

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

**Seventy-Third Session
February 18, 2005**

The Joint Assembly Committee on Growth and Infrastructure and the Senate Committee on Taxation were called to order at 2:10 p.m., on Friday, February 18, 2005. Chairman Richard Perkins presided in Room 4401 of the Grant Sawyer State Office Building, Las Vegas, Nevada, and via simultaneous videoconference, in Room 4100 of the Legislative Building, Carson City, 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 IN LAS VEGAS:

Mr. Richard Perkins, Chairman
Ms. Chris Giunchigliani, Vice Chairwoman
Ms. Francis Allen
Mrs. Marilyn Kirkpatrick
Mr. Harry Mortenson
Mr. David Parks
Ms. Peggy Pierce
Mr. Scott Sibley
Ms. Valerie Weber

ASSEMBLY COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Mr. Bernie Anderson
Mr. Tom Grady
Mr. Lynn Hettrick
Ms. Sheila Leslie

SENATE COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Sandra Tiffany, Vice Chairwoman
Senator Terry Care
Senator Bob Coffin
Senator John Lee

SENATE COMMITTEE MEMBERS PRESENT CARSON CITY:

Senator Mike McGinness, Chairman

SENATE COMMITTEE MEMBERS ABSENT:

Senator Dean A. Rhoads (excused)
Senator Randolph J. Townsend (excused)

ASSEMBLY COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Senator Michael A. Schneider, Clark County Senatorial District No. 11
Senator Dina Titus, Clark County Senatorial District No. 7

STAFF MEMBERS PRESENT IN LAS VEGAS:

Linda Utt, Committee Manager
James Cassimus, Committee Attaché
Melisa Aguon, Committee Attaché
Felicia Richardson, Committee Aide

STAFF MEMBERS PRESENT IN CARSON CITY:

Susan Scholley, Committee Policy Analyst
Russell Guindon, Deputy Fiscal Analyst
Tanya Morrison, Committee Attaché
Casey Bales, Committee Aide

OTHERS PRESENT:

Davis Leonard, Private Citizen, Henderson, Nevada
Danny Roberts, Publisher/Editor, *Vegas Voice*
Danny Thompson, Nevada State Representative, AFL-CIO and SEIU
A. Kenneth Mahal, President, Nevada Senior Coalition
Judith Ankrapp, Spokesperson, Property Tax Relief Coalition
Scott Smith, Director, Southern Nevada Multi-Housing Association
Gilbert Eisner, Nevada Tax PAC
Ed Duffy, Private Citizen, Las Vegas, Nevada

Steve Sanson, Spokesman, Veterans in Politics, Las Vegas, Nevada
Knight Allen, Private Citizen, Las Vegas, Nevada
Mark Shane, Private Citizen, Las Vegas, Nevada
Marcus McAnally, Private Citizen, Las Vegas, Nevada
James Lucey, Private Citizen, Las Vegas, Nevada
Bob Craddock, former Nevada Assemblyman
Anthony Hodges, Private Citizen, Las Vegas, Nevada
Jeff Crisman, Private Citizen, Las Vegas, Nevada
Michael D. Mercurio, Private Citizen, Las Vegas, Nevada
John V. Briggs, former California State Senator
Stanley E. Jones, DDS, Private Citizen, Las Vegas, Nevada
Ingeborg Levy, Private Citizen, Las Vegas, Nevada
Richard Rychtarik, Private Citizen, Las Vegas, Nevada
Mike Aupperle, Private Citizen, Las Vegas, Nevada
James B. Gallagher, Private Citizen, Pahrump, Nevada
John Baietti, Private Citizen, Las Vegas, Nevada
Walter Seip, Private Citizen, Las Vegas, Nevada
Kenneth Reim, Private Citizen, Las Vegas, Nevada
William Petrasek, Private Citizen, Las Vegas, Nevada
Ryan Beaman, representing Professional Fire Fighters of Nevada
Robert J. Rubin, Private Citizen, Las Vegas, Nevada
Craig Michie, Private Citizen, Las Vegas, Nevada
Patricia Peacock, Private Citizen, Las Vegas, Nevada
Kathleen Jamison, Private Citizen, Las Vegas, Nevada
Thomas Pittman, Private Citizen, Las Vegas, Nevada
Thomas Gaule, Private Citizen, Las Vegas, Nevada
Russ Mickelson, Private Citizen, Las Vegas, Nevada
Bobbie Walker, Private Citizen, North Las Vegas, Nevada
Bob Campbell, Private Citizen, Las Vegas, Nevada
Thomas Lisiewski, Private Citizen, Las Vegas, Nevada
Joseph F. Leising, Private Citizen, Las Vegas, Nevada
Mark Schofield, Assessor, Clark County, Nevada

Senator McGinness:

[Meeting called to order.] This is a joint meeting of the Assembly Committee on Growth and Infrastructure and Senate Taxation.

We heard public testimony in Carson City yesterday, and this meeting is primarily for speakers in the southern Nevada, Las Vegas area. There are public comment forms available on the table, if you want to leave written comments or testimony.

[Senator McGinness, continued.] The last two weeks of meetings are background information for members of the Committee. There will be further opportunities as individual bills from legislatures are introduced for you to testify on the proposals for tax relief.

Senator Michael A. Schneider, Clark County Senatorial District No. 11:

One thing people think is that legislators don't know what's happening regarding property taxes. All of us here are property owners, and my property taxes are affected the same way as everyone else's in this valley. Actually, I read where some people's property taxes have increased 200 percent. What I would like to say is that 24 months ago, I was paying \$1,800 on a piece of property I own. Today I am paying \$10,000. It's not that the property is—I just got the slip in the mail. I have been paying \$10,000 for the last 18, 24 months now. So I don't care if you are on a fixed income or you have ability to earn a lot of money, you just can't budget for that, going from \$1,800 a year to \$10,000 a year.

I am very aware of what's happening in property tax. The way I look at it is we have to take the spike out of that. I was prepared to pay more than \$1,800 in taxes, maybe \$2,300, \$2,400 or something—just take the spike out so it isn't a big hit. What I have given to each one of you is a tax chart ([Exhibit B](#))—I took one of my pieces of property, a house that was purchased in 1977 for \$65,000, and I put the estimated value all the way through to today. It's now worth \$300,000 today. If these are averaged over the last 28 years, the average price is \$140,000. You can see the average over 28 years is a real serious average. But it took all the spike out of any increase.

I took the same piece of property and went back 10 years. In 1996, the piece of property was \$175,000. Bringing it forward to today, that property is worth \$300,000. But now if that's blended that over the 10 years, and averaged that property, it's only \$210,000. So you take any spike in appreciation out of it so your taxes can stay flat.

If you just take it over 5 years, where we had the volatile market, the property was worth \$195,000. Today it's worth \$300,000, and you can see that if you average that property, it's only \$237,000. Again, just over 5 years, you take the spike out of it. My proposal, Chairman McGinness, is that we take today's values and adjust backwards, and we amortize the value over the past 5 or 10 years. By doing that, we've taken the spike out and the property tax remains stable. You don't have the big spikes. Time heals all problems. With this, by amortizing it over time, the value of the property, you've cured the problem.

Senator Lee:

Senator Schneider, I appreciate your effort to work with us. I know you worked very diligently in this field; that's your area of profession. Your blends—I see different numbers here—how far of this blend are you trying to go back to? Are you making a note to a date? 15 years? 5 years? 10 years?

Senator Schneider:

What I would suggest to the Committee is to take this a minimum of 5 years, and a maximum of 10, and look at a blended value in that range.

Assemblyman Anderson:

Senator Schneider, the question is why, relative to the question of older property, what happens with unimproved property or open land, which we've heard in this Committee is where much of the problem is, the rest of it is with the land question, part of what is Mr. Hobbs's concerns? You can see that for new property, it has no life history and—

Senator Schneider:

I would say that on raw land, that's a good question. What I started with was my inflation on taxes from \$1,800 to \$10,000 a piece of raw land. You can get comparables on that land and take that back and adjust over 5- or 10-year period, because it just went up in value just in the last two years. It spiked, and new properties are the same thing. You take a 2,000-square-foot home in Summerlin, brand-new today, that same home would have been sold for about \$150,000 or less 5 years ago. You can still get your blend.

