

**MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON GROWTH AND
INFRASTRUCTURE
AND THE
SENATE COMMITTEE ON TAXATION**

**Seventy-Second Session
February 17, 2005**

The Joint Assembly Committee on Growth and Infrastructure and the Senate Committee on Taxation was called to order at 1:42 p.m., on Thursday, February 17, 2005. Chairman Richard Perkins presided in Room 4100 of the Legislative Building, Carson City, Nevada, and, via simultaneous videoconference, in Room 4401 of the Grant Sawyer State Office Building, 555 E Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Richard Perkins, Chairman
Ms. Chris Giunchigliani, Vice Chairwoman
Ms. Francis Allen
Mr. Bernie Anderson
Mr. Tom Grady
Mr. Lynn Hettrick
Mrs. Marilyn Kirkpatrick
Ms. Sheila Leslie
Mr. Harry Mortenson
Mr. David Parks
Ms. Peggy Pierce
Mr. Scott Sibley
Ms. Valerie Weber

SENATE COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chairman
Senator Sandra Tiffany, Vice Chairwoman
Senator Terry Care
Senator John Lee
Senator Dean A. Rhoads
Senator Randolph J. Townsend

COMMITTEE MEMBERS ABSENT:

Senator Bob Coffin (excused)

GUEST LEGISLATORS PRESENT:

Senator William J. Raggio, Washoe County Senatorial District No. 3

STAFF MEMBERS PRESENT:

Brenda Erdoes, Legislative Counsel
Susan Scholley, Committee Policy Analyst
Russell Guindon, Deputy Fiscal Analyst
Keith Norberg, Deputy Fiscal Analyst
Gregory Sharpy, Committee Secretary

OTHERS PRESENT:

Sally Johnson, Nurse, University Medical Center of Southern Nevada
John McGhee, Private Citizen, Washoe County
Larry Winkler, Nevadans for Property Tax Cap
Dale Akers, Nevadans for Property Tax Cap
Ted Harris, Nevadans for Property Tax Relief
Rusty McAllister, President, Professional Firefighters of Nevada
Janine Hansen, President, Nevada Eagle Forum
Lynn Chapman, Vice President, Nevada Eagle Forum
David Schumann, Vice Chairman, The Nevada Committee for Full
Statehood
Maryanne Ingemanson, Tax Consultant, representing the cities of Incline
Village and Crystal Bay, Nevada
Bill Fiedrich, Private Citizen, Washoe County
Larry Dilley, Private Citizen, Douglas County
Curk Cave, Private Citizen, Washoe County
Tom Ferrara, Private Citizen, Douglas County
Larry Biehn, Private Citizen, Douglas County
Jay Harvey, Private Citizen, Douglas County
David Burns, Private Citizen, Douglas County
Leonard Gang, Private Citizen, Clark and Douglas County
Dennis Gebhardt, Private Citizen, Storey County
John Wagner, The Burke Consortium of Carson City
Ike Eichbaum, Private Citizen, Nevada
Robert Chiodini, Private Citizen, Clark County

Debra Martin, Private Citizen, Clark County
Paula Hammock, Private Citizen, Clark County
Barbara Frederic, Private Citizen, Washoe County
Robert Doxey, Private Citizen, Washoe County
Jim Bagwell, Private Citizen, Carson City
John Keller, Private Citizen, Douglas County

Chairman Perkins:

[Meeting called to order and roll called.] This is the meeting that we have set aside primarily for public comment on the property tax relief issues that this Committee has spent a great deal of time discussing. We have a fairly sizeable group here today. It is our intention to accommodate everybody so you get your opportunity to address the Committee.

I would like to recognize Senator Raggio amongst our presence. We appreciate your participation, Senator. There are also going to be other opportunities. These Committees will meet several times before we take final action on any legislation.

I would also indicate to you that this Committee has discussed property tax for a number of hours; I think Senator McGinness counted over 16 hours the last time we met. We have heard a great deal of information and there are a lot of ideas out there, and we're committed to find some kind of relief that is as equitable as possible and still fall within the constitutional restraints that we have with the uniform and equal clause in the Nevada constitution.

Sally Johnson, Nurse, University Medical Center of Southern Nevada (UMC):

I am a homeowner, a taxpayer, and a voter. I have a grown son who went through the underfunded Clark County public school system. Like many southern Nevadans, I have seen my home value jump and I expect to pay higher taxes. I believe some property tax relief is necessary, but I think this relief needs to be targeted to those most in need. Hard-working Nevadans deserve this relief, not out-of-state speculators who are, in part, responsible for the rising land values over the last two years.

I also think we must be careful not to go too far in cutting essential public services that provide our fast-growing community needs. I work hard every day in Nevada against what seems to be daily odds. I am a nurse. I became a nurse because I want to take care of people and I try hard every day to do just that. I understand the intimate length between our community's overall health and the health of an adequately funded public services program. I have worked at UMC for 17 years. We provide more care for the uninsured and under-insured than nearly all southern Nevadan hospitals combined.

[Sally Johnson, continued.] Even though our economy is booming, every year there are more working people who are uninsured in southern Nevada. It has had a dramatic impact on our hospital's bottom line. Fortunately, our Legislature, many years ago, required counties to raise resources through property taxes to provide care to the medically indigent in our community. Last year, this fund raised more than \$44 million and this year is expected to raise another \$50 million. One hundred percent of this comes directly from property taxes. Most of this goes to UMC because we provide most of the care to the uninsured. Without it, or with less, we would have a much more difficult time continuing our mission to provide for all, regardless of their ability to pay. I cannot imagine what would happen if this fund were reduced. We actually need more money than we have.

UMC is not the only hospital that benefits from the medical indigent fund. Any hospital that provides care to the medically indigent can draw from this fund. This defrays from their cost for providing the care to the uninsured which otherwise would be passed along to those of us with health insurance by raising our health insurance premiums. Every health care consumer is actually affected by this. This is just an example of one of the important community services made possible by property taxes we pay.

As you make these important decisions, I urge you to protect public services like the medical indigent fund. Some of our proposed solutions, like capping or freezing property taxes would do much more harm than good. We need relief, but we also need adequate resources to meet our growing community needs. Capping property taxes did not stop the drastic rising cost of housing in California.

Capping property taxes allowed the housing costs in California to skyrocket to a point where many people from there have come to Nevada for more affordable housing. Nevada does not need a nonsolution to the rising housing cost. We need more affordable housing at this point. We need smart growth, smart housing policy in parts of our state; we do not need nonsolutions, we need

smart and sensible solutions. A freeze is wrong, so is a cap. A simple solution that ties income and ability to pay would be better than a cap which benefits more of those who can afford it most. Thank you very much.

Chairman Perkins:

You have obviously expressed your position to a freeze or cap. Do you have any suggestions for this Committee that it might undertake?

Sally Johnson:

I am a registered nurse and that is my area of expertise. We do rely on you for those answers. We hope that you take into consideration how we feel.

John McGhee, Nevadans for Property Tax Cap:

I want to make it clear that the four of us standing up here are not of the same mind in some areas, but the bottom line is that we are very interested in the work that you will be doing to attack this immense problem. The complexity of the problem is not something that we look at and say there is a simple solution that you will come to.

It was even more clear in a telephone conversation that I had today. I will say this before I start my prepared comments. A lady called me today, with whom I work in a volunteer program at St. Mary's hospital in Reno. She is 84 years of age, she has lived in Reno for 50 years, the last 30 of which she has lived in the same home. Her husband recently passed away, and upon receiving her last tax assessment, she saw that her property value had doubled. The comments that I am going to be making today refer to this type of person and the young people who are trying to get a foothold into society and are working towards that "American Dream." Who, if things keep going, are not going to have the opportunity to buy the home of their dreams, because they are going to be taxed out of reach.

Nevadans regularly complain about the unrestricted growth and development taking place throughout the state. The common response from the representatives of the local governments is that you should be happy that we are experiencing such growth. Such growth pays for itself and brings numerous large benefits along with it. If that is the case, why is it that there is so much kicking and screaming about the idea of capping property tax when it does not affect revenues resulting from new development and growth.

[John McGhee, continued.] Why is it that recently we read in one report that due to serious and unexpected drops in revenue, casinos will be receiving significant compensatory cuts in property taxes—into the millions? Yet, within a few months, new reports say that gaming is experiencing incredible and unexpected profits over the last year. The average person on limited and fixed incomes experiencing no tax breaks and no such benefits on anything of a scale to this nature, have to question the equity of this taxation system. Retirees, who have finally reached the point in life that they can realize the “American Dream” and spend that nest egg that they have toiled for so many years to accumulate and have either a fixed retirement check and maybe only their Social Security check to live on, face incredible heights on an annual basis in their property tax. Many have quickly come to the realization that they cannot stay in their new home or even the Truckee Meadows here in northern Nevada, if they want to make ends meet financially.

Even if the tax relief proposal of 6 percent becomes a reality, it will not help many of these same people. Who, of them, is experiencing a 6 percent cost of living hike in their monthly incomes? Better yet, how many average, hard working young Americans in this state—out of the entire population of this region—are experiencing an average income hike of 6 percent or more annually? I dare say, not nearly the majority, if that. If that is the case, why should those same citizens accept the cry of local government and public funded agencies that they will fail or cannot continue operating to expected standards or provide expected service without at least a 6 percent increase in their annual funding?

Something is dreadfully wrong with this picture. Where is the money going? How is it that the schools have experienced the benefits of huge windfall tax revenues these past couple years; yet, as per a recent report according to a national study, Nevada as a whole received Ds and Fs across the board in areas of the education of our youth, landing near the bottom of all 50 states. The relationship between increased funding and the derived results is clearly negligible if not nonexistent. From the perspective of Joe E. Public, “Regulated spending and intensely managed and screened budget development with clear-cut justification for every budgeted dollar is not only deficient, but also non-existent. Required funding and needs are based more on wish lists and druthers rather than intensive and critical analysis of how to best use the dollars available.”

I am confident that those of you on these two Committees can develop an effective plan to provide the relief necessary for the people of this state. Especially those that I have specifically addressed today. Any solution you were to come up with must be permanent and not a mandate. This immense

problem must also address the issues I have related to in terms of regulated spending and must have stricter guidelines and review processes for the budget development process and program in each of the key areas that we are concerned about—education being at the top of the list. Thank you.

Larry Winkler, Nevadans for Property Tax Cap:

I will try not to duplicate some of the comments that John mentioned, although in the text of my statement ([Exhibit B](#)) it is tough not to do that. The Nevadans for Property Tax Cap was formed recently with a short-term goal that seeks to promote and advocate property tax caps that are as low as two percent.

Tax experts and others have been very concerned that any property tax fix has no unintended consequences, is constitutional, and is fair and equitable. Taxpayers are being told that this spike we are responding to is an anomaly, a bump in the road that we should not try to over fix. The Clark County tax guru, Guy Hobbs, says this bump in the road will pass. This anomaly appeared in 2001 in Washoe County and does not appear to be going anywhere soon. The 3/4 acre lot I am familiar with sold for \$150,000 in 2001; today, it is on the market for \$500,000. We are urged to be cautious. Longtime government lobbyist Marvin Leavitt says, "The cap would benefit the owners of more expensive homes rather than those in lower income areas. If a home's value is not growing, a cap would not benefit that owner who would end up bearing more of the tax burden than a wealthy resident whose taxes were limited."

I can tell you right now that there are no properties in Washoe County that are not appreciating unless they are built at a toxic waste site. Leavitt's argument is mirrored in the newspaper editorial page Monday. The writer was concerned that a cap would benefit a homeowner in Incline Village over a homeowner in northwest Reno, who might not get the benefit of the same appreciation that the Incline home received. Thus, we see more of a disproportionate tax burden. The weakness of this argument lies in the fact that neither man probably uses the roads, fire, police, or any other services differently, yet one pays \$25,000 a year for those privileges, while the other pays \$2,500. I bet the Incline homeowner would trade that in equity anytime.

I want to get back to fair and equitable. When I look around, I am not seeing any fair and equitable. We just mentioned the \$330 million property tax cut to the local casinos, but what I want to talk about is this handout I have given you ([Exhibit B](#)). In my opinion, the law as it is right now, does not meet the fair and equitable standard and, therefore, doesn't appear to be constitutional. We only need to compare the fair market value of homes that have sold throughout the Truckee Meadows and then take a look at the property taxes they pay. The

disparity in taxes between homes with the same fair market value that happen to be 50 years apart in age is significant. It is just about double in every case. The bottom line is you tax homes with the same fair market value similarly, and the tax burden becomes more spread out. What we see here is double taxes for newer homes, and this applies in all price ranges in all parts of the county: old Reno, new Reno, south Sparks, old Sparks, and new Sparks. Some say that any meaningful tax caps or reforms can be put into place, but before they can be put in place, the current system has to go to fair market value: no depreciation, no separate land value, everyone on the same playing field, and then the tax cap.

[Larry Winkler, continued.] The property tax cap of 6 percent has been suggested by the Clark County Assessor; this is still too high. If the 5-year, one-fifth of the county reassessment rule has changed, and the reassessments like Clark County at the tax rate of 6 percent a year, in twelve years the property tax doubles by the "Rule of 72." If you are now paying \$4,000 per year or \$8,000 per year for your home, you will be paying \$8,000 or \$16,000 in a decade. That amounts to a permanent lien on your property by the county, a second mortgage. And try not paying. For the last 3 years, Washoe County has been collecting around 8.5 to 9 percent, but everyone is still concerned that local government and the school system will be gutted. According to the *Reno Gazette-Journal*, Nevada teachers are the fifteenth-highest paid in the nation, yet the school system is rated forty-fifth in the nation, quality-wise.

Several weeks ago, there were two articles in the paper; one highlighted this windfall tax situation, the other featured the school districts wish list and how to spend the windfall. First thing on the wish list was another pay raise. Consider these salaries: teachers, fifteenth highest in the nation; non-teaching personnel, fourth highest in the nation; number of Washoe County school district superintendents and assistants, 5; local government salaries, fifty-fifth highest in the nation; firemen, second highest in the nation; police, fifth highest in the nation. These figures beg the question: at what point do schools and governments have to start living within our means.

The school system and local government say they need at least a 6 percent tax increase. To get to the end point, maybe the whole system needs to be junked. Maybe we need to start over. Take a closer look at California's Proposition 13 [from the June 1978 General Election]. If you give the facts a fair shake, you would be surprised to see what you find. If it takes more than three or four minutes to explain the property tax system, it is too complicated. If everybody would stop waving their hands and start using their heads, something good could come out of all of this. Thank you for your time.

Chairman Perkins:

I do not think we disagree with you that it is too complicated. We have spent a great deal of time on it already. There is certainly a solution to this because of the discussions we have had with local governments and the schools cautioning us in terms of the amount of money they are going to need for growth. We really want to hone in on the property tax issue at this meeting, if we can.

Dale Akers, Nevadans for Property Tax Cap:

I have lived in Washoe County for the last 30 years. As we are all aware, property taxes have been skyrocketing in Nevada. Huge tax increases are now hitting the areas of the state where one would not normally expect. Last Saturday, at a Washoe County Commissioners Tax-Cap workshop, a mobile home owner from Lemmon Valley stated that he feared he would be taxed out of his trailer because of rising taxes. Another gentleman from Fernley stated that the assessed value of his home had increased from \$145,000 to \$235,000, in just one year. Taxpayers from all income levels are in danger of being taxed from their homes.

High-demand areas, such as Lake Tahoe, have been getting hammered by huge annual tax increase for several years. Two years ago, the average tax increase on an Incline Village single-family home was about 43 percent. Most increases there were far higher than single-family homes, some going all the way up to 375 percent in one year. My increase was 70 percent in one year—two years ago. This year, they want another 8 percent. One homeowner has experienced more than 600 percent increase in his property taxes since building his home in 1990. A high percentage of other Incline Village homeowners have suffered the same or higher increases.

It is unbelievable what has happened to Incline Village property owners who have a view, are located on a golf course, or have a small lot on the lake. Lakefront owners, who bought their ordinary homes on lots with 100 feet of lakefront back in the 1960s for \$40,000 to \$100,000, are now having to pay the taxes between \$70,000 and \$100,000 annually. Many of these are old, very ordinary homes—nothing extravagant. Newer, larger lakefront homes are paying up to \$20,000 per month in property taxes. Heaven help the poor homeowner whose view is improved when a tree dies. His view class will be increased adding up to \$800,000 to the value of his lot. We have a 12-step view classification up there. Most of the owners of these homes, whose taxes have skyrocketed, plan to live the rest of their lives in these homes. Sadly, many of them will not be able to do so.

[Dale Akers, continued.] Our government has and continues to tax people out of their homes. I will interject here. Over the last 18 months, I have participated in State Tax Department workshops which were instituted by the State Tax Commission on making changes to the current property tax system. Nevada's property tax system is unique in the United States. Many experts in the field say it is the most complicated and convoluted system in the United States. In some areas of Nevada, which do not lend themselves to mass appraisal, it is almost impossible for county assessors to correctly value properties. A change in our property tax system is needed quickly.

This Legislature has the power to change what I feel is an immoral system. As a good step, I would ask this Legislature to quickly initiate a reasonable tax cap and then make long-term changes in the property tax system. Some other industrialized countries have extremely simple and effective property tax systems which I will be happy to describe to any interested member of the Legislature. Thank you.

Ted Harris, Nevadans for Property Tax Relief:

I have been a resident of Nevada for 14 years, all of which I have lived in Incline Village. I came to Nevada to retire because I love the mountains and have come to love the state and our community. The property taxes, as we have heard, have made a resounding impact on every citizen that owns property in Washoe, Douglas, Carson, and Las Vegas.

By way of historical perspective, we are where we were in 1981 during the tax shift. The reason for the tax shift was because property values were accelerating and a Proposition 13, similar to California, had passed the first time as a constitutional amendment. In Nevada, you all know, it takes two times at the ballot box to become a constitutional amendment. In the interim years, the Legislature came forth and offered solutions to try to mitigate the voters supporting, for the second time, a [California] Proposition 13. Those changes were to reduce the constitutional tax cap, at that time, from \$5 to \$3.64. At the same time, there was a significant change in how properties are valued. Somehow, Nevada came up with a system where the improvements are valued based on a replacement cost factor published by Marshall & Swift.

[Ted Harris, continued.] Land values are supposed to be based on comparable vacant land sales within that neighborhood. That worked for a while and it did help people by minimizing the punishment that property owners were getting as a result of the rising values. At that time, there were no significant increases on the land side of the equation; it was the total property that was increasing. In the meantime, things have changed.

There has been a tremendous move into Nevada. The growth is incredible. As a matter of fact, we have heard numbers where Clark County is experiencing new incoming people into the county at a rate of 6,000 people a month. Of course, this serves to promote business, and good employment. As such, people want to go there and people have gone there to retire. People are now facing the impact of this tremendous growth which has driven the prices of property into the stratosphere. These increases have been primarily on the land. In Clark County, we have heard that the increases are 30 to 50 percent. There was a recent article in the *Las Vegas Review-Journal* that said, with limit on the increases for this particular year, Clark County would see a growth of 15 percent in revenue. If you were to freeze the taxable values where they are now, the increase would be 7.7 percent, and with a cap they would still get a 9 percent increase. This is a huge windfall. Twenty percent of the county is reappraised every year—20 percent of the county gets a zero percent increase. Being from Incline Village, we are experiencing an 8 percent increase in addition to the 45 percent that we received 2 years ago.

There are three other areas of the county which I have illustrated for you ([Exhibit C](#)). On page 3 of my presentation, I have provided you a list of the increases in the various areas of Washoe County. These figures come from the assessor's office, and these are the various increases that have been factored. One area, the downtown area, is getting a zero increase, and I think part of that is caused by the casinos as a result of slowing business. They have enjoyed huge decreases in taxable value. Last year, the Circus-Circus Casino's taxable value went from \$150 million to \$70 million. These, when averaged out, are getting zero increases while we are getting 8 percent. Three other areas are getting 14, 22, and 26 percent increases. These are huge and these people are hurting. The total assessed value for growth in Washoe County for existing properties this year is 9.6 percent. The Incline Village increases, which are probably not going to generate much sympathy from you, are huge. Forty-five percent was the average single-family home increase two years ago during a reappraisal. Of course, that does not tell the whole story. There were properties that increased over 400 percent.

[Ted Harris, continued.] My wife plays tennis with a good friend who inherited a home from their family in Crystal Bay. It is a lovely spot on the lake. Their property taxes in one year went from \$6,000 to over \$30,000. Another person that we know had property tax increases that went from \$19,000 per year to \$47,000 per year. These are unconscionable increases. These properties and these people are getting the same benefits and services that we all get from the county. The same as a homeowner in Lemmon Valley who lives in a \$100,000 home. I have included an example of my individual property, which is on page 5 of my presentation ([Exhibit C](#)). This is the history: we moved and finished our home in 1990 and the taxable value for the first year was \$126,000. It has gone from \$126,000 to \$680,000. This represents a 700 percent increase. Yes, it has increased in value and it has probably increased in value by a factor of three. The property taxes have increased 5.5 times over that same period of time. If that happens again in the next five years, I will have very little choice other than to find another place to live.

The values have dramatically increased. We have people coming from all over the world and lots of these folks have plenty of money. If they want to be in Incline Village, they will pay whatever it costs. However, there are still thousands of property owners in Incline Village who live in modest homes, who have been there for a long time, who could afford their homes when they bought them, but because of the influx of people who are willing to pay high prices for homes, our property taxes are driven into the stratosphere. Many of these people have been forced to move. People are moving to Reno, Gardnerville, Carson City, Dayton, and various areas around the state.

I have also attached NRS 354 [*Nevada Revised Statutes*], which is on page 6 of your handout ([Exhibit C](#)), and we don't understand why it does not work. This is a precedent in Nevada law that states that the maximum amount of money that a local government may receive from taxes ad valorem is to be 106 percent of the maximum revenue allowable from taxes from the preceding fiscal year. Somehow, that is not working and it is not working because these increases are averaged throughout the county and do not apply to the individual. The folks who have been seeing the huge increases in the value of their property, as exemplified here by my friends, have no protection.

I guess that leads me to the point that there is a fundamental flaw with the property tax valuation system in Nevada. The fundamental flaw is the fact that there is no predictability or specificity. A property owner has no way of knowing whether they will be able to continue living in their home. Other states, as you well know, California and Oregon, by initiative have passed constitutional amendments that limit the increases. The property tax is the only

unspecified tax facing a citizen. Every other tax that we pay is specified. If we earn a certain level of income, we pay a specified percentage of tax; if we buy something, we know what the sales tax will be. These are predictable, understandable, and easy to accept because you can predict what is going to happen to you. The problem with the property tax system in Nevada is that there is no specificity in the increases in the land value. Improvements do not change very much, simply because the law requires that they be valued based on a Marshall & Swift replacement cost factor. You then add the depreciation. Point being, the improvements do not change very much.

[Ted Harris, continued.] The huge increases are in the land and if we go a couple steps ahead, we hear that the government needs a predictable level of revenue in order to support the services. It is all well and good that the government needs a predictable income, but how about the property taxpayer? The property taxpayer needs the same specificity if he is going to be able to survive because the incomes for the majority of the people are not increasing 6 percent; they are not increasing anywhere near that and sometimes they are not increasing at all. We need some protection, we need some defense from the astronomical increases.

We have seen that there are now 14 proposals and we have heard general descriptions of the impact of those proposals. A couple of them are good and many of them are very harmful and do not provide uniform and equal relief to the property owner. There is one proposal that we heard that would provide an exemption at \$50,000 or \$100,000 or some other arbitrary number. The problem with that is that a person who owns a \$100,000 house, if the exemption is \$100,000, he pays no tax. However, a person who own a property that is more expensive gets little or no relief, especially considering the rising prices. I guess it goes back to the fact that government says they need predictability. We argue that the property owner needs predictability and the proposals so far, that we have seen the language of and that makes the most sense, is the cap of 6 percent. Six percent may or may not be the right number. It may be too high; however, if we had a 6 percent cap, the property taxes wouldn't double for 12 years. Mine have gone up 13.9 percent over the last 14 years and they have gone up 5.5 times in that period of time. I cannot stand that if it continues into the future.

The benefit of the 6 percent cap, in our view, is that it provides fairness and equality to every property owner. If a property owner owns a \$1 million property, his assessed value goes up to \$1,060,000; if he owns a \$100,000 home, it goes up to \$106,000. Each person benefits in a uniform and equal manner. I guess the other benefit that we see in a 6 percent cap or some other

number, whatever it might be, is that it does provide fairness to the county, to government.

[Ted Harris, continued.] The government does need money to supply the services and revenues. According to Mr. Hobbs's report here that I have read carefully several times, traditionally, the revenue for the counties tends to be in the range of 6 percent. I believe this is where Mr. Schoefield came up with the concept of the 6 percent cap. I believe his end goal was to achieve revenue neutrality.

The increases that are being faced by some of the counties are huge and would represent a huge windfall above and beyond what government needs to operate and provide the necessary services. Frankly, if they need more than 6 percent, I think it is time to put a stop to some of the spending or maybe it is time to consider a different way of generating the revenue. One of the advantages of the 6 percent cap is that it does not prevent the county from increasing the tax rate. We do not have a problem with increasing the tax rates simply because this has to be done in the light of day.

It is argued, discussed, and considered and, therefore, the county can raise additional money. Furthermore, if some of the counties are approaching, or at the cap, maybe the Legislature should consider allowing exemptions to that cap. Here again, once you have established the cap, everybody pays on a uniform and equal basis. If you apply a higher tax rate, that applies to every property across the board. It could not be more fair. I guess the key point here is that this proposal would do no harm. It does not harm the counties who do not have a high taxable value or are not growing. They simply prevent the property owner from being taxed out of his home while providing sufficient revenue to allow the counties to provide their services. I have attended every one of these meetings and I intend to be at all of them because I want to know what is going on and we are very anxious to see that something is done here.

The other day, we heard the schools of Washoe County complain that they would lose \$1.7 million if there was a 6 percent cap. As a percent of their budget, which is \$345 million per year, a \$1.7 million reduction in revenue represents only a half of 1 percent. This does not seem to be a huge problem. As far as the schools are concerned, we have heard comments that this may have an impact on their ability to build schools. I do not see how that can happen because Washoe County, like Clark County, has passed a bond that allows rollover of a certain amount of the tax rate. Whenever a bond matures, it rolls over, the school district for the next 10 years can automatically spend that 10 cents—or whatever that tax rate is—and they can buy new buildings.

In Washoe County, when the bond was proposed, it was calculated that they could potentially raise over \$700 million in capital expenditure money. The point here is that we need some protection, the county needs some protections, but at the same time, if government needs more revenue, they need to come and ask the people. They need to ask the people and need to discuss it in the light of day. We cannot stand this insidious method of backdoor taxation because we have no control over the taxable value of the property. I hope you will give this your consideration.

We would like to work with you in any way that we can to come up with a solution that is fair and satisfactory to everyone. Basically, that is my presentation and I thank you for the opportunity to speak. I welcome any questions that you might have.

Assemblywoman Giunchigliani:

There may be a couple because you touched on a few different things. First of all, several of you have been sitting here and we appreciate your attendance because it shows that the process is open. I do want to comment on the very last statement that Washoe County does not have the rollover. I am the one who wrote the law for Clark County, for the rollover. Washoe did not have enough money. They do not have enough for generations of room tax as well as various other things where they could not actually benefit. They opted out of the bill. We could not accommodate the rural counties because of the \$3.64 cap and many of them are at that.

In your discussion or as your group works through this process—one thing we keep running up against is that if we do one thing to help Washoe or Clark we also hurt the rurals—we have to balance that part of it. Part of what happens is that they have such a declining growth, in many of the rural counties, that they need to be exempted or taken out of the cap for them to be able to help us keep the uniform and equal clause. Have you talked about that or is that something that you have considered?

Ted Harris:

Yes. Washoe County passed the bond the last election to keep 10 cents of the tax rate, and respend that money. They did do a rollover.

Assemblywoman Giunchigliani:

I did not realize they had done that.

Ted Harris:

And it does go on for ten years. As far as building new schools is concerned, there is another issue that I meant to touch on, that I would take this opportunity to do so. There is a huge problem here with the capital cost of building new schools because of the tremendous growth. We have thousands of people moving into this state in Washoe County, Clark County, and other parts of the state. These new people, when they move in and buy a home here, bring their children with them and they expect the existing citizens to supply the schools and the teachers for their kids. Yet, when they buy a house, they pay all types of costs that are included in that house—including infrastructure costs, whether it is parks, or sewers, or roads—there needs to be a serious consideration to change the impact fee on new construction. This is absolutely outrageous.

Assemblywoman Giunchigliani:

I may call on you because I have tried to pass legislation to add schools to the impact fees, but that has not been supported by the Legislature. It will not offset all costs, but it should be in other places that equalizes that.

Ted Harris:

In California, where I came from, the last time I looked, if you were to apply for a building permit for a 2,000 square foot house, the impact fee for schools alone is \$2.60 per square foot. This is over \$5,000 that is going into a fund to build the schools for that growth that is coming into the community. Not to permit that in Nevada is outrageous. Why should the existing property owners be forced to subsidize the growth for the new people coming in?

Assemblywoman Giunchigliani:

You are preaching to some of the choir, but I appreciate those comments. I also wanted to clarify for the record that someone said that where the schools were ranked. Actually, that is spending, so we are near the bottom of what we actually provide for per pupil and the superintendents. I think unfortunately—I will state that I am a public school teacher—the number one issue is kindergarten and again we will be dealing with how you find the seats for those individuals. That goes back to your capital construction costs.

I think you have found that Nevada is very open to all ideas, and I think the creation of this Committee, by the Speaker and the Senate, shows that we are trying to do what is best. The government does work slowly for a very good

reason, and that is, no matter what we try to do to help one group, we may harm someone else. We need to plot a little more carefully in order to make sure we do not create a further inequity. I think that is what we are trying to work through here today. You have come up with some ideas that we will take a look at, but we are trying to do what is best for a relief that is equitable across the system. Sometimes that is not always the easy way out.

Ted Harris:

That is our goal, too. That is what we hope for. We believe in the representative form of government, and we believe that our representatives are in position to do something about a serious problem that is having an impact on every citizen in the state.

Assemblywoman Giunchigliani:

I would also clarify that Nevada is unique, too, since, in 1981, we got out of the property tax business at the state level. Part of what we are trying to wrestle with is growth issues at the local government level that have unfortunately percolated up to us, while being driven locally. We have to focus on that balancing act to make sure that we do not harm government workers and the jobs that we expect the services for, but we also do not want to harm our taxpayers. Again, we will take everything into consideration.

John McGhee:

The one comment I wanted to make was that I spent nearly 30 years of my adult life in the military having little or nothing to do with politics, let alone taxation systems. I have jumped into this situation with both feet because of my interest in learning how the system works, and I am finding that the comment made about the complexity versus the simplicity, of a relevant program, is critical to the way the public perceives the way government works. Whether they are trying to be upfront and candid about how we approach taxation. I believe in a strong government and I feel most people believe in a strong and efficient government, but the key word here is "efficient."

The people need to be aware of how the system works, and there needs to be a program devised so that the average person does not feel like he is being hoodwinked, because he cannot understand the language of the basic process. I say that because we talk about the word "equitable." As the layperson here observing the different meetings you've had, I listened to the discussion with the education representatives, and I found it very disconcerting as to how each county is limited as to where their revenues come from for education. In a system that is supposedly statewide equitable, why, in a booming building environment such as Washoe County is experiencing, does a county not have

revenues going to education from a building tax, which is the case in Clark County? Again, I would say, when you are going through this process, do not forget the layperson and their understanding of this, because it does not make sense to me as a layperson.

Assemblywoman Giunchigliani:

The whole room tax issue, on construction in Las Vegas, is they had the rooms that I could tax. Washoe did not have it and the rurals did not, and that is why they did not take advantage of that. It is unfortunate, because that is what allowed them to keep pace with growth. As I mentioned before, we are unique in Nevada, in that, the local school districts have no ability to raise money for schools other than construction. They are prohibited from doing that. That is probably where you see where some of the inequity comes in.

Chairman Perkins:

I will also tell you that I think it is easier for us if it is a simplistic method. For us to understand it, if you have sat and watched our discussions, it has been fairly difficult for this Committee to get its arms around it. You cannot have a one-size-fits-all when you go county by county, and each of our counties are so different. We have two very dynamic urban counties and some very wide open spaces in Nevada. That is part of what makes Nevada so unique and wonderful, but by the same token, it creates some challenges for us to make sure nobody is harmed in this process.

Ted Harris:

We do have tremendous diversity and we do not want to harm the rural counties, and certainly it has been brought before the Legislature before that there should be exceptions made to the cap. That is what is hurting them. As people have moved away, the mines have shut down, the values have dropped, and they cannot afford to pay for basic services. They should be given exception to this limitation on caps.

Chairman Perkins:

We are aware of that, but there are some of those counties that are so sparse we could let them go to the \$5 constitutional cap, and they still would not be able to pay for those services.

Ted Harris:

Another option would be to consolidate some of those counties. There are four or five that should be melted into one. Why do we need five levels of government for five different counties that cannot justify paying for services.

Chairman Perkins:

You said it, I did not. Thank you so much for your testimony. I think we can see from the first person who spoke to this group that there are wide and varying opinions and suggestions on how we are going to accomplish this, and I think that speaks to the complexity of the issue we have as well.

Rusty McAllister, President, Professional Firefighters of Nevada:

We have certainly not taken any position because I do not believe that you have indicated that there is any position to take. The investigation process is in full play. We are closely listening to the debate and the different ideas that have been presented. We just wanted to make sure that we got on the record to say, whatever decisions are made, during the course of your deliberations that you consider the effect of what you do, and how it affects public safety.

I speak mostly for southern Nevada because that is where I am from, but I do represent both southern and northern Nevada. Currently, it is kind of a unique situation as I listen to the gentlemen from up here around the Lake [Tahoe] and in Washoe County. The departments that we have up around Lake Tahoe [are it]. We are not building new fire stations there. It has pretty much grown out. The growth is not stopping, but the property tax rates are actually going up, while the property tax bills are going up in an area that is not necessarily growing, just growing in value, whereas in southern Nevada we are building fire stations at a rate that we cannot keep up. North Las Vegas reported in their presentation to Government Affairs the other morning that they opened up three new fire stations in three years and have two more that are currently on the books for future growth. The City of Las Vegas has opened five new fire stations in the last five years. We have torn down and rebuilt, and relocated two others, and we have three new ones that are on the books waiting to be built. One of them is already to the point where the housing has gone so far, that we do not have a fire station close enough that they are going to put us in a modular mobile home in Summerlin until the fire station can be built. Clark County Fire Department is growing at an exceptional rate. They are opening up new fire stations. Henderson is doing the same thing; they have opened up three new fire stations in the last several years. The growth is phenomenal. When they develop those new fire stations and implant the manpower and equipment, it takes money. It is expensive.

They plan well ahead in that they plot where those stations are going to be. Based on that, a local governmental entity or local fire department gets an ISO [Insurance Services Office] or an Insurance Services Rating. Currently, the two largest fire departments in southern Nevada enjoy the very best insurance rating that there is, an ISO 1. Without the ability to build, man, and equip fire stations, the ISO rating will change from an ISO 1 to who knows what. That has an affect on every business in southern Nevada. Business Insurance rates are set on your ISO rating. With those things in mind, we ask that during the course of your deliberations—knowing that there is a lot to consider and that there are a lot of proposals—you will at least keep public safety in mind and where it is heading in the different parts of the state. Thank you.

Chairman Perkins:

I think it has always been our goal to make sure that essential services are taken care of, while simultaneously providing some relief for our property owners.

Janine Hansen, President, Nevada Eagle Forum:

I appreciate the fact that you have come together today to listen to concerns about these issues. I want you to know that it is very high on my mind because my 89-year-old mother is in the process of trying to sell her home. She worked very hard all of her life and my father worked on the railroad. They bought an apartment house so they would have something to retire on. Many people, instead of investing in their future so they could have a retirement, have left that to the government and then find themselves trying to live on Social Security which is practically impossible. My mother has just a little more than that, but she is one of those people who is in need.

My son is just 26 and has two children. Last year when he lost his job and his wife was pregnant, they said he could get government assistance which they refused because they did not believe in it, but now he is trying to run his own business and they are trying to buy a home. Are they not in need?

When we define need, as we heard earlier, of people who do not have health insurance, I would fit in that category. I cannot afford health insurance. There are many people who may not be defined because they are getting government assistance as people who are in need, who are indeed trying to make it on their own without government assistance, in spite of the fact, that they may not have many of the things that others have.

[Janie Hansen, continued] I would remind you of a couple of events that happened this last year. We remember the big tax increase that was passed and I was part of the Nevadans for Sound Government Board which went out to try to repeal the act's attacks. Lynn Chapman and I visited 16 of the 17 counties in that effort. We talked to thousands of people about taxes all around the state. Many of our companions worked in Clark County as well. We also achieved just a few thousand signatures short of getting our issue on the ballot, in spite of the fact that we had significant bureaucratic intervention at different locations at the Department of Motor Vehicles and the University of Nevada. I and my son were both arrested as we were trying to get signatures because there was significant opposition among the bureaucracy for what we were trying to do, or for whatever reason they might have had for arresting us on the grounds. Of course, we were completely cleared of those charges. The charges were dropped. The reason I talk about our success, and I recognize our effort as a tremendous success with individual people and money—without large funding—is because there is a tremendous feeling. We talked to those people in 16 counties about the tremendous tax burden they are facing.

As you look at this issue, I do not have answers for you, and I know that is what you are looking for, but your sensitivity to the issue of people's concerns is tremendous. My mother lives in an old part of Sparks. She bought her home 50 years ago and so she is the beneficiary of some of the appreciation, but the value of her home has gone up from less than \$20,000 when she bought it to over \$300,000. For her to pay that on a very fixed income is difficult. It does not make it any easier for a family because they do not get an automatic increase with their pay just because their property tax went up. Now, with the prices of homes, it is very difficult for the average family to even purchase a home unless you have both members of the family working. What does that do? When you have no one taking care of the children at home, then you have an increase in social problems, which involves a larger government and more taxes to pay for it.

We ask you as you look at this, to know as we know, because we went out and spoke to people in Dyer, Goldfield, Pioche, Pahrump, and every small town in the state. We stood out at the Mineral County post office and in the post office in Lovelock. We were all over the state gathering these signatures and talking to people about taxes. They are very concerned.

They want the government to live on a limited budget as they themselves have to do. So we appeal to you. The Governor made mention to you, in some of his public comments, that he was concerned about a taxpayer revolt. We were almost successful last time in getting this issue on the ballot, and years ago I

was involved with Question 6, which was the California Proposition 13 of Nevada. It is not beyond our capacity to be forced to go out again to the people, but it is much easier if you do it. I do not want to go out and get signatures again.

[Janine Hansen, continued.] We are hoping that you will find a resolution, a fair resolution, to help the people in our state, not just people on fixed incomes, but families who are struggling to meet their basic needs. The greatest single budget item for a family is federal, state, and local taxes. Many of those are hidden and we do not realize that, but that is the case. It is more than the cost of their housing, their food, their education, and their health care. The greatest budget item in a family's income is taxes: over 50 to 60 percent. We do not realize that because even our food costs are impacted by, for instance, the gasoline tax. We encourage you in this process, and we commend you in this process and ask you to be very sensitive to those who are hurting in the state of Nevada, families, the elderly, and others whose incomes are not keeping up with the process that we all face. Thank you for your consideration in coming up with a real solution so we do not have to petition this next year. Thank you.

Lynn Chapman, Vice President, Nevada Eagle Forum:

I am wearing black because I am in mourning. This morning I was out with my CPA [Certified Public Accountant] doing my federal income taxes, and now I am here today talking about property taxes. So I am in mourning. I am a part of a family, I have a husband and a daughter, and we are losing ground rapidly. The point today is not so much whether Nevadans can buy houses, it is whether they can keep their homes. My niece works for a company that does foreclosures and she said you wouldn't believe how foreclosures are just skyrocketing. It is really sad seeing these families being forced out of their homes.

We do need property tax relief, we need to stop spending, and we need to remember that higher taxes hurt families. I encourage you to keep looking for solutions and not to raise anymore taxes. We are hurting enough as it is.

David Schumann, Vice Chairman, The Nevada Committee for Full Statehood:

Last week you heard from various government experts as they gave their views on Nevada property taxes. Today you are hearing the rest of the story ([Exhibit D](#)). Listening to Mr. Hobbs and the others, the visitors from far away could be forgiven for thinking Nevada is located somewhere east of Colorado and west of Illinois.

[David Schumann, continued.] My testimony will focus on the fact that Nevada is right next to the largest and richest state in the nation and that California not only heavily affects Nevada's economy in general, but very heavily affects Nevada's real estate market. Mr. Hobbs and the others explain, in great detail, the various aspects of real estate taxation as seen from the government side of the discussion. At no point did any of them fully justify the unacceptable notion that government is due a windfall because individuals take a risk with their money and turn out to be right.

Ladies and gentlemen, I do not believe that more than 2 or 3 percent of homeowners believe that just because the assessed value of their land has gone up 20 or 30 percent they are getting any more out of their investment or that their government should profit from it.

Now down to the numbers. The hockey stick curve that Mr. Hobbs showed us shows a sudden spike in real estate taxes in Las Vegas in 2004. I think the curve started long before that and instead of being an anomaly, current real estate prices in Las Vegas are simply a reflection of long-term trends in California. In 1973, my wife and I bought a condominium in Tahoe City for \$47,000. We sold that condo in 1999 for \$450,000. That is no genius on my part, that was the market. In 1987 we bought a 1,400-square-foot house in Sunnyvale, California, for \$190,000. We sold that house in 1999 for \$679,000. Again, no genius on my part, that was the market. Those homes did not achieve all that appreciation in one year. All of the homes in California have been appreciating for more than two decades. Why does that mean anything in Las Vegas, Carson City, Reno, or Minden? Because after selling our home in Sunnyvale, we were able to build a larger home on two acres in Minden for a little more than a third of what we received for the Sunnyvale home. I might add, here our taxes on that \$245,000 house were higher than the taxes the year we left California, in 1999, on our \$679,000 house.

We heard all of the stories about this fire station is going to be closed down and that police station is going to be closed down from government officials. If you guys, in 1975 that is, passed California Proposition 13, we would have to shut down this, that, and the other necessary government services. It never came to pass. February 11, 2005, the *Wall Street Journal* published charts showing median home prices across the nation. They show a five-year appreciation of 174 percent for Glendale, 173.3 percent for Burbank, 173.2 percent for San Diego, 165.8 percent for Los Angeles, and only 161.2 percent for Capistrano Beach. Please consider the following median prices for other towns and counties in California. The median price of an existing, single-family detached home in California during September 2004 was \$465,540, a 21

percent increase over the revised \$384,690 price of September, 2003. The median home price in Santa Clara County was \$630,000 in September. Manhattan Beach, \$1,425,000; Beverly Hills, \$1,380,000; Laguna Beach, \$1,300,000; Coronado, \$1,295,000; Los Altos, \$1,264,250; Saratoga, \$1,259,000; Burlingame, \$1,227,000; Palos Verde, \$1,189,000; Carmel, \$1,131,500; and Newport Beach, \$977,750.

[David Schumann, continued.] Naturally, people who escape from California after selling homes, for these sorts of prices, are not going to haggle over \$5,000 or \$10,000 in Las Vegas or Reno. Please note that the Santa Clara median price is now up to \$630,000 and you have Saratoga at \$1,259,000. This includes homes in pretty poor areas of San Jose. The California Association of Real Estate [Appraisers] might be able to provide minimum prices but they are not bragging about those. If you say escape, that is correct. Ask a recent Californian and he will tell you he escaped from Gray Davis's wonderland of taxes.

Governor Davis did such an excellent job of digging a bottomless pit of indebtedness for California that the [new Governor] will not be able to get them out of it for decades. Everybody in this room will be long dead before they are out of their huge debt. I have actually heard government types blame California's troubles on Proposition 13. Mr. Hobbs did not think it such a good solution and that is wrong. The field survey has polled Californians over the years and if it was on the ballot today, it would still win by more than a 2:1 margin. Proposition 13 provided California with what Mr. Hobbs feels are the important aspects of property taxes: a reliable and stable source of revenue for government services. By the way, Webster's defines stable as "firm, steady, and fixed." Those are not characteristics of the current property tax system in Nevada, but they are of Proposition 13 in California.

In addition, unlike Nevada, California real estate taxes are predictable. You know going in what they are going to be and you know, from year to year, what they are going to be next year. This allows you to budget your living expenses. All of these characteristics are valuable for taxpayers. No, Proposition 13 did not dig California's debt, it was the governor and the state legislature. Fixes like a 6 percent cap are not fixes, they are frauds. Real estate taxes will double every 11 years under that scheme. 6 percent caps will double the taxes you pay at the end of the 11th year; it is simple math. After listening to Brenda Erdoes explain the *Nevada Constitution*, it is clear that we need a constitutional amendment, not a statute. What would work in 1864 will no longer.

[David Schumann, continued.] We do not have the wide open spaces, except out in Esmeralda and Mineral County. And frankly, they do not want to become part of some other larger county. If you talk to the folks in Tonopah or Goldfield, they do not want to be part of Clark or Washoe or anything else, they want to be a separate county. We spent a lot of time out there collecting "Axe the Tax" and I got to talk to many folks about taxes. The people are far wiser than bureaucrats or even legislators. The people will see through scams such as the 6 percent cap. Remember, after 30 years of experience, the people of California still strongly support Proposition 13.

The Angle-Gustavson proposal, a Nevada Proposition 13, can be found in BDR C-212. Those who wish to really wish to support the taxpayers of Nevada will support that BDR when it becomes a bill. Mr. Hobbs got that aspect of the presentation wrong also. BDR C-212, like the original California Proposition 13, has a rollback provision so that the taxpayers will know that the assessed values go back to three or four years. They will know that you have taken the first step to solve the situation. There has been a myth here that if we do not raise the individual amounts that we receive every year from the property tax, the counties are going to go belly up. I am sorry, you are right next door to California. They are going to be fleeing from California and building houses over here. The simple fact that you have more people paying \$1,000 or \$1,500—whatever it is—will generate income for schools.

My son was long out of school before we came here. I see a lot of other grey hairs, like myself, in Douglas County. They do not have kids K through 12. I think it is a bad rap to say that all of us who escaped and came over here are bringing children with us, and we are paying for schools. Wrong. I think you will find that close to 50 percent of the people who escaped from California are retirees who are willing and happy to pay our fair share of the school taxes. We are not adding to the burden. My child has been out of University of California, San Diego for some time and was never in government schools in Nevada. I did not add to that burden; I helped to pay for it. I am just one of hundreds of thousands who came over here paying school taxes and not adding to the problem.

The taxpayers know that you have taken the first step and while it may take two years, help is on the way, and we will be very grateful to you for taking the first step to solve the problem. Thank you.

Chairman Perkins:

I wholeheartedly agree that some sort of constitutional amendment is going to be necessary for our long-term solution, but we find ourselves in need of a short-term relief because a constitutional amendment would take three years. We are going to have to accomplish both in the confines of this legislative session.

David Schumann:

Mr. Chairman, there is a two- or three-year rollback period. While it is going to hurt this year and next year, the fact remains that there is a finite thing with which we can live out our old age with a constant and stable tax increase, similar to California. That is something that you can live with over a couple years. Just the fact that you are doing something to reach that end has a psychological effect and shows that there is some sort of permanent control. I voted for Proposition 13 while in Kuala Lumpur, Malaysia, at the time and the folks over there could not believe that Americans had the capability to actually lower our taxes. It is a marvelous thing that we can do in this country and the people know you are on their side. Thank you.

Chairman Perkins:

Secondly, Mr. Hobbs is not advocating for any local government. In fact, he is a private contractor that we have asked to come and explain the nuances of how we got from 1981 and the complication within the last 2 1/2 decades. I would appreciate you not attacking Mr. Hobbs, as he is just presenting facts to this Committee.

David Schumann:

Thank you, Mr. Chairman; however, I took my economics at the Wharton School and he is represented as someone who knows economics. I do not have a Ph.D., or anything else, but I took some fairly decent courses both at Temple University and at the Wharton graduate program. For him to come and tell you folks that we are heading into a downturn, which is due cause for this higher tax bill, is wrong. I went out and helped collect signatures because I knew what he said then was advocating for higher taxes. As an economist, he knows darn well that people are coming here from California in big numbers with big bucks. The rest of the country could be in a depression while Nevada is unaffected because we are next door to California. There are 35 million folks

over there who are anxious to get out, and they have money. He may not be a government man, but he was pushing the government point, in my opinion.

Chairman Perkins:

Perhaps last session. This session I think all we have received from him is an explanation of how things have occurred over the last 2 1/2 decades.

Assemblywoman Giunchigliani:

I know that several years ago we witnessed the largest migration from one county to another in southern Nevada: from Orange County [California] to Clark County. However, I have to point out that growth does not pay for itself. You have individuals who come here that may have sold their property for a great deal of money, but in four to five years, they expect the same type of services that they had in California.

My family lives in California and they are very upset about Proposition 13, because they feel it contributed to the debt going on there, and it has had an adverse affect on the generation that is still in school. I do not think we need to model ourselves after something that sounded like a good idea but has not panned out over the years. I think we have an opportunity to do what is best for Nevada and not duplicate what is going on in California. I think we have to be very wary of that part.

I also think another reason they are coming here is because we do not have an income tax and we also have one of the lowest property taxes in the United States. We try to be very responsible in Nevada. Most of the State government funding does not come from property tax, we got out of that business. It is generated by sales tax. Part of what we are trying to do is balance the needs for local government when they are they ones reaping what windfall may be there. That is the dilemma we are trying to deal with.

Maryanne Ingemanson, Tax Consultant, representing the cities of Incline Village and Crystal Bay, Nevada:

We would actually welcome a policy of consistency in the assessment of taxes so that the tax burden may be anticipated. If the tax cap, which I know is one of the many solutions that seem to be proposed, is reasonable at 6 percent, I feel that is something that our folks might consider. I think that we have been distressed as Clark County is right now, and it is no fault of your successor, Mark Schofield, but the market peaked and they were caught.

[Maryanne Ingemanson, continued.] In our area, some of the folks had their taxes go up to 375 percent in one year, which is astronomical. My own property taxes went up from \$30,000 to \$80,000 per year and could continue to go even higher. Happily today, I come with "light heart and happy feet" because I just left the County Board of Equalization hearing, and they reversed an 8 percent tax that added to our increased burden of taxation. I think that many people think that the Incline people are just whiners, but we are not whiners. That is not the case. They are reasonable, respectable folks, but when there are no warnings and flawed appraisal methods, you cannot blame them for being outraged. When their taxes escalate at such an astronomical amount, there is no way they can budget their resources for the succeeding year.

People do have to leave their homes. It is a grassroots movement that has happened. People ask me how I happened to get involved and it was truly a weird experience. I just pulled into my driveway and there was a gentleman in the street with a clipboard, and I thought I would go out and see if I could help. I introduced myself and he was a county appraiser. We chatted and he was very nice. He said he had not been with Washoe County for too long and so forth, so I mentioned that the taxes seem to have gone up. He said next year would be a bloodbath. Having been somewhat startled with those words, I was aware of what was coming and alert to watch for the assessment postcard. It is not a tax bill so everybody immediately throws it away.

Chairman Perkins:

It is more important than the bill.

Maryanne Ingemanson:

Absolutely. It is such a short window in which people can do anything. I think the window for them to send it out is December 18, right in the middle of the holiday season. Everyone is off seeing children or having packages, et cetera. By the time they get to their mail, the time for appealing, which is a January 15 deadline, has come and gone. It is over and they have nothing else to do.

We organized up there, and today was actually the de novo hearing of our third year of going through all of the administrative procedures that one has to go through. We went through judicial review with which we have four lawsuits pending; we have an active email database of 2,900, and this is a small village. One thousand three hundred petitions for review were filed for today's hearing. This year we were able to get them consolidated, and I think you would all agree that it would be easier to hear all 1,300 at once, rather than one at a time for the rest of your lives.

[Maryanne Ingemanson, continued.] I think that the gentleman before me was talking about the average person going to purchase a home. It seems to be four distinct things that they are looking for: how much are the mortgage payments; how much will the insurance cost; how much of the utility is going to be in this area; and what are the taxes. If they buy a home in August and have no idea what they are going to be in one year or less, that is a chilling factor for both the taxpayer and the brokers who cannot give distinct numbers like that. The taxable land value on my home increased in just 2 1/2 years from \$2 million in 2002, to \$6.5 million in 2005. This is not something that I was anticipating and it does put a dent in your armor when you have to come up with that kind of money. Just the taxable land value averaged an increase of 56 percent per year. If I projected that for one more year, my taxes next year would be \$120,000, which is a ridiculous amount of money to have the privilege of living in your own home.

I think that the appraisal practices in Washoe County had not been accurately done, and it was quite interesting in the last hearing, yesterday and today, a gentleman named Todd Lowe, who is very bright, showed that the intention of the 1981 bill has not happened. It has not happened because the law has not been followed properly. If you read it carefully, analyze what the law says, and project over a 30-year period, it is amazing because the taxable value to a home—I use 30 years because that is the average lifespan of a home until it is sold in Incline—in a 30-year period, the taxes including inflation, market depreciation, and so forth should be about 50 percent of the value of the property. In Incline, it is nearly 90 percent. This law has not been overseen properly and it has not been working properly. I think if it were made to work, as was the original intent, and the law were followed, it would probably start to unscramble itself.

Last night, after returning home from another hearing, I started thinking about what seems to be the main problem, it is the land increase. If there was a cap of some kind put on the land—and I have certainly not analyzed all of the 14 bills awaiting your approval—that might be a clear-cut way of getting what you need. I feel this is somewhere you can go with a quick fix. The assessors should first be able to tell the county managers and the commissioners how much, if the law were working properly, would be expected to receive from property taxes, have them properly assessed, and the county budgeting could be done appropriately. It seems as if, somehow, this is starting to go backwards, where the counties are determining how much they need, and this seems to also be driving the tax rate. If the law is in place, and we have such a very short time to get things accomplished and could be accurately followed as originally intended, I feel this problem could be simplified.

[Maryanne Ingemanson, continued] It is a very complicated situation as you all know, but as the President of Village League, I can assure you that we join with all of the property owners in the entire state who have saved and purchased homes for their families and previously paid anticipated and reasonable taxes willingly to better their community and schools, and who, when asked, will share the burden of taxation equally, fairly, and uniformly. That is what the Incline Village people are all wanting. They want fairness, equality, and uniformity so that there is some predictability in the tax burden.

What we have accomplished is democracy in action; it started with a group of less than ten, and it has and will continue to grow. We feel there is a need for a fix and you people are the ones who can do it.

Chairman Perkins:

I hope that we do find that quick fix as well. You mentioned one thing that drew a question from me. That was, the original intention of the law was around 30 percent of value and you are paying 80 to 90 percent? I am not sure what you are saying.

Maryanne Ingemanson:

No, I said my own personal property taxes went from \$30,000 a year to \$80,000 a year. In the amount of the percentage—and I can get the graphs done by Todd Lowe for you; they are simple, easy to understand, and you can immediately see what the problem is. He came up with this graph, and I shared with him all of the old legislative intent that I had done some study on. He took all of that and compiled it into how the bill should have worked. When he got through, over a 30-year period, an average home in Incline should have been at about 50 percent of the total taxable value of the property.

I would be happy to share those graphs with you or anyone else that would like to see them. They are very clear, easy to understand, and you immediately can see what the problem is. I had not figured out the problem either. Everyone knows it is a problem, but it was crystal clear when I saw the graphs that he had done.

Chairman Perkins:

I think the Committee heard, a couple meetings ago, from Mr. Leavitt about the 106 percent growth rule that is in statute and obviously that is being exceeded because of so many things that exist in the statute that create loopholes in that rule. That may be what you are referring to in terms of how it should have worked.

Maryanne Ingemanson:

It is at a mathematical actuality. It deals primarily with the overall inflation that will make the land go up. In Incline, many times the older homes are being replaced by much larger and more expensive homes. Even given all of the variables, the price for the taxable value compared to the market value should be around 50 percent after a 30-year period. I found that to be quite an eye-opener.

Chairman Perkins:

That is because your depreciation is at 1.5 percent a year.

Maryanne Ingemanson:

Exactly, that is what the legislator at that time intended. They were trying to keep the taxes from spiraling up, as they will do in Clark, unfortunately because of this enormous increase in market value. As they had planned it, the home and the land start on a flat plane. With inflation they would end somewhere in the middle, because the house depreciates in value. Because of that depreciation factor, the land continues to go up a certain amount and you end up with that approximate 50 percent number.

Bill Fiedrich, Private Citizen, Washoe County:

I am what everyone is referring to as the "layperson." I moved to Reno 50 years ago. I have lived in Verdi for 26 years. I bought a one-acre lot in 1974 for \$10,000. The lot across the street just sold for \$350,000 cash. I built my house in 1979 for \$115,000, so my total cost for housing was about \$125,000. The mortgage is now paid off. The house down the street just sold for \$1.2 million. The property taxes on that house are \$9,000 a year. My wife and I live on Social Security, which amounts to about \$20,000 a year. We do not qualify for food stamps and we do not get welfare.

I own two cars: one is old enough to vote, and the other is old enough to drink. My cowboy boots are 20 years old and my Levi's are 10 years old. If my house is assessed for \$1.2 million and my taxes at \$9,000 a year, which there is every reason to believe it will be, that is \$750 a month. I cannot afford to pay that. Before somebody jumps up and says, "You are lucky, Bill, you have a free

and clear home worth over \$1,000,000. You are rich." I cannot eat my house. If I am forced to sell, where am I going to move to, Cleveland? With all due respect to those folks in Cleveland, I do not want to live there. We need a Proposition 13 for the state of Nevada. Thank you.

Chairman Perkins:

You actually bring up a very good point, and we all recognize that there are a number of folks on fixed incomes and others that whatever the value is, it is a virtual value to them, because they cannot, or do not, want to sell their home. They have to have a place to live.

Larry Dille, Private Citizen, Douglas County:

One thing I want to make clear is that I moved here from California and did not bring a boatload of money. I worked for a utility company for 36 years, retired in 1993, gave up my Proposition 13, and moved here. I am really glad I did because I love it here.

The reason I mention that is because the utility company is a good living, but you do not make a lot of money. When I moved here, I bought a house for \$150,000, which was exactly what I got out of my house in California. It was a fixer-upper and I fixed it up. I worked on it and it is on a half-acre. I landscaped the entire half-acre myself—every rock on that property, I put there personally. I think it looks pretty good, and I guess I did a good job, and I must be right, because my property tax just went up 45 percent. So if I recognize it, they do too. I know a lot of people in Douglas County have the same problem. If this is not corrected, we are going to be in the same mess as California. That is all I have to say, and I thank you for your time.

Curk Cave, Private Citizen, Washoe County:

I only found out about this meeting about an hour and a half ago, and I come with some different news that relates directly to what you are ready to get into. When I was in Sydney, you could buy a nice home on the beach for \$25,000. Prime Minister Hawk thought he would just allow the foreigners to come in and allow the Japanese to come in. In one year, the same property went to \$250,000. Within two years, all of the Australians were forced out of their homes on the beaches and surrounding areas.

I quickly typed out a résumé on two pages ([Exhibit E](#)). There is nothing wrong with the states that people came from, except they made a mess of where they came from. They wrecked Oregon, Washington, and now they are wrecking my state. You might have to look at the surcharge on all new construction. The reason I say that is that they come here because it is a cheap place to stay and

there are cheap building costs. My family has been here about four generations and I think we are the oldest general contractors in the state, Nevada Contractor License Number 120. We are still in operation. There is an economic freight train coming down the road.

[Curk Cave, continued.] Over the last 24 months, I have been overseas 18 times. I returned a couple days ago and still have jet lag, but I did the best I could on this for you. I worked for people over there who have certain sources of information and they said, "In 54 months, it is going to take 100 percent of all of the discretionary income of every worker in the United States just to pay the interest on the national debt." The figures are here and we have to look at adding a surcharge to new construction. You cannot have people flooding into the country; you cannot have 80 to 100 thousand illegal aliens coming in. No country that I was ever in—the Middle East, Africa, and in central Europe—saw benefits to a growing population in regards to the standard of living.

There are just a couple of countries that virtually stopped all immigration; their taxes have been going down for the last 18 years. One is Liechtenstein, and the other is Switzerland. You have to go to the federal government to stop this. If it was 80,000 to 100,000 illegal congressmen or senators going across their border every month, they would stop it immediately.

They say that this cheap labor is not true at all. If somebody gets a cheap piece of labor for building costs, the rest of us have to pay for schools, roads, hospitals, and crime. One-third of all criminals in the federal penitentiary are just from south of the border. This is a problem you will have to go to, and I think you will have to look at putting a surcharge on new construction. I mean residential, financial, commercial, and let it shift upwards. You will have to freeze the taxes on the homes that we are in now. I was in Reno after graduating from the University, and I bought a place where my taxes were \$227 a year. Now it is about \$3,000, so I moved out a couple years ago. Lowering the demand from people coming from California will eventually correct the problem, but you cannot allow subdivisions to keep going in. This economic downturn is coming.

These guys from intelligence services that I have gotten to know from my oversea business travels have said that this year our government is getting ready to launch a two-tier money system. Money used in international currency will have a red border around it, and he said that would be backed by silver. The domestic currency will flood the printing presses because of all of the domestic money that is owed. I do not have this in black and white; this is what he told me in person. I think that is going to be an economic freight train

coming down and if you have a lot of people in the state or county, you are going to have all of those crime problems, so you want to get your stuff laid out and paid for.

This is what I would do, to somehow get a stop on foreign ownership because that is what wrecked California. There was nothing wrong with the people; they just screwed it up. They will change it to the place they left behind. My pickup is 33 years old and that is what I drive; that is my only car. I have worked hard all of my life, but in May, I will probably unload my house, because I see something coming down the road that I do not like.

Tom Ferrara, Private Citizen, Douglas County:

I am looking at a notice from the assessor from Douglas County. We moved here about 10 years ago and my family is very happy to be here. We love Douglas County and we love Nevada.

This notice indicates that, instantaneously, my assessed land value went up by 68.8 percent. I cannot afford health insurance for my wife. They want me to pay an additional \$60 per month starting immediately. I need some help. I cannot afford that. We will cope somehow, but I need some help. The kind of help I am looking for—not necessarily have my property value decrease—is some sort of a fair and reasonable way that we can afford to budget this property tax increase over a reasonable amount of time. I am looking for some help, in any way that we might be able to get it and to have this increase not put into effect until this group has had a chance to look at things and if there are any probable solutions.

Yesterday we went before the County Board of Equalization with this problem, but they could do nothing for us. They suggested that we come here and voice our problems, and we are grateful to have the opportunity to do that. That is all I have to say. If there is any help that can be had from this Committee, it would be greatly appreciated.

Chairman Perkins:

We appreciate your testimony and it is this kind of information that the Committee needs to see. The situation affects real people throughout our state and we appreciate you for taking the time.

Larry Biehn, Private Citizen, Douglas County:

Eight years ago we moved from Michigan to the Carson Valley because of the quality of life and the quality of the Nevada lifestyle. At the same time, coming from Michigan, we experienced the California economic reversal. I paid more for my lot here in Minden than I sold my 4,000 square foot house in Michigan for. Nonetheless, we bought land, built our final home, and looked forward to the final cattle drive. We received our yearly assessment notices, and the increases were very modest, ranging from \$55 to \$78 a month, which was acceptable.

This year's assessment notice is a heart-stopper. We had a 30 percent increase, equating to an additional \$800 in property taxes. This is totally unacceptable as a property owner. The land assessment went up 100 percent. Calls to the local assessor's office were answered with such responses as, "The property values went up," and "We are doing everything that we can, but we must comply with the state requirements." I sent emails to my Senators and Assemblymen urging them to act promptly on this extremely important legislation. I am here again to encourage you to address this issue in a manner that will not force those who are on fixed incomes, or those families where both the husband and the wife have to work, out of their homes because of an increase in property taxes. I noted an article in the Reno paper that quoted a Las Vegas Assemblywoman saying that she would not be held hostage by the threat of an initiative petition.

To this I would say, if you do not listen to us and do not enact a timely, equitable, just property tax relief, you will awaken a sleeping wave of taxpayers who will take action in the form of a California Proposition 13 initiative. Therefore, I implore you to act swiftly and get the job done; otherwise, we will be back.

Jay Harvey, Private Citizen, Douglas County:

I have been a resident of Nevada for 30 years. I did live in Carson City, but the State took my home away for the freeway, so I decided I would build a new home myself. I used my sweat and labor and built my home where I planned to retire. After receiving my new tax bill this year, I noticed it had increased 60 percent. I am on a fixed income and living on Social Security, because the company where I worked for over 20 years went bankrupt. I do have some funds in the bank, but I broke my neck building my own home. Now the county is going to take it away with its increased taxes. That is all I have to say.

David Burns, Private Citizen, Douglas County:

I have been living here for five years and I truly enjoy it here; however, this year I received my assessment on my property. My land value has more than doubled and the increase in my taxes is 50 percent. Something has to be done about this and I am here to ask you to consider something. This is crazy. I also believe that a 6 percent cap is too high, it should be more in the range of a 3 percent cap. Where is all of this money going? That is all I have to say.

Leonard Gang, Private Citizen, Clark and Douglas Counties:

I feel privileged to live in Nevada. I moved here in 1963, so I have been here for quite a while. I bought my lot in Incline Village in 1968. I believe I paid about \$16,000 for it. My tax assessment is more than the cost of the lot. I built my house in 1982. When I built this house, it was my wife and my dream house. I expect, or expected, to live in it for the rest of my life. I had hoped I would be able to hand it to my children to use as a vacation home. I do not think that is going to happen because, simply put, the property taxes are getting too enormous.

I am not here pleading poverty by any means, but I would like to echo what the other gentlemen here have testified to, particularly the gentleman from Verdi. I feel privileged to live in a house that has increased in value so greatly, but there is something wrong when I cannot afford to live in that house—and I retired, by the way, in 2000—because of the constant increases in property taxes. I feel very lucky compared to some of the other people who have testified, but my land tax went up 80 percent in four years, from the year 2001 to the tax year 2005/2006. This is a significant increase. You have all heard the tales that these people have testified to this afternoon, and I am not really adding much by echoing their experiences because I have had the same experiences as they have.

You have asked for solutions and I have a very simplistic interim solution, while this Legislature has the opportunity to consider the matter at length, and to pass, if necessary, a constitutional amendment. In the 1930s, they legalized gaming in Nevada and they legalized gaming as a privilege. The reason they did so was because Nevada was hit hard by the Depression, and they needed a source of income to support the state. The theory of legalizing gaming was that gaming would provide that source of income through taxes. Since 1987, the gross gaming tax has been increased 1/4 of 1 percent and that happened in the last session of the Legislature. Somehow that does not seem equitable. While my property taxes are going up 80 percent in 4 years, 1/4 of 1 percent is not equitable.

My solution would be to freeze the property tax going back to the year 2004/2005, for an interim period of time, and provide that any income lost in ad valorem taxes be made up by an increase in the gross gaming tax. One-quarter of 1 percent is not much, but I feel that would more than take place of the loss in the ad valorem tax. That would satisfy the legislative intent in the 1930s when they legalized gaming in the state of Nevada. While everyone should pay their fair share, I think gaming should pay their fair share, also. I will not say it as vociferously as some of the people here, but once again, if the Legislature does not find a solution to this skyrocketing property taxes, the people of the State of Nevada are going to be motivated to assist you by their own means of finding a solution. I do not think that is the best solution because I do agree that you have to support basic services. This could be a stop gap measure until the Legislature could get a constitutional amendment which would satisfy the problem for the next 30 or 40 years. Thank you.

Dennis Gebhardt, Private Citizen, Storey County:

I am not here to speak in general as many here did. I am here to lay myself bare so you can see what is happening to some of us ([Exhibit F](#)). I am from the north side of Storey County, from where it borders Washoe County. That does create some special problems that have yet to be discussed today. When you have a high-growth county, things are happening to the adjacent county as well. It may not be as well understood or appreciated, but it is a relevant problem. Also, I would like you to listen to me because I represent a certain demographic that may be important. I was born in 1946, my wife and I both. Therefore, we are pretty early in the baby boom. As things get bigger, things will keep growing every year because that is the way the demographics are structured.

My family lives in a Virginia Highlands subdivision located in Storey County about five miles north of Virginia City. My home is 2,489 square feet with an unfinished basement. We are off the power grid, which means our home is designed for energy efficiency rather than luxury. We would not have a hot tub or things like that. The 2004 taxable value was \$250,371. In the current tax year, our property taxes have risen 33.5 percent. Keep in mind, this is in a rural county. In the previous tax year, our tax had increased 5.8 percent and the year before that 28.2 percent. These continual increases are not supportable by my wife and me.

We fear we are on a runaway train of property tax increases. Because our income level remains stationary it will not take too much more for us, and others, to sell the properties we love. The tax burden is unbearable. Looking at my neighbors, some are already on fixed incomes or only a few short years from

that situation. Unless we get relief, many of them will be forced to sell their property and seek another county or state for residence. This could turn into an avalanche and an exodus.

As a group, the Virginia Highlands homeowners require relatively few services from Storey County. We have installed our own water and sewer systems at a great expense. The homeowners association, not the county, maintains our roads. The population of Washoe County—Reno—is booming in the meadows below. What we experience now is nothing compared to what the property owners will be, in another five years. Last fall, when we expressed concern, the county assessor responded that this increase was merely a stopgap measure for this year but now our 2005 assessment has risen again. With this continual and dramatic trend of property tax, legislative action is needed to provide homeowners some relief and security by rolling back and placing a cap on future property tax. We need assurance and some kind of hope, otherwise our future in Nevada is in jeopardy.

Chairman Perkins:

What kind of stopgap measure was the assessor speaking of?

Dennis Gebhardt:

They were going to bring a high assessment and then relax the following year because there would be more industrial park developments down in the Truckee River area. Storey County has a brothel too, and they say that is a good thing. None of those things obviously produce much, because here we are with this big tax burden.

John Wagner, The Burke Consortium of Carson City:

We are hurting. I have heard a lot of testimony, and I do not wish to repeat it all, except for the fact that I can agree that Mr. Guy Hobbs should not be believed with anything after what he did to this state two years ago. As I see it today, we have the user, the spender class, and the payers, the taxpayer class. I am on a fixed income. We came over from California, but I consider myself to be a Nevadan by choice. I do not wish for us to become like California. That is why I got out.

Occasionally, they do have a few ideas, although I do not think there are very many of them. I am very encouraged by what Speaker Perkins said about wanting to get a short-term relief now and planning for a constitutional amendment which will take another two years for a long term fix. We did have a Proposition 13 attempt with Sharron Angle and Don Gustavson. When I was working to get that bill passed, I had people asking me where they should sign.

We were down in Lampe Park and people from different counties were signing our petitions; we were doing very well. We probably would have made our quota if people were not getting arrested for using their constitutional rights. When I was in Lampe Park, this was the day of the fire in Carson City.

[John Wagner, continued.] That particular day, we were harassed by the local park authorities for being in Lampe Park. They wanted to remove us and I told them no, they were going to have to arrest me to get me out of there. I told them about the court order which we had and it did not make a difference. Finally, I was on my cell phone getting hold of the court clerk and finally got in touch with the district attorney's office. It took an ADA [assistant district attorney] to get this guy off my back. Finally, they walked away and said we could be there until July 20. I said we already knew that.

Chairman Perkins:

Mr. Wagner, I do not think we want to recount your mistreatment. Can we speak to the property tax issue, please?

John Wagner:

We also have a fixed income. I heard about the woman today who was 82 years old and has problems with her taxes. My mother was very much like that but she was much luckier. She lived in California and she was covered by Proposition 13. I do appreciate what you are trying to do and I know that you have a rough road, but the people are upset; unfortunately, if you do not do this correctly, the people will turn around on what was done and make our job harder. I do not want to be out there collecting signatures again, so I hope you can resolve the issue at hand. Thank you.

Ike Eichbaum, Private Citizen, Nevada:

I am here speaking on behalf of seniors and those on fixed income who bought their homes many years ago. John McGhee, Janine [Hansen], and others have alluded to this problem. As such, I will shorten my deliberation. My wife and I moved here back in 1968. I am 78 years old now, a senior, a WWII veteran who fought for justice in this country. I have been retired for ten years. We live in southwest Reno where many widows are on fixed income. It is really getting tough with them.

[Ike Eichbaum, continued.] I was born in Milltown, New Jersey, and when my parents turned 65, their taxes and utility bills, which were sold through the town, were frozen so that the people were not put into jeopardy. They could live out their life with a reasonable equality. Incidentally, Milltown was called "The Tranquilizer" because it was a quiet, peaceful, and compassionate town. The people thought of other people and did things the right way. This year, my Social Security increase was 2.1 percent. It went up \$15.30 a month. They took \$10.30 on an increase in Medicare. So, I now receive \$5 extra.

I was at the TMWA [Truckee Meadows Water Authority] meeting in Reno last night, and they are hitting the seniors and people on fixed income without any recourse. They raised our rates. We have been raised \$35 in the two years per month. Five dollars versus \$35 is a losing proposition. There are many situations like this with utilities and other things. I think the seniors on fixed income should have a reasonable quality of life when they retire. Have a little compassion. I would ask that you please consider seniors when increasing taxes. Give us some relief. I thank you.

Chairman Perkins:

I think you find a lot of sympathy on this Committee to do what you are saying. We have a clause in the *Nevada Constitution* that precludes us from doing that at this point, but I think there will be some additional discussion on that point.

Assemblyman Anderson:

In New Jersey, did you have a base residency requirement in order to qualify, or was it solely based on the fact of your calendar age?

Ike Eichbaum:

I do not recall. When my father became 65 years old, he had a quality life. I do not know if this was a state law or through Milltown, New Jersey, but I know they also gave them a \$300 rebate on their utilities. They would buy and sell all of the utilities.

Assemblyman Anderson:

If you just moved to town and you happened to be 65 years old, you would receive the rebate even if you had not been there your entire life.

Ike Eichbaum:

I do not believe that is the case. My parents lived there for many years.

Assemblyman Anderson:

Usually you would have to have had an investment over time before you would qualify to get this exclusion.

Ike Eichbaum:

I do not really know. I know they relieved them and other seniors that were in the area. This goes back into the 1940s and 1950s. My father was born in 1896 and this was when he turned 65, but they lived there for 20 years or more. I do know that it was a real blessing to those people.

Robert Chiodini, Private Citizen, Clark County:

I am a probation officer with the Clark County Government and Juvenile Justice. Paula will do the speaking.

Debra Martin, Private Citizen, Clark County:

I am a resident of the Southwest Valley and I have lived there for twenty years. I am a nurse at the Clark County Health District.

Paula Hammock, Private Citizen, Clark County:

I am a native Nevadan, born and raised in Las Vegas with many of my siblings. I attended school there and graduated high school as well as college. I am a proud Republican voter with proud Republican values.

I am here representing myself and am currently employed with Clark County at the Department of Family Services. If you do not know what that department is all about, they investigate allegations of abuse and neglect to one of our most vulnerable populations in the county: children. We also currently provide foster care services which began October 1, 2004. For the first 2 1/2 years of my career, I worked in Child Haven. I provided care for children between the ages of 2 to 5 and teenage girls between the ages of 12 and 18 who were removed from their homes due to allegations of abuse and neglect.

After leaving Child Haven, I had the opportunity to move to the field, where I conducted investigations involving issues of interfamilial sexual abuse within Clark County.

I recently received an opportunity to move into a supervisor's position in October 2004. I am currently responsible for five investigators who investigate abuse and neglect within all of Clark County. We work in an after-hours unit between the hours of 12:00 and 10:30 pm. We are open seven days a week, which is unique for Clark County. During that period of time as a supervisor, it is my responsibility to have investigators go out and investigate severe

allegations. We only investigate allegation of abuse and neglect that are emergency which is anywhere from children under five that are high risk.

[Paula Hammock, continued.] Also, we work any admissions that come in to Child Haven so that children are not left there unnecessarily. I can tell you that, in the last 13 years, we have had a doubling effect in our caseload. We are well above the national average according to the Child Welfare League of America. This is a concern because families and children are suffering because of a lack of resources. We have increases in caseloads, we have staff leaving, we need more resources to support the community.

Here is what we know about current discussions. Caps are a bad idea in a fast-growing region. Reno and Las Vegas have been experiencing explosive growth, and these are not the conditions that lend themselves to abrupt and artificial caps. People say a 6 percent cap would hold harmless public service. These people do not know the real facts. Any cap hurts, including a 6 percent cap. Under a 6 percent cap we would have less revenue available next year and kids, families, schools, and vital services would diminish.

I recognize that there is a problem that needs a sensible solution. Right now we know that 35 percent of Washoe County's budget comes from property tax; 33 percent of Clark County's budget comes from property tax; 28 percent of the Las Vegas Metro Police budget comes from property tax; 61 percent of the Clark County Fire District budget comes from property tax; 62 percent of the Clark County Library District comes from property tax; 23 percent of the Clark County School District Budget comes from property tax; 2 percent of State government budget comes from property tax.

A 6 percent cap does not hold services harmless. If there was a 6 percent cap last year, the school district would have lost \$9 million. This year they would have lost \$17 million and next year it would be \$115 million. Metro [Las Vegas Metropolitan Police Department] would have lost \$1.5 million, and this year they would have lost \$2.8 million. Next year they would have lost \$18.4 million. Fire would have lost \$700,000 last year. This year they would have lost \$1.4 million and next year \$8.5 million.

According to <www.economy.com>, we know that the market is cooling off. The summer of 2004 was the peak and is now beginning to level. We know there are alternatives to permanent caps: smoothing, circuit breaking, homestead exemption, and split rolls. What capping taxes will not do is stop the rising cost of housing; it did not in California. It will not provide more

affordable housing; it did not in California. And it will not provide adequate resources to meet our growing community needs.

What capping taxes will do is allow land speculation to grow unabated, lower taxes for out-of-state property owners at the expense of those who rely on public services, lower the quality of our education, threaten the safety of our neighborhoods, and reduce funding for crucial social programs. Mr. Chairman, I would like to thank you for the opportunity to speak before you and the time you have granted us. I would hope that you take our comments into consideration when the Committee begins to meet on this issue.

Barbara Frederic, Private Citizen, Washoe County:

I want to thank you for the nonhostile environment. I cannot tell you the hostility that my husband and I have faced in the last three years with Washoe County. I gave you a page ([Exhibit G](#)) that I tried to condense to one page.

We have a modest two-bedroom home in Incline Village. We bought it in 1991. Our average tax increase has been 32 percent a year. The house cost us \$250,000 in the open market and now the assessor has it at almost \$900,000 in valuation. This is approximately \$125,000 over market value. The reason we know it is assessed over market value is because we have done a great deal of research about what this land would produce if someone was to buy it.

Washoe County comes through and says they are charging us on what it would sell for. Our response is that we do not want to sell it, but that is their value. We did a great deal of research through the TRPA [Tahoe Regional Planning Agency] process and because of the 36 percent restriction, we know that the value would be somewhere in the high \$600,000s. We pay \$900 a month in taxes. We get up in the morning and ask ourselves if this will be a \$30 day or not. During the month of January, we had two \$30 days because we saw no view of the Lake due to the ice fog and blizzards. So we have kind of a running joke, but this is an extreme amount to be paying to use a wood stove. We recently made our soup on the wood stove, and we live a very practical life so we can afford the taxes because of the frugality in other aspects of our life.

As I mentioned, we bought the house in 1991. We love Incline Village and we love the mountains. It can be a harsh environment at times, but it is well worth it. The assessor has our lot valued at 9.1 times the value of the house. Even though the house was built at its highest and best use, we have discovered that our valuation rate is approximately twice as much as the median property rate increase for Incline Village. There are many examples of inequitable valuations in Washoe County. I am sure you have heard many of them. As I mentioned,

we have filed appeals, we presented our case to Washoe County, we appealed to the State Board of Taxation last summer, and are following through with the judicial review next Tuesday. The reason my husband is not here today is because he is working on our appeal, which is tomorrow morning for Washoe County for the year 2005.

[Barbara Frederic, continued.] As you know, there are view categories, V-categories, in Incline Village. Those with an unobstructed view of Lake Tahoe are a V-6, and the value of the land is a flat \$864,000 for 2005. On the other side of Mount Rose, where the other person has a view of the city of Reno, there is no such category. It is all very subjective and it is in the same county.

Washoe County places a value on our modest home as if it belonged to the rich and famous, who come to Incline Village for six weeks out of the year and use our community as a resort. There are definitely two economic classes that own property in Incline Village and there are no homogeneous neighborhoods. In a small village with less than 9,000 fulltime residents, there is an eclectic assortment of the older homes of fulltime residents of whom many are retired, and those that have been rebuilt belonging to the very wealthy. Robin Hood could not have thought of a better scheme because the perspective is that Incline Village is a wealthy community. Yet, the established folks bought here long before the price escalation of the last ten years. They are being forced out because the property taxes per year are sometimes higher than they paid for the property. We have been retired for six years and are on a fixed income. We will be forced to move if the Legislature does not come up with real estate property tax relief.

We would like to suggest that the tax increase be limited to 2 to 3 percent a year, or that the tax rate reduced by the percentage of the real estate assessed valuation increase less the current inflation rate. Since we have observed gross variations of the assessed valuation to overall market valuation in Washoe County, we would like to suggest that, within and between counties, the procedure for valuation is consistent. Again, I thank you for the pleasant atmosphere of the Committee, and thank you for listening to me.

Assemblyman Anderson:

The Incline area is very well known. I am a representative of Washoe County and have lived there my entire life. I have seen the development and the changes around Lake Tahoe. In any of your appeals, were you successful?

Barbara Frederic:

With Washoe County, we had two out of the three votes; we lost that one. We went on to appeal to the State and when we gave our presentation, one person made a motion that would have been to our satisfaction, but when another did not understand she said that no one should place a second on the motion. It then died and we got a small percentage from them as a result.

Assemblyman Anderson:

You did not get a full relief, but you did get partial relief based upon the structure that we currently have in place. Now, you are going to appeal that.

Robert Doxey, Private Citizen, Washoe County:

Thank you all for your testimony. I think it was outstanding and I support every one of them. I am going to be very brief. I am not here to give you a story of my life and how I have fared in Washoe County, but I would like to suggest to you that we try to knock down some of the costs that are inflating our taxes in Washoe County.

Specifically, Washoe County gets 40 percent of our tax. Of that 40 percent, Washoe County has salaries. Salaries are for education and 40 percent is taken for education. Washoe County has five superintendents in school. That is a little much. Secondly, I do not mind paying high taxes for schools. However, I have a big problem paying high taxes for schools when they are in the forty-fifth percentile of the United States. That is bad. As such, salaries should be looked at in the school district. You people control a lot of that education money. Thirdly, I would like to bring up another reason why you need to look to salaries. I do not want to mention any names here, but I can if you are interested. There was an agreement with one of the associations in Nevada. One association in Reno was just given a 2.1 percent increase every 6 months for 5 years. That is a 32 percent increase in salary in a 5-year market. I come from a very large organization that has many more employees than does Washoe County. We never gave a raise of that magnitude to 188,000 people.

I guess another thing was that if you go over those salaries, there are some things that you can do in the Legislature that can aid this. For instance, there are certain laws that you have made that say you cannot use an outside entity to produce public services. There are rent-a-cops, and rent-a-fireman. If this

law were repealed, it would help some of the counties negotiate some of these salary increases. As you look to government workers, they get a better retirement than the people who are paying the bills. They get a retirement of complete medical. I do not feel that it is fair, for we the people, to pay the people who are in State employment better than what we get. It should be equivalent.

Jim Bagwell, Private Citizen, Carson City:

I retired from public service 2 1/2 years ago and the gentleman that preceded me is in error about people in public service making more, but that is not what I am here for. I wanted to tell you that in 2 1/2 years I have come to the realization that I may have made a huge mistake. I built my "dream retirement home" over here next to the river in Carson City, and its value has well over doubled and my taxes have gone up 12 percent this year. I expect them to go up somewhere in the neighborhood of 50 percent next year.

During this time I have been retired, my disposable income has been reduced by things like vehicle operation, which is only up about 25 percent. Natural gas and electricity is up over 20 percent. Food has gone up well over 10 percent, and my discretionary income is down by better than 20 percent over the span of just 2 1/2 years. If that happens to me when I retire, in 2 1/2 years, I feel sorry for some of these people that retired 10 or 20 years ago who are in my situation. In 2 1/2 years, I went from thinking that I owned my own home to thinking that I rent it from the State. Not necessarily the State of Nevada, but all of the governmental entities. If I am going to rent it from the State, I would certainly like them to take over the maintenance on it. It has to be better than the job I can do when I run out of discretionary income.

Listening to the people that preceded me—and I do not mean to be argumentative with anyone—but I must be missing something. I have a difficult time understanding how a person can come before you folks and tell you they have lost revenue and have budget shortfalls when their tax money is going up. I fail to understand how there is a budget shortfall when somebody is getting more money than they got last year. I personally believe that government should give me back 99 cents for every \$1 I give it.

I think that our problem is a matter of tax containment. Your home is only worth what was paid for it at that time. My home being worth \$300,000 more than I paid for it 2 1/2 years ago does not mean anything to me. I do not have that money in the bank. It is only worth it to me if I sell it. I do not intend to sell it, I intend to die in that home. I am afraid that is not going to happen. I suggest to you that you cap it at what the person paid for the home and any

increases follow the fluctuations in the CPI [Consumer Price Index]. Then, we can live with it.

Contrary to popular belief, I have not had a pay raise in 2 1/2 years. I will get a modest 2 percent pay raise in August, but 2 percent will not cover even a small part of what I have lost in the last 2 1/2 years. I have lived in Nevada my whole life. Senator Rhoads has known me since I was a young pup driving a highway patrol car. I would like to think that I will be able to remain in Nevada for the duration of my life, but I am not sure that can happen. Mississippi, or somewhere like that where I can buy the same house I have now for 1/6 of the price is starting to look pretty good. I feel that you need to find a fix and I certainly hope you find one fast. Thank you.

John Keller, Private Citizen, Douglas County:

At the first of next month I will have been here three years exactly. I moved from southern California. I did it for the income tax on your pension check, but I will say that Proposition 13 was the reason I owned a home in California.

I was at the Board of Equalization in Minden yesterday, and my property value has doubled. I now pay \$125 a month in property tax. I am on 0.25 acres, and I basically have a plot of dirt around my house. My beef yesterday with the Board of Equalization was that there are lots two blocks from me that are twice the size of my property. My taxes should be half as much because you do separate land from property. They told me they could not fix it there and that people pay for a house on a lot for its total value. They told me to come here because they can do nothing about it. The property tax has doubled and I have only been there a couple of years. I am like the other people here, I am not moving, but California Proposition 13 does work and anything to control that would be appreciated.

Chairman Perkins:

Let me thank everyone in the audience for your fortitude, patience, and endurance. I would like to thank the Committee as well. We have a 2:00 p.m. hearing tomorrow in Las Vegas to allow the southern Nevadans the opportunity to come before the Committee. With nothing left on our agenda today, we are adjourned [at 4:35 p.m.].

[There was one Written Public Comment form turned in ([Exhibit H](#)).]

RESPECTFULLY SUBMITTED:

Gregory Sharry
Committee Attaché

APPROVED BY:

Assemblyman Richard Perkins, Chairman

DATE: _____

Senator Mike McGinness, Chairman

DATE: _____

EXHIBITS

Committee Name: Growth and Infrastructure

Date: Feb 17, 2005 **Time of Meeting:** 1:30 pm

[illegible]