax liens would provide revenue to local governments faster while also limiting their loss of revenue if the owner of property files for bankruptcy protection. At the same time, investors, while assuming certain risks, would gain access to a new investment option that could provide higher income than other investment alternatives. A county treasurer opposed the bill because of concerns that she would be pressured to sell tax liens, that it would add costs because of the additional paperwork burden, and that it could produce additional litigation. At least two county treasurers were most concerned about the additional interest that would be applied and their inability to waive interest and penalties in particular taxpayer hardship cases once the tax lien is sold.

The prime sponsor of the measure proposed a series of amendments to the bill that are attached. One key amendment eliminates the ability of the holder of the tax lien to apply for a deed to the property that is subject to the lien. If the committee chooses to process this bill, staff suggests the following amendments to correct certain language in sections 23 and 24 of the bill:

Amend section 23, page 15, by deleting lines 26 and 27, and inserting:

“real property against which a tax lien was sold in a manner that did not comply with the provisions of sections 2 to 13, inclusive, of this act.”.

Amend section 24, page 15, line 36, by deleting “this section.” and inserting “NRS 541.230.”.

AB 204—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.

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SUBMITTED BY: TED ZUEND

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AB 208—Authorizes 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 section 6 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.

AB 229—This bill would increase the tax that a county of origin may impose on the transfer of water to another county in this state or to another state from \$6 per acre-foot per year to \$60 per acre-foot per year. Proponents of the measure argue that the \$6 figure is arbitrary and insufficient to get potential users of the water to bargain in good faith. The proponents also noted that the amount is very low compared to the amounts for water transfers that have been negotiated elsewhere in the West. Opponents argue that the \$60 figure is too high and is just as arbitrary as the \$6 figure. They note that the imposition of such a tax by a county of origin would discourage rather than encourage negotiations for the use of the water.

Both proponents and opponents offered amendments to the bill that are attached to this document. If the bill is processed further, staff suggests the following amendment to clarify the existing statutory language:

Amend section 1, page 1, by deleting lines 5 and 6, and inserting:

“another county in this state or in another state, the county of origin may impose a”.

AB 339—Increases the business tax from \$25 to \$35 per full-time equivalent employee per quarter effective July 1, 2003. The prime sponsor pointed out that an increase in the tax was overdue and that it would help the state meet its revenue needs. He also noted that the tax is easy to administer and easily calculated by businesses and is not opposed by the construction industry. A spokesperson for the Nevada Taxpayers Association agreed with the sponsor and noted that her organization also supported this increase in the tax. The measure was opposed by a representative of the Progressive Leadership Alliance who noted her organization was supporting a broad-based business tax similar to that proposed by the Governor and believed that an increase in the business tax does nothing to broaden the tax base. If approved, the bill would increase General Fund revenues by about \$66 million for the upcoming biennium.

ATTACHMENTS -3

Amendments to AB 200

Delete underlined - Insert *italicized*

Page 2

Sec 4 sub 2. Line 21 The procedure must include *but is not limited to*:

Sec 5 sub 1. Line 34 The board of county commissioners may direct the county treasurer *The county treasurer may decide*

Sec 5 sub 1. (d) Line 44 The price for the tax lien established by the board treasurer is at least equal to the amount of the taxes, *penalties, costs and interest* which are delinquent for the parcel.

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Sec 6 sub 2. (b) Line 32 The rate of interest established by the board may not be less than 15 *10* percent per annum or more than 30 *20* percent per annum.

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Sec 9 sub 1. Line 1 county treasurer shall:

- (a) *collect the delinquent taxes pursuant to the remedies set forth in NRS 361.5648 to 361.730, inclusive, or*
- (b) send a notice

Sec 9 sub 1. Line 3 maintained by the county treasurer. The holder may *must*, within

Sec 9 sub 2. (a) Lines 9 & 10 Delete all as it appears as (a) in sub 1.

Sec 9 Line 11 (b) The county treasurer may sell the tax lien to another person if the county treasurer is directed to do so by the board of county commissioners.

the county treasurer may sell a new tax lien. The buyer of the new tax lien must redeem any previously purchased lien.

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Sec 12 Line 15 of this act within 2 years after it is sold, the holder of the certificate of purchase may:

1. Commence an

the same time granted the county to collect the taxes set forth in NRS 361.5648 to 361.645, inclusive, may commence an action for the collection of the delinquent taxes, penalties, interest and costs pursuant to NRS 361.645 to 361.715, inclusive; or

2. File a written request with the county treasurer to receive a deed to the parcel of real property which is the subject of the tax lien.

Delete all of Section 13

Renumber sections appropriately

Delete all appearances of , if the board of county commissioners so directs. which follow section 13.

Define interest to be simple interest to be calculated annually on each certificate from the original date of issue.

AB 229 Amendment

Proposed by the Southern Nevada Water Authority

Section 1. NRS 533.438 is hereby amended to read as follows:

533.438 1. Except as otherwise provided in subsection 4, if an appropriation of ground water pursuant to a permit to appropriate ground water results in the transfer to and beneficial use of water in a county in this state other than the county in which the water is appropriated or in another state, the county of origin may impose a tax of ~~156~~ ~~560~~ \$6 per acre-foot per year on the transfer. *The county of origin may further negotiate with parties for other compensation and may enter into interlocal agreements pursuant to NRS 277 to arrange for other benefits that would accrue to the county of origin which facilitates the development of water resources in the county from which it is appropriated.*

2. A county of origin shall not impose a tax pursuant to subsection 1 without the prior approval of the State Engineer. The county of origin shall notify the State Engineer in writing of its intent to impose the tax. The State Engineer shall review the notice of intent to impose the tax to determine:

(a) Whether the appropriation of ground water pursuant to the permit specified in subsection 1 results in a transfer to and beneficial use of water in a county in this state other than the county of origin or in another state; and

(b) The amount of water, if any, that is:

(1) Subject to the proposed tax because of that transfer and beneficial use; or

(2) Not subject to the proposed tax pursuant to subsection 4.

3. Within 30 days after reviewing the notice of intent to impose the tax, the State Engineer shall send a written notice to the county of origin that includes the results of his review. If the State Engineer determines that the appropriation of ground water pursuant to the permit results in a transfer to and beneficial use of water in a county in this state other than the county of origin or in another state, the State Engineer shall include in the notice the amount of water that is subject to the proposed tax. The county may, upon such a determination, impose the tax on the transfer.

4. A tax may not be imposed pursuant to this section on water that is appropriated and beneficially used pursuant to a permit to appropriate ground water which is issued for a point of diversion and a place of beneficial use in the county of origin and which, after the water is diverted and beneficially used, is discharged or migrates into a county in this state other than the county of origin or into another state.

5. All money collected from a tax imposed pursuant to this section must be deposited in a trust fund for the county. The principal and interest of the trust fund may be used by the county only for the purposes of economic development, health care and education.

6. For the purposes of this section, if a basin includes land lying in more than one county, each county any part of whose land is included is a county of origin to the extent of the proportionate amount of water transferred from it. The State Engineer shall determine the respective proportions.

7. As used in this section:

(a) A "basin" is one designated by the State Engineer for the purposes of chapter 534 of NRS.

- Imputed Property Tax
 - Assume \$5,000/ac.ft. value
 - Assessed value is \$1,666
 - Property tax equivalent = $(\$3.64/100) \times \$1,666 = \$60.64/\text{ac.ft.}$

Closing Thoughts

- Is the fee provided for in NRS 533.438 really a tax or a fee?
- If a tax, can it be imposed upon a tax exempt entity (i.e. a county, city, water authority or water district)?
- What about inflation? If not regularly adjusted to account for inflation, the value of the revenue stream made possible through NRS 533.438 diminishes each year? Current NRS authorizes annual real property tax revenue increase by local governments of up to 6 percent to reflect inflation.
 - Arizona Water Banking Authority fees paid to Salt River Valley Water Users Assn. are increased by 3 percent annually
 - Duke Energy fees to City of Clovis are adjusted annually by the Consumer Price Index, but never will fall below the original base amount

Suggested Amendments to AB 229

- Change all reference in the bill from tax to fee.
- Provide mechanism for annual adjustment of fee to account for inflation.
- Assess fee on a per 1,000 gallon basis, measured by a flow meter.

For Additional Info. Contact:

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