Senator McGinness:

I understand there is a documentary being filmed on this, and Mr. Dan Roberts and Mr. Davis Leonard are part of that.

Davis Leonard, Resident, Henderson, Nevada:

[Read from prepared statement, [Exhibit C](#).] It is a pleasure for me to have this opportunity to speak here today. My wife and I came from California in August 2003. We were able to purchase a new home for very modest price and have fallen in love with the area and the people.

During this past year, we have witnessed an explosion in the housing market. In many cases, the value of a home has almost doubled and some have more than doubled in market value. If we were planning to sell, that would make the purchase value very favorable, but we, like thousands of other homeowners, are here to stay. Now we are faced with a property tax increase, which many families, young and old, will find will be devastating and may even cause them to give up their homes because of inability to pay. The workers can't go to their boss and say, "I need a raise because I can't afford the property tax on my home." There are retired people on small, fixed incomes who are in the same situation.

Hundreds of petitions have gone to the Clark County Tax Assessor seeking relief. Many are waiting anxiously for the State Legislature to take action. I can only guess what the outcome might be if no relief is in sight.

I was a homeowner in California in 1978 when Howard Jarvis was successful in getting the famous Proposition 13 on the ballot, which received an affirmative yes vote. Taxes there can only increase a maximum of 2 percent a year, and yet California has had numerous explosions in their housing markets over the years.

I have read that Governor Guinn is requesting the State Legislature to decide on ways to give back \$300 million to the taxpayers of this State. How much of a windfall will the State coffers receive if no action is taken to effect some relief in these forthcoming enormous property tax bills? Is Nevada due for a Proposition 13?

Danny Roberts, Publisher/Editor, *Vegas Voice*:

[Read from prepared statement, [Exhibit D](#).] I am the publisher and editor of the *Vegas Voice*, the largest monthly senior newspaper in southern Nevada.

In our January edition, I wrote an article concerning the scheduled property tax increase and invited our readers to submit their protest petition to the Clark County Assessor. We had hoped that the column would generate 100 petitions during the two-week period. We collected over 850.

Additionally, due to the ever-increasing anger, fear, and resentment over the proposed exorbitant and unfair tax increase, we have now received, and present to the Joint Committee, 2,528 protest petitions ([Exhibit E](#)).

It is my understanding that these petitions represent the largest organized property tax protest in Nevada's history. These protests are from citizens who

have taken the time and effort to make it very clear that they do not, and will not, stand for such increase.

[Danny Roberts, continued.] It is most respectfully submitted that it is no longer relevant to discuss why we're in this position today. Whether it is due to land speculators, low interest rates, the failure of the local governments to do their jobs, or even if it is due to our lifestyle in Nevada, it longer matters. It is also now irrelevant to debate whether a solution can be found that involves tax exemptions, circuit breakers, smoothing techniques, or any other exotic or bureaucratic term.

What is relevant, and the only question that should be asked, is a simple two-word question: How much? How much of an increase will owners—especially seniors on a fixed income—be forced to pay?

While Clark County Assessor Mark Schofield was correct in his testimony to this Joint Committee that unless something is done, there will be a taxpayer revolt, he is incorrect about the timing. By the submission of these protest petitions, it should be abundantly clear that homeowner-taxpayer revolt is now in full force and effect.

Unless the Nevada Legislature can diffuse and stop the growing taxpayer anger and resentment, there is no question that homeowners, led by the senior community, will not hesitate to favor, encourage, and support a Prop 13 initiative. I assure you that hell has no fury, and there is nothing more frightening, than angry retired seniors on a mission.

Based on our readership alone, we have absolutely no doubt that the required initiative signatures will be reached in record time. More importantly, does anybody not believe that a Prop 13 proposal will not be overwhelmingly approved by Nevada voters?

I urge you to put aside petty and geographical differences, party politics, and political ambitions, and immediately reach an agreement to a placement of a cap. An imposed cap ensures that homeowners will not be punished due to their good fortune of increased value placed on their homes.

The *Vegas Voice* has previously endorsed and supported a 6 percent cap on property taxes. Although, even a cap set at CPI [Consumer Price Index] will more than provide enough flexibility for government growth and homeowner protection.

[Danny Roberts, continued.] Anything else, no matter what it is called, will not be enough to stop this homeowner-property tax revolt. I sincerely hope these petitions will not go unnoticed and be strongly considered by the Joint Committee. Thank you.

Senator McGinness:

Thank you, Mr. Roberts. Are there any questions from the Committee? We appreciate your testimony and we appreciate your bringing along the petitions ([Exhibit E](#)).

Danny Thompson, Nevada State Representative, AFL-CIO [American Federation of Labor-Congress of Industrial Organizations] and SEIU [Service Employees International Union]:

I want to start by thanking you for bringing this Committee to Las Vegas. Carson City is 500 miles from here, and oftentimes the citizens get lost in the shuffle. I know it's important to all the folks in this room to have the opportunity to come down here and speak with you in person on this very important issue.

I was asked by the county to serve on the Growth Task Force to look at the problems that have been associated with the growth that we are currently experiencing here in southern Nevada. I don't think it is any secret that growth has been phenomenal, by any measure. Leading the nation for the past 18 years in growth is something that we used to be proud of. Today, it has caused us many, many problems that we now have to deal with.

We have to build 87 new schools by 2013 in southern Nevada to meet up with the growth in the population of the school district. Recently, on the ballot, a ballot measure was approved to explore the possibility of raising the sales tax to provide for more police officers. Right now, we currently are below the national average in police officers per citizens. The same thing is true with firefighters. We have 0.88 firefighters for every 1,000 citizens, when we should be at 1.22. Child protective workers have double the caseloads that they did in the past and are currently overrun with cases. Our roads are not able to keep up with the growth in the population. You see that with the work on U.S. Route 95, where they complete one section and then are back to widen it again.

Those massive problems haven't been paid for by growth or the ability to keep up with it hasn't been there. One of the things that we have identified in that task force is the most significant cause is the cost of land and land speculators.

Nevada is primarily owned by the federal government, and the land is doled out to us in tiny sections and then auctioned off. Those auctions have brought unbelievable amounts of money. Certainly, that has been the driving force behind the things that we have seen.

[Danny Thompson, continued.] This is my twenty-fifth year in dealing with the Legislature. I know that this Legislature is serious in tackling this problem. On the first day, there were hearings held to deal with this. For everyone in the room, I want to reassure them that this Legislature isn't hiding from this issue and is working on this issue and plans to do something to solve this problem.

I want to remind you at the same time that we need to solve this problem for the people who need the relief. There are many of them who do, and many of them are in this room today. Don't forget: we cannot create more problems. We need police officers; we need firefighters; we need good roads. In your deliberations, I would urge you to consider that in the outcome that you finally agree upon.

A. Kenneth Mahal, President, Nevada Senior Coalition:

[Read from prepared statement, [Exhibit F](#).] NSC is a non-profit, non-partisan organization dedicated to the well-being of our age group and those related to us, with the motto "a better quality of life for seniors, their children, and grandchildren." Besides our own organization, we are published and in 45,000 households and by Internet communication with hundreds more.

We have followed the ever-increasing real estate taxes in our community for several years and see it now increasing at such a huge rate that most of us, retired and working, will have a difficult time remaining in our homes, or paying the rent for our apartments. I know by now this comes as no surprise to you. NSC started working with Assessor Mark Schofield several months ago and was hopeful this issue would have been resolved by now.

We now believe the simplest thing acceptable to the taxpaying public would be to just cap our tax rate at the 2003 level and from now on increase or decrease our valuations based on the western region CPI, which for the latest number would be 3.2 percent. We would recommend that the CPI, before the assessors need to do their work, be used, that would be the next CPI due on February 23. We would against any means testing type of legislation where any group was favored over another group. So we feel the CPI would be the fairest way to resolve the issue. We know the CPI works since about 500,000 of us living in

Nevada have lived by that for 10 to 20 or more years. So, it's something we know we can live with, and we hope that government can do the same.

[Ken Mahal, continued.] We have felt for some time that the methodology of extrapolating a piece of property, sold miles away, under an existing property, is terribly flawed. That is what has led to the present situation. You must fix that at a later date. And I'll be glad to work with you on that particular issue.

Our feeling is that if you do not keep it simple, fair and act on it very soon, there will not only be a Proposition 13 but a Proposition 26 that will be much more favorable to the taxpayer than the CPI proposal. So, for government's sake, we do recommend you accept the CPI solution. How about doing it next week?

Senator Care:

Ken, I would just point out that for those who have advocated consideration of a CPI cap, you need to be careful of one thing. If you go back to the late 1970s, early 1980s, you saw CPI increases of 7 percent, close to 8 percent. I know many seniors on fixed income get a notice sometime in October about what your annual increase is going to be. This last time it was 2.7 percent, but your Social Security check, and if you are a federal retiree, you get the same thing. Although it's rare, you can see a CPI jump above some of the caps that have been proposed. I just want to point that out.

Ken Mahal:

The CPI I recommend is the one that is all-inclusive, which includes food and fuel. I have never understood why they leave those two items out. That would actually make it a bigger CPI many different times.

Judith Ankrapp, spokesperson, Property Tax Relief Coalition:

We formed in Sun City and Summerlin 2 weeks ago. I represent people on fixed income, someone who retired in this community of 7,779 homes in the early 1990s, seniors who are seeing their retirement funds swallowed by out-of-control property taxes. Some are having to sell their homes. The 14,000 residents and voters of this community are concerned what is happening, and I am letting the Nevada legislators know their predicament.

[Judy Ankrapp, continued.] As a start, we have 1,200-plus letters from our concerned residents that are being forwarded both to Republicans and Democrats, in both the Assembly and the Senate. Our effort has also spread to other senior communities and residents of the Las Vegas Valley. We demand that you act now and work out a fair and equitable plan to control Nevada's out-of-control property taxes. Please reduce the fear of the residents in the valley. Thank you. And here are my 1,200 letters, and more are coming.

Senator Coffin:

I need to have for my own edification, and I'm sure others could use it, whenever someone testifies, if they could leave here with us the address that they live at, what your old tax was, and what your new tax is expected to be. If you don't know the tax, at least leave the old assessed valuation and the new assessed valuation in writing. It would be very helpful, because I need to track exactly what's going on. In some parts of the valley, we're not having the same increases. We need to know how to cope with this.

Judith Ankrapp:

It's just not my home. It's all 7,779 homes in Sun City.

Senator Coffin:

What I wanted to do is have a representative sample of the valley by simply asking all of you to do that. I'm sure yours will represent Sun City.

Judith Ankrapp:

I would be happy to give you a price range of a home, several prices ranges, because our homes range from \$200,000 now up to \$1 million. I can do a sample of the tax increases by the \$100,000s.

Senator McGinness:

A couple of people have indicated Republican and Democrat, partisan and non-partisan. Let me tell you the Senate Committee on Taxation is chaired by a Republican and the Assembly Growth and Infrastructure Committee is chaired by the Speaker, who is a Democrat. We have been meeting together for two weeks, closing in on 20 hours of testimony, and I can assure you this is a bipartisan effort, north and south. I am actually a rural legislator, and rural or

urban, we are all in this together. We are gathering information. And that's what we are here for today. We look forward to your testimony.

Scott Smith, Director, Southern Nevada Multi-Housing Association:

Along with the Nevada Apartment Association, I have been nominated to take a few moments of your time to talk about and represent to you what effect this property tax increase, or what we're looking at for the property tax increase, will have on the residents of our association.

Our association provides 165,000 homes for people in this valley. These are homes that are safe; these are homes that are clean; these are homes for people who cannot afford to go out and buy real estate.

The residents who live in our homes are the backbone of our community. These are people who serve in the military, who work in gaming, work in construction. These are teachers; these are seniors; these are nurses; these are people we vitally need for our community and our economy, just for our way of life. These are the people we have come here to talk about, because they are facing, more so than many of the people in the valley who own homes here, a disproportionate effect from this tax.

Our industry was greatly affected by the events of September 11, 2001. Our economy went into recession, and locally in Nevada, there were lots of layoffs. Tourism dried up in southern Nevada. People lost their jobs. Accordingly, we lost a lot of the occupancy rates in southern Nevada. We went down to 85 percent. Because people could not afford to live in our communities, because people were leaving our community, our industry had to go out and start something called "concession wars." They had to give concessions. You'll still see them today. When someone moves into an apartment, they are given 1, 2, 3 months of free rent. Since 2001, up until December 2004, from the records we have tracking here, this is still going on. In January 2004, 85 percent of all the communities in southern Nevada had to give rent concessions to get people to be able to afford to live there. As of December 2004, that number was down to 50 percent.

The residents in our communities are the lower-income people in Nevada. Members of my association provide affordable housing, to be frank. As we look at this property tax increase, some of them are different in different parts of the State, different parts of this [Las Vegas] valley. We have had some that are 17 percent. I talked yesterday with someone who provides federal subsidized housing, Section 8 and 42 housing. The property tax increases that he's looking

at, from the assessor's office in Clark County, are 40 percent. Those numbers are going to be passed on to these residents. They're going to have to pay this. That is why we are here today.

[Scott Smith, continued.] As you look at what to do about property taxes, we want you to keep in mind these people, these union members, these people who work in casinos, who work in retail, who live in our communities. The rents in the Las Vegas area, since December 2004, average \$805. We can't give you exact numbers today, although we will be able to provide that later, if that will be helpful about what that will mean to each apartment. But a 17, 30, or 40 percent increase in those rents is just going to be untenable. Our market is a very inelastic market. It has a very unilastic demand curve. You cannot buy more housing if you make more money in one month, less housing if you make less money in a month. If prices increase, most residents cannot afford to pay more. They have to move down. Those in the A properties often move down to the B properties. Those that are in the B properties have to move down to C properties. Those that cannot afford any more will just not have housing.

We, then, as an association, ask this Legislature and these Committees keep this in mind as they decide what to do about property taxes. We bring to your attention one property a member of our association has a hand in. The property is called Oasis Heritage. This is on Nellis Boulevard in the Las Vegas area, near Nellis Air Force Base. A great number of the people who live there are military, servicemen and women, and their families. A studio apartment there is \$481. Almost 70 percent of the people who live there have an average annual income of under \$25,000, and that's two-income families. To take a studio apartment of \$481 and increase it by these property tax amounts is just going to be untenable for these people. These are the people who need to be protected in this.

Finally, we'd just like to talk to you also about subsidized housing, Section 8 and Section 42 housing. This is where the government will provide either direct rents or provide tax credits to the property owners if they will provide low-income housing to people who qualify, because of their low income, to live in these subsidized housing projects. A landlord enters into a Section 8 or Section 42 arrangement with the housing authority, they enter into a 51-year contract. Because of the length of this contract and the disadvantages to them in taxes, they cannot get out of these contracts. In these contracts, they agree that they will keep rent at a certain level. They cannot increase it more than the annual CPI that the contracts stipulate for. If property taxes vastly increase for them, they will not be able to raise the rent; they will not be able to pass that on. When you enter into these contracts, this is basically a break-even situation.

[Scott Smith, continued.] The U.S. Department of Housing and Urban Development (HUD) looks at this and decides exactly how much money you can make. If revenues do not go up, but costs continue to go up, the money that's available there has to go first to property taxes. Money that is used for maintenance, money that is used to maintain the property and keep it a livable, safe place, that money will now have to go to property taxes. Gradually, over time, as property taxes increase, the people who need the most help of all, those who are in the low-income families, will have less secure, less safe places to live. You also discourage anyone from entering into any further contracts for Section 8 or Section 42 housing, as they see this will not be economically feasible for them. You will discourage building of those types of developments and take away affordable housing in this industry, in this area, and in our state.

Accordingly, what we are asking today—and we're not suggesting or taking any one particular index or taking any one particular route in trying to alleviate this property tax burden—we ask, as you look at our industry and remember the people who live in this industry, that you include them just as you would any other property owner who needs relief from these increased values that we've had here.

Senator Coffin:

Mr. Smith, what would be the rough percentage of rent that is devoted to property tax right now?

Scott Smith:

It depends on the property. I was looking at one in Henderson yesterday. It is called the Summit at Sunridge. It is on Eastern Avenue near Anthem development in Henderson. That property is facing what they anticipate to be about an \$80,000 or \$90,000 increase on their property taxes just this year.

There are 358 units, so that was breaking it down to each apartment, in that case, about a \$30 increase just for the property tax increase just for this year.

Senator Coffin:

Thirty dollars for the year?

Scott Smith:

Excuse me, \$30 per month for this year's taxes.

Senator Coffin:

I wanted to try to get your statistics in line, because you were talking about a direct pass-through of rent increase, and you were using the same number as the property tax increase. Let's get that into a number so we can compare apples to apples?

Scott Smith:

And, if we could, we are trying to work on different parts of the valley.

Senator Coffin:

Would you say property tax is 5 percent of the rent, or 10 percent of the rent, or what?

Scott Smith:

Again, it depends on what part of the valley.

Senator Coffin:

Well, \$30 a month.

Scott Smith:

Well, in that particular instance, you are looking more like at 1.5 or 2 percent of the rent just as an increase.

Senator Coffin:

So, a 20 percent increase in the tax would be 1 percent increase in rent?

[Mr. Smith answered in the affirmative.]

Because that number is significantly different than the number you were using and you don't want to scare us. Also, we want to make sure that, just to be safe, the owners don't pass on 10, 20, or 30 percent increase?

Scott Smith:

We understand that. Again, the way the market is right now, Senator Coffin, they have not been able to increase rents for the last 4 years. I don't think there is any way that they're going to be able to increase 20 or 30 percent...

Senator Coffin:

I want to be sure in the rhetoric that is used as you pass on the rent increase that will come from taxes that you say what it actually is.

Scott Smith:

Yes, just from the taxes.

Senator Care:

One evening last week, I went to the clubhouse of a mobile home park near Nellis in Vegas Valley. In fact, Senator Titus and I both represent an area that has roughly 40 mobile home parks in it. Virtually all of those are occupied by seniors on fixed income. In virtually every single one of them, they rent the real property, they don't own it. The subject has come up, and I'm sure that it has come up in discussions in club houses and apartments: Whatever we do with property taxes, would the apartment owners reflect our legislation in the rent? That is to say, if, for some reason, whatever it is we do, and property taxes are rolled back or come down or whatever, is that going to be reflected somehow in a rent decrease, or a much less higher rent increase?

Scott Smith:

Again, the apartment industry, at least in southern Nevada, has not been able to increase their rents for 4 years. There is no way, just with the market that they are facing, that they are going to be able to withhold if there is a—we're not really talking about tax rebate; we're talking about taxes not increasing. Yes, definitely, if the Legislature comes out and says they're going to cap it at 6 percent or cap it at whatever it's going to be capped at, that will definitely be reflected in the rents.

One of the things in our industry, especially those in northern Nevada are very concerned about, regardless how much it's capped, the increases will, even varying increase, they won't be able to pass them on; people just won't be able to pay them. This will be a cost that will go to the owners, and they just won't be able to bear this. Their residents aren't going to be able to bear this. Their

property values are going to be going down because there won't be as much money to cover the debt service on this.

Senator Care:

I understand you have debt service, you have operating expenses, maybe there are utilities involved, and you have market conditions to look at. It's a complex formula. What concerns me, and I'm not accusing you of this at all, it's not difficult to foresee the apartment owner out there who has already raised the rent, the excuse being property taxes or, even worse, foreseen property taxes or predicted property taxes. Then we do something and the rent doesn't come back down. That's the concern that I have.

Scott Smith:

Again, there are lots of things out here. For the large apartment complexes, which are the majority of our members, they haven't been able to raise the rents, even with the other expenses that have been going on, not looking at this property tax. The market forces are what the market forces are. Whether you own a plumbing company like Senator Lee or whether you own apartment complexes, the market can only bear so much. People cannot pay, in our state right now, significantly higher rents. We're still giving 1, 2, and 3 months free to all the people that move in.

That is a concern out there. You've got the market forces to take care of that. Our industry, frankly, is worried that we won't be able to pass this on to anyone. Our occupancy rates will drop again.

Gilbert Eisner, Nevada Tax PAC:

Good afternoon. [Read from statement, [Exhibit G](#).] I live in Summerlin. For the past 35 years of my career, I have been the executive deputy to the assessor of Los Angeles County. I was the person responsible for developing Los Angeles County's property tax reform proposal in 1977, and I have been a consultant on property tax issues for the past 15 years.

Your reform discussions have focused on caps, exemptions, playing with the tax rate, or the assessed value factor. Alone, they will all fail. Nevada's property tax problems are systemic and structural, ultimately requiring a change to the *Constitution* to provide taxation stability and predictability for property owners and the taxing jurisdictions.

Several weeks ago I sent each member of the Legislature three papers dealing with property tax reform and provided a meaningful solution to the problem. I've summarized that analysis in an attachment to my comments ([Exhibit G](#)).

[Gilbert Eisner, continued.] My papers addressed a modified version of the successful California Proposition 13. That constitutional amendment has been in effect for 25 years, and has been validated by the United States Supreme Court. Please, I beg of you in the Legislature, do not exhibit the same "sky is falling" mentality that existed in California 25 years ago.

Changing the *Constitution* will require several years. I therefore propose the following two-step process for property tax reform.

Step one is to cap all existing and subsequent annual property tax increases to 3 percent of last year's actual value. This legislation would have a sunset clause and it would require the necessary time to prepare and structure an amendment to the State *Constitution*. All properties that are redeveloped, or change ownership, during this period would be tax indexed to 1 or 1.5 percent of its market value, via a split-roll concept, then subject to the 3 percent annual tax cap.

Step two revises the *Constitution*, that revision to be a market-value approach for assessment purposes, indexing actual taxes levied to 1 and 1.5 percent of market value, again, via a split-roll criteria. Folks, we are actually at those levels right now under the current tax rate. Then the actual annual tax increase will be limited to 1 percent, 2 percent, or 4 percent of that indexed value.

No Band-Aids. The good people of the great State of Nevada deserve a fair shake from their elected officials, and not double-speak or finger-pointing. The State is awash in revenue and is continually striving for more ways to create new taxes. This is not a one-time aberration. Values will continue to increase and we can anticipate double-digit increase in property values for many years to come. Let me explain.

Earlier this month, BLM [U.S. Bureau of Land Management] sold acreage for \$602 million. The land went from zero on the tax rolls to \$217 million of newly assessed tax-roll value. One buyer has inventoried over \$1.3 billion in BLM land over the past several years. When developed, this raw land will carry a value of about \$500,000 an acre, and, when improved, will add tens of billions of dollars to the tax rolls. Until then, not one tax dollar will be spent for services to these properties—a freebie revenue for the taxing jurisdictions. Future BLM sales will add hundreds of millions of dollars for freebie revenue to the tax rolls.

Another case: the Clark County Commission approved a number of mega-projects just this past month. They include a village, ten high-rise condos ranging from 350 feet to 600 feet, two hotel projects. This one set of approvals in one day will add thousands of units and billions of dollars to the tax rolls. The probability of having young, school-aged children in these developments is nil.

[Gilbert Eisner, continued.] Resort properties are reinventing themselves into multi-billion dollar venues. The Wynn Resort, as an example, when completed, will have a value of over \$3 billion. The roll value will be \$1 billion. Every similar resort property will be re-assessed under the current process.

Let's talk about conversion of apartments and the condos, which do not require new services. For example, a recent 216-unit property was sold for over \$13 million—it's about \$61,000 a unit, give or take a few dollars. The tax roll value last year on that same complex per unit was \$29,000. These units could be sold on the condo market at \$140,000 apiece. Under current conditions, every property that matches this sole property will be doubled in assessed value. These examples are in southern Nevada. But, as Willie Sutton once said, that's where the money is. It's also where the population is.

If you think this phenomenon is only inherent to Clark County, you are sadly mistaken. Recent BLM sales, for example, in Lincoln County, auctioned off 13,330 acres of property at an average price of \$35,000 an acre. In nearby Arizona, land is now \$50,000 an acre. Ladies and gentlemen, rising property values in Nevada are not an aberration. It is a fact of life and politics.

Nevada is a world-class venue, and there is plenty of foreign capital willing to invest in mega-development projects and/or foreign individuals willing to buy inflated property values with cheap American dollars.

Make change and do it right or, as I witnessed in California, the people will do it without you. If you'd like additional information, please visit my website: <www.nevadataxreform.com>.

Senator McGinness:

Mr. Eisner, thank you very much especially for giving us particulars and very detailed thoughts on how you'd fix that.

Senator Titus:

Mr. Eisner, we've been communicating by email quite a bit recently, and I appreciate that. The one problem with your step one is, I don't think you can do any kind of split-rolls without a constitutional amendment. That's one of the reasons that I had proposed freezing taxes to give time to look at all these kind of proposals like you've suggested, and, maybe, get some kind of constitutional amendments that would do some of these kinds of things.

Gilbert Eisner:

I agree with you, Senator. I'm not intimately familiar with the legislative process in the State. We're relatively newcomers; we've been here approximately 2 years on a full-time basis, and part time, for another year or so before that.

But I do feel that, perhaps, a cap of 3 percent would be a meaningful reference point. With all these new properties that are coming into the fold, the assessor, of course, can go ahead and put those on the roll at the current sales price. But, if you cap existing properties, it will give you the sufficient time necessary for developing a meaningful constitutional amendment.

This may not be the appropriate body, but, I think that you should also take a good hard look at how you amend *The Constitution of the State of Nevada*. We're in the twenty-first century; we have communication that is a lot faster, and it shouldn't take 4 years, or 6 years, to amend the *Constitution*.

Senator Titus:

I appreciate that; that's a bigger task than we can take on. I agree with you. I think we need to look at how we assess value, how we do depreciation, the possibility of split-rolls, because a lot of those new properties that you're talking about are owned by people who are out of state who don't even live here. Utah has a provision where you tax primary residents different from a secondary home. I think that is something we should look at.

Gilbert Eisner:

If you read the details in my handout, and the items that I emailed to each one of the legislators, you'll see that I differentiate between owner-occupied property and non-owner-occupied residential property.

Senator Titus:

I agree.

Gilbert Eisner:

Exactly. When you are talking about investors, you are talking about people who have a tax write-off, because they have the opportunity of depreciation or capital improvements, which they can write off. As a homeowner, I put a roof on my home, I can't write it off; I can't depreciate it more than 1.5 percent that the assessor permits me to do. If you are landlord, you can write off that carpeting; you can write off that roof; you can write off all the expenses, and the depreciation. Consequently, there is a split roll. I refer to my approach in the Proposition 13 context as a double split roll. It splits not only residential and other categories of property, residential-owner occupied, but it splits evenly residential property with respect to an age differential. People over 62, or earning less than \$26,000 a year, would end up paying a 1 percent annual increase in their property taxes.

Senator Titus:

It's a good suggestion to look at. These things take time that we're looking at. That's one of the reasons I was thinking that a freeze would give us time to do that, because a freeze would also allow all that new growth money that you've described here, all that new property that is coming on line, to still be taxed and give local governments that growth money, even if that other tax...

Gilbert Eisner:

I did some preliminary calculations predicated on what I had proposed; it would still provide a 6 percent cash flow to all the taxing jurisdictions if you did it the way that I illustrated in those emails.

Senator Coffin:

Mr. Eisner and I have communicated a lot on email and I appreciate it. I just wanted to make sure that you do exactly what we talked about before on the data on the property tax, because you're one of the most informed people we've heard from. My question to you is, since you lived through Prop 13—I know a lot of people want to grab onto that as something they think that is a solution to everything—but tell me what really happened with local government and what happened to the total tax bill after that?

Gilbert Eisner:

Proposition 13 had some basic flaws, and I've addressed those flaws in the emails that I've sent you folks, some of which are catastrophic in a sense. One of the things that happened with Proposition 13 is, when it was passed in 1978, it rolled back the tax base to 1976. Consequently, the jurisdictions that got their revenue from the property taxes had to roll back their budgets. There were dislocations as a result of that, there were layoffs, hours were cut and there were more fee-for-services.

I've addressed the flaw in Proposition 13 in the second paper ([Exhibit G](#)) that was emailed to you. I would be happy to provide those additional papers to you and let you take another look at them. There are other flaws. There was a great differential between the fact that Proposition 13 properties owned by individuals became less and less the percentage in effect in 1976. What I'm trying to say is that commercial properties that didn't turn over have better advantage through Proposition 13 than individual homeowners that turned over their Property every 3 or 5 or 7 years. This is about 10 percent of the population that had Proposition 13 base years of 1976 today, whereas commercial properties are in the 50 to 60 percent range. So, the commercial properties really have enjoyed a very substantial benefit from that 2 percent annual increase that resulted from Proposition 13. There are other flaws that, again, I mentioned in that paper ([Exhibit G](#)).

Ed Duffy, Private Citizen, Clark County, Nevada:

I am a retiree and I live in Clark County. I do not envy your assignment. Your forthcoming decision on property taxes will have far-reaching consequences and may forever change the lives of many citizens. I hope you do the right thing.

I have followed the property tax issue from the beginning and have read all of the proposals. In my view, the 6 percent cap is the best and fairest of all. My hope is that the final action on this issue does not disproportionately enrich government at the expense of the majority of Nevada citizens. If that does happen, and a Proposition 13-type measure is the only alternative we have to defend ourselves, I will do all that I can to ensure its success.

Please understand this is not a threat. It is a justifiable course of action to be taken when people are placed at risk. Have a great session and thank you for the opportunity to voice my opinion.

Steve Sanson, Media Spokesman, Veterans in Politics, Las Vegas, Nevada:

Our organization represents veterans, seniors, and the handicapped. There are 270,000 veterans in the state of Nevada. I'm here today to explain why we are against any increase with property tax. A lot of our members are on fixed income. We do not want our members to be forced to choose between mortgage, food, or medication. We do not want our members to lose their homes, or their life savings being used to pay increased property taxes.

It is our belief that there should be a freeze on property tax. We need to find money elsewhere. Retirees come here to live out their lives, not to worry about if they could afford their homes. We should not infringe on our seniors and handicapped. Maybe we need to do a property tax based on income and affordability. Seniors are forced to work to make ends meet. They should be able to enjoy their lives. The handicapped already have a difficult life. They should not be forced into a financial bind that would add to their hardship. Veterans fight for our freedom and should have an incentive program in place. We need to consider all of this before we force our citizens into financial deficit and foreclosures, repossessions, bad debt collections. There has to be another way.

Knight Allen, Private Citizen, Las Vegas, Nevada:

I am a private citizen. I come before you today as a supporter of the 6 percent cap proposal. I support the 6 percent cap proposal for three primary reasons.

Number one: It gives the historic growth rate to the local governments, as you have learned in the testimony before, in the past two weeks. That number given to you is 5.8 percent, the cap is at 6.

Number two: The cap is an insurance policy. It kicks in when and where it is needed to protect people against these outrageous and immoral runaway property tax increases, it has no negative affect on all of those other counties and areas of the state where there is no growth, or where the growth is more in line with the historic norm. There is even a section in the proposition 6 that allows those counties that do not reassess every year to continue to operate the same way under the 6 percent cap as they had been without interference.

The third reason that I support the 6 percent cap is that it allows for all new growth to come on to the property tax rolls, uncapped and at full value, for that first year. What this means is that we are not talking about a 6 percent cap; we are talking about 6 percent plus growth. Here in southern Nevada, the media reports are that growth, by itself, would total at least 7 percent a year or more.

What that means is that you are talking is 6 percent plus 7 percent. That's a lot of percent no matter what you are talking about. It's a lot whether you are talking about building schools or running a county or running a city.

[Knight Allen, continued.] It is my conviction that the 6 percent cap represents that crucial fulcrum point: that point that you cannot quantify but is crucial to representative government; that point between our responsibilities as citizens in a free society to the general welfare, and our absolute right as citizens in a free society to not live under the tyranny of a tax that forces us to participate against our will in a runaway capital market.

It is the best deal out there. It is the best for you as the Legislature. It's the best deal for the local governments. And I sincerely hope that you will choose it as your immediate solution to this very, very real property tax crisis.

Senator Coffin asked for some information. I live over in the Charleston Heights section. I live in a neighborhood that has been there since the 1960s. There is no land speculation going on, the BLM hasn't sold any land in Charleston Heights recently. There are no housing developments going up. My property tax is up 26 percent.

Marc Shane, Private Citizen, Las Vegas, Nevada:

This morning I put in an appeal to the Board of Equalization on my property taxes. When I looked at it, it was like—I don't know how they are coming out with these figures—I went to talk to the assessor's office quite a bit. They give fair market, what real market values are, what the home sold for. That's the litmus test that's accurate, and we can do that in this valley. You can do it from year to year, and recently it's happening.

The problem is that when you go down and talk to the assessor's office, they say whatever the taxable value we give you, so long as it doesn't exceed the market value, it doesn't matter. You have no recourse. The point here is, my land value went up 208 percent. That puts about \$68,000 above what I can actually sell my home for. Is the taxable value below the fair market value on that form? Yes, it is. So is everybody else's.

The problem here is, when we do this, we need to nail down exactly a percentage. If the fair market value, for instance, would be \$300,000, we need to say that the taxable value is going to be X percentage below and the assessable value will be under that. We can cap it all we want. Somebody right now—if taxable value of that \$300,000 is at \$150,000, the assessor's office

can actually go up 28 percent under that low, because they haven't exceeded the fair market value on that. They have a lot of cushion room in there, and that really needs to be addressed. It's a big loophole. When you go down there and talk to the assessor's office, they get frustrated when you try to pin them down and ask "Exactly how are you doing this?" We know that they're putting the building improvements through a computer simulation that they bought, and the State has mandated that they use that calculated depreciation and all those things. But when you get to the real issue of land, they say they use fair market value. Yet, when you ask exactly how was that done, they can't answer that. They get upset. I talked to a half-dozen even this morning.

[Marc Shane, continued.] The Board of Equalization says they can't help me. The way I was taxed last year, a portion of that, is not equivalent to the way it was done this year. If I went by fair market value, the increase should only have been 140 percent, not 208 percent. Not that I can even afford 140 percent, I'm a disabled veteran. My increases went up \$34 a month. That's how much extra money I got. This new tax proposal has me paying over \$100 a month more. Somehow, credit cards helped me pay for the additional. There is definitely a loophole in that.

I am only 50 percent disabled. There is stipulation in the Nevada Tax Code that, if you are 60 percent and above, you get help. When you get to 60 percent and above, you actually get more compensation from the VA [U.S. Department of Veterans Affairs] too to help compensate that.

My main point is we have to nail down how the tax assessor's office can put the taxable assessment under a fair market value. There has to be a correlation there. It cannot be so wishy-washy like it is now. The way it is, you can put a cap on it all you want and it's not going to help the people here. It's going to be loopholed and backdoored. And you guys are going to say, well, we tried to do something; we put a cap, why didn't it work? And that's why it's not going to work. When you go to talk to the assessor's office, they don't even want to address that issue. They just don't want to talk about it.

I live in North Las Vegas, and recently the mayor of North Las Vegas, in the preview to represent the citizens of North Las Vegas, said he doesn't represent or want a cap or something to deal with it. I don't think so. I think the residents in North Las Vegas want a responsible level of growth on this. I don't see where a represented official can just go out there on a limb, and we hear these rumors that the Legislature doesn't really think this is a problem.

Walking away from this, I want the Legislature to affirm that they think this is a real issue that really needs to be dealt with one way or another and that they know that there are hardships out here. But, definitely, the correlation between fair market value and the taxable value has to be put in writing some way, or they have to explain how they are doing it, because it's not the same from year to year that they're doing it. It's a loophole.

Chairman Perkins:

I can tell you that this Committee, particularly, is very, very interested in finding some kind of property tax relief. We are in our second week of the Legislature, and these Committees combined have spent more than 20 hours accepting testimony, trying to find some solution. We don't work for the mayor of North Las Vegas, so we may not share his beliefs. We appreciate you bringing your issues forward.

Russell Guindon, Committee Fiscal Analyst:

I'll put out a request to the county assessors to provide the information on how that assessment process works and provide that to the Committee members.

Marcus McAnally, Private Citizen, Las Vegas, Nevada:

I'm a homeowner in Clark County. I usually don't attend these kinds of sessions, but this one seemed important. I had read about Senator Titus' recommendation that the property tax currently be capped while something is done about it.

The gentleman ahead of me summed the problem up pretty well, except that it wasn't complete. The people in the assessor's office are doing their job. Doing their job, they have to follow the law. In following the law and knowing they can't do too much about it, the local Clark County Board of Equalization doesn't take complaints seriously because there's little they can do about it.

The law must be changed if property taxpayers are to be afforded relief from high and unconscionable property tax evaluations, and protections are needed for the future.

Property tax complaints are not taken seriously by the Board of Equalization because I was present when my neighbor was told he could sell half his homestead to pay his property taxes. That pretty well canceled the rest of his speech. The Board obviously wasn't listening. His property taxes have increased

over 47 percent over the preceding year. Mine went up about 39 percent over the preceding year—from \$2,400-and-something to \$3,200-and-something, proposed. \$900-and-some, you put \$80 and add it to your house payments, in order to handle the escrow cost for taxes.

[Marcus McAnally, continued.] California began the property tax revolt in that state, resulting in Proposition 13. Prop 13 also included a requirement for a two-third majority vote for tax increases. Twenty years after that, in 1998, the Cato Institute did a research project on the effects of Proposition 13 and how it was seen by the citizens of the state of California, finding approximately two-thirds of the people still feel that the state is better with Proposition 13 than they were with what was preceding Proposition 13. Even though there have been several subsequent changes in Proposition 13, which have increased taxes, two particular bills have been modified, and the requirement for the voting is now down to 55 percent votes to pass property tax legislation. They still think it's a good bill.

I propose a solution. What the people of this state need now is a tax bill, from this Legislature, rolling back property taxes to 2002 and 2003 tax years, similar to what California did in 1978 to the 1975-76 tax year, then allow an increase of 1 percent per year, and 1 percent more allowed to retire bonded indebtedness, which the taxpayers get to vote on.

The Nevada Supreme Court, in a faulty ruling, overruled the will of the people and allowed a simple majority to approve the 2003 budget, as you will all recall. That existing two-third majority vote requirement should be reaffirmed by this Legislature. We have it but it's not legal, or what. It should be reaffirmed by this Legislature promptly and then get on with such matters as getting the school budget approved first to try to frustrate this Supreme Court.

James W. Lucey, Private Citizen, North Las Vegas, Nevada:

I live in North Las Vegas. We wonder why we live here. It sure isn't because of the low cost of living—with our high property taxes, high sales taxes, high and unreasonable fees, surcharges, association fees, higher-than-normal grocery bills, outrageous gas prices, unreasonable airport parking fees, car rental taxes, growing utility bills, and more unreasonable costs—to even consider this a great place to live, why I don't know.

Now, with the sudden increase in property evaluations, all the bureaucrats are scrambling to get all the new dollars from the taxpayers. Today's paper shows the school superintendent with his hand out. He got over 38 percent of this

year's property tax from me. The North Las Vegas mayor wants more. He got 37 percent of my property taxes. The sheriff wants more; all levels of State and local government want more. And your unions want even more. You and/or the taxpayers need to get a handle on public spending, and property tax limitation is a way to do this. You have to make the spenders of our tax dollars manage my dollars to the extreme.

[James Lucey, continued.] Daily, we see such things as two Division of Forestry employees accompany a third one on a doctor's appointment; three Metro [Las Vegas Metropolitan Police Department] cars on a fender-bender; see maintenance vehicles in the shopping centers; school district people driving Toyota imported cars. We read of supervisors on the union bargaining or lobbying teams. Why do assistants need assistants? How many vehicles are necessary? How many employees are necessary?

Fat needs to be trimmed, and no one on the public dole is owed a job. Bosses have to be bosses. I know; I was a bureaucrat boss when Prop 13 went in, in California. California didn't sink. Management bargaining teams need to have real monetary targets rather than feel-good targets that will appease the unions. Budgets need to be put together with true needs in mind, not what would be nice. Necessary is a frequently used word by bureaucrats, but the real question is how necessary. And commissions need to be more than rubber stamps.

So, if you in the Legislature don't do something very soon to conquer this tax-spending craze, the taxpayers will. Budget rollbacks need to be in part of your decisions. We're fed up and if the Legislature doesn't do something extreme now, there will be a tax revolt that will make California's Prop 13 look mild.

Bob Craddock, former Nevada Assemblyman:

Yes, Mr. Chairman and members, I am one of the few remaining legislators that help put together the tax package that we lived under rather comfortably for a number of years. About now, I don't know whether to pat myself on the back and take a bow for the fact that it worked well for decades, or whether to apologize to you for creating an environment that got lots of people here that refuse to pay the bill. I'm at a loss.

So, when I read in the paper that the Chairman is somewhat concerned about the depressing attitude that pervades the discussions that he runs into, I can understand that. So, rather than take a lot of your time, I'm going to ask you to refer to one of your colleagues. His name is John Marvel; he was involved in

putting together the tax package a number of years ago. Of course, he's still with you. I'm sure he would enjoy explaining some of the things to you about what occurred back then.

[Bob Craddock, continued.] I'm going to discontinue my comments and give you my statement ([Exhibit H](#)). Some of the material indicates that this merry-go-round that we're on between local government and State is probably revolving around difficulty that was created, in part, by the voters themselves. The tax rate is cut in about three equal pieces. One was supported by the Legislature; another by local government; and the piece that gives you the most trouble is the ones the voters voted for, and that's about a third of it too.

It's amazing to sit and listen to the things that are occurring today and have people that don't seem to recognize even how the tax bill is figured. The calculations are certainly not predicated on market value, in total. There's a couple of pieces, unless it's changed markedly in the last 20 years or so; one piece of the tax bill is predicated on the cost of replacing the improvement, depreciated at 1.5 or 2 percent per year for depreciation. The other half, the land, is based on the fair market value of the property. That is determined by a willing buyer and a willing seller. I see that the tax assessor just showed up, so maybe some of the people would be interested in what he has to say. There are people who know how to calculate the taxes, and there are lots of them around. I want to give all of you, including Senator Titus, a copy of the material that I've put together ([Exhibit H](#)). I tried to put it together in a way that you could look at it as you see fit at your own leisure.

Chairman Perkins:

Mr. Craddock, you did put together, back then, a property tax plan that worked for a couple of decades. I don't think anybody anticipated the kinds of spikes in property values that we're seeing today. We feel an obligation to find some sort of relief mechanism so we aren't pushing people out of their homes. Right now, it's getting a little out of hand.

Bob Craddock:

If I had to deal with it today, I would expand the existing and available provisions do reduce the cost of taxes on homes to the maximum. Then I would even push it to the point that I thought it might be unconstitutional, because the Court was pretty generous to you the last time you went before them on this kind of a debate. You run across the situation where they said, look, you're obligated to finance the schools, and the way that you get there is not nearly as

important as the fact that you have to provide for a uniform system of common schools.

[Bob Craddock, continued.] When you look at Article 10 of the *Nevada Constitution*, you'll find that it says not two things, but that there's three. It says that the tax rate will be uniform, equal, and just. The word "just" seems to get lost in most of the discussion that occurs. I would admonish you in the strongest available terms to take a look at that "just" portion of the thing too. When you start capping it and cutting out a big portion of the people in the low income, it would be a travesty of justice.

Anthony Hodges, Private Citizen, Clark County, Nevada:

I am a taxpayer in two counties, Clark County and Nye County, I'll probably be dead broke in a couple years from now. I was born 74 years ago, and what's that got to do with anything? Because long life gives you a picture of how life goes along. And, with what's happening today, we must face reality. We have common sense, reality, and faced with the uncertainty and we're also faced with destiny. I always want to deal with common sense. I found that that is the best one. My common sense tells me that telling the truth might be the best medicine for us all.

Our government, at the top, United States government, we are so broke and our dollar is so weak, it's on crutches. That means we inflated the dollar so bad that I told my wife 40 years ago we'd probably have to pay a wheelbarrow full of money to buy you a loaf of bread. We are coming to that. Our dollar is about shot. We have put ourselves in so much debt, recovery is a horrible thing.

Another thing about the State of Nevada is that we are the fastest-growing state, but we'll be the fastest exit state if we over-tax the people too much. People will be running out of here as fast as they came. And that's another reality we have to face. Reality is something that none of us can duck. It all starts at the top. We are broke and getting broker. Let's put a crutch under the dollar. Thank you.

Jeff Crisman, Private Citizen, Las Vegas, Nevada:

I am a taxpayer in the County of Clark. In the mid-1970s, California was experiencing a similar set of circumstances that we Nevadans are facing today—rapid escalation of property values that causes a meteoric rise in property values and, of course, taxes. Like California, this was causing a great deal of concern within the middleclass, people on a fixed income, and the

elderly, not to mention the lower-income levels and renters, were seeing an escalation in their taxes and rents respectively.

[Jeff Crisman, continued.] A visionary by the name of Howard Jarvis proposed a very simple solution to this problem—roll back the valuations of real property to a tax year in the past, which was 1976; set taxes at 1 percent of appraised value; no taxes in subsequent years could rise more than 2 percent per year. Those of us who worked with Howard on the referendum could not see any other viable solution to this problem.

With my experience in working to pass Prop 13, I make the following proposal—roll back the taxes to last year's level, 2003/2004, and freeze them at those levels immediately. The Legislature can then pass the appropriate legislation to change the *Constitution* with the following tax code revision proposal: roll back the valuations to at least last year's levels and establish it as a base year. It is possible to roll back the base year two years, but since I don't know what impact it will have, it will be up to the Legislature to determine how severely this will impact local governments by determining the loss of revenue for each local government entity.

What was learned in California was that local government was impacted in the short run, but it made local governments become more efficient, and they looked to make people who receive benefits pay for them in a more equitable manner. For example, by using impact fees, government made future development pay their fair share for infrastructure costs.

Set the tax rate at 1 percent of appraised value. Local government would then add the payments for the bonded indebtedness to the taxpayers' total yearly obligation.

The legislation would include a clause that would state that, when a home was sold, the sales price would then become the basis for the next year's tax bill, and will, in essence, become their base year.

Set a limit of 2 percent per year on all future tax increases. This will stabilize the tax income to local government, and real property owners will know what their future obligations will be. This approach makes it more equitable for all the parties concerned.

This approach is not without problems. You do not, however, have to reinvent the wheel. A neighboring state has shown that this approach works, and I urge the Legislature to adopt this type of solution. Thank you for your consideration.

Michael D. Mercurio, Private Citizen, Las Vegas, Nevada:

I've resided the last two-and-a-half years in Nevada. Previous to coming to Nevada, I had 33 years' experience in real estate investments, real estate development, and real estate sales. About 6 months ago, the newspaper put out an article about the excessive investments made by out-of-staters in Nevada. It named the top ten states, California being at the top, the number was about \$37,000—38,000 in just those ten states. That prompted me to want to take a close look at the number of investors, out-of-state and in-state.

With the help of Nevada Land Title and their computers, I was able to extract, by using addresses, the number of out-of-state, which I wish to share with you. I will be glad to pass these numbers on to you. I would also like these numbers to be checked by the Clark County assessor's office.

In-state investors, this was single-family residence, condos, cottages, townhouses, quadraplexes, triplexes, and vacant land. These numbers were in the last 30 days, 105,596 investors in Nevada, and out-of-state investors, 77,701. We derived the numbers on the in-state by looking at the address—two or more units—by knowing the addresses where the tax bills were being sent didn't add up. We assumed to be investor properties. We think you'll find these numbers to be close when the assessor's office checks it.

The state from which I came had a 50 percent extra tax on investors. This was a terrific source of revenue for the state. It kept the taxes down on owner-occupied units. It also acts as a suppressor, which is necessary here, to excessive speculation, which this state has seen record-breaking history, not only for the state but for the country.

I then took these numbers and I played with them. It will be for you play with it if you consider it, being that Senator Titus had mentioned the state of Utah, a neighboring state, that taxes its out-of-state investors 100 percent extra tax. If you were to take that 100 percent extra tax, using Clark County's assessor's figures, at an assessment rate of 35 percent of \$15 billion, approximately \$600 million, readjusted on an assessment rate, it would be \$5,476,000, and then at a tax rate of 0.033002, would generate \$180,190,200—no drop in the bucket. A lot of revenue to the state for people that now, we get very little revenue. As a real estate developer, and now as a licensed real estate person in this state, I have watched rollovers in 1, 2, 3 days from when a person bought a property. That person paid no taxes; there's no sales taxes on it. They came in, bought the property, drove the prices up, causing scarcity for those people who want to live here, those people that would be owner-occupied units, and they walked away with, many of them, and the newspaper will verify this, I'm

certain almost every realtor will verify this, \$150,000-200,000 was not unusual to see happen on a rollover property.

[Michael Mercurio, continued.] The speculators are the main cause of your tax problem here. You have to get to those speculators if you want to correct this. If you take the numbers that I have for the in-state investors—and I was an investor, still am an investor; I paid my 50 percent in South Carolina. We'll be generous; in-state investors, we'll tax at 25 percent. If we taxed the in-state investors 25 percent, given the numbers which I have already given, it will generate \$57,753,500. The total tax revenue by these justifiable extra taxes for investment, the Clark County portion alone is \$237,943,700. You can utilize that money to do anything you need in the 88 districts. A freeze, as Senator Titus has advocated, is certainly necessary until all considerations can be made. The gentleman from Nevada Tax, I agree with him wholeheartedly, after investigating the California model Proposition 13, would be detrimental for the reasons that he gave. It favored the fat cats, the big corporations, they get the cap too. Why would they want to even sell, when they could make that kind of money with a small tax? Think about that.

You have to balance things in nature, as well as in politics and economics. We had unbridled capitalism in the 1900s. One percent of this great country's wealth was then controlled, 90 percent of it, by 1 percent of the population. It wasn't until unions came and other stresses, to modify that kind of imbalance, did we get a middle class and the democracy that we now have.

Thus, I advocate a freeze. My information has it that we will still generate 7 percent revenue, keeping the tax the way it is, just from the added number of units that have come on the market and have been bought and taxes are being paid on. It is not like we have a tax crunch. The other thing, lest I forget, and I may be corrected on this as a newcomer, of 88 tax districts, only 2 of those tax districts have to submit a budget to its taxpayers. What is this? Every district has responsibility to stand behind the budget, verify that budget, in front of the people who pay the taxes. There should be a law or regulation made that every tax district put forward, every year, the money that it needs to run its business. And the people should look at this and make a decision on it.

Chairman Perkins:

[Called a short recess. Called the Committee back to order at 4:07 P.M.]

John V. Briggs, former California State Senator:

I am a former senator of the state of California. I have lived in Nevada for 10 years, and I've been active up north with Senator Schneider and on homeowner issues. Having done it for 30 years, I understand what you're up to and you are to be congratulated.

[Read from statement, [Exhibit I](#).] On June 6, 1978, I was standing on the platform with Howard Jarvis when that Proposition 13 was enacted. Howard was an apartment house manager. His people were complaining to him that they couldn't raise the rents and people couldn't afford to pay the rents, and that's how Howard Jarvis got into it. He didn't get into for the little old lady or disabled vet, he did partly, but basically, it started that way. We raised the money for him, my campaign team did, and the rest of it is history.

I heard all of this stuff: the sky's falling, the kids aren't going to get fed, nobody is going to fight the fires, the cops aren't going to show up, the teachers are going to quit, and California is going to slide off into the ocean, if you pass Proposition 13. None of that came about.

The legislature, of which I was a part, we struggled nightly, like you are, because there really were issues. All the tax-eaters, as I call them, thought taxpayers were ATMs [automated teller machines]; they had all these reasons why we could do it. Finally, we came up with a Proposition called Proposition 8, which I voted against. The legislature put it on the ballot; the people defeated it. Proposition 13 won by almost 65 percent of the vote, despite the *Los Angeles Times*, *San Francisco Chronicle*, every single newspaper, and every single radio.

When this initiative was trying to get signatures, they got 3 million signatures. They only needed 1.5 million. What's going on now here in the State of Nevada, and I know you folks are wrestling with it—the real question here is not how we do it, but who's going to do it. Earlier, every time somebody would mention Prop 13, the whole room would bust into hand-clapping, because people understand what Prop 13 means. It means their property taxes are going to be capped. There are a ton of people over here from California who know Proposition 13 and lived under it. I like Senator Titus' idea, from your point of view up there, of freezing the property tax, and you guys getting to work to take care of it.

I would hope that you freeze tax. In 1978, the Los Angeles assessor froze the taxes because he refused to sign the tax roll. It was like in the movies. I'm not doing this to the people. So the people had to come to grips. There is no question in my mind that you folks have got the message.

[John Briggs, continued.] But, in the meantime, I would urge the people in this room, and all these people who come up with these signatures, to start getting the signatures for Nevada's "Proposition 13," because I predict that you're not going to be able to do it. I've been in this business for 40 years. You've got the people in your district that you represent, then you have your colleagues, then you have the special interests. It is almost impossible in that community to get something done that you can all agree on.

When you tell someone that we're going to put a Prop 13 on the ballot, they understand it right away. They don't need all this gobbledy-gook that's going on about flaws and do it this way and do it that way. They understand it. In the end, that's probably what will happen. I hope you can avoid that, because next year, there's going to be 5 initiatives, and the following 2 years from that, there's going to be 30 initiatives. That I don't think the State of Nevada wants. I don't think it's good government. So, I urge you to freeze, try to come up with Prop 13 yourself, or just turn it over to the people and they'll do it for you.

Senator Care:

We had testimony from a gentleman about a week and a half ago who has issued a white paper, and he pointed out in this white paper that, historically, in the aggregate, property taxes in Nevada have not exceeded 6 percent, maybe that's been the average over several years. I have a feeling that is the genesis of the talk about a 6 percent cap. With that in mind, what was the rationale for the 2 percent in Prop 13? What was the basis for the 2 percent? Had somebody done some homework and said if we do 2 percent, this will be the net effect 5 years from now, 10 years from now? Or was that a figure that was just plucked from somewhere?

John Briggs:

Senator, I think it just came like that.

Senator Coffin:

Senator Briggs, thanks for settling here; we appreciate it. I remember you very well from following politics in California. My hometown is Anaheim, in your old Orange County, and I was born there a long time ago. The thing that I'm curious about, you did say—I followed Jarvis-Gann very well, and I remember exactly what you said; he was running short on money and it got new life when some money came in. Where did you raise that money?

John Briggs:

We took the signatures off the initiatives, we went down to the county assessors as well, and we wrote to each something like, "Dear Senator Coffin, you and your family are paying this much in property taxes; if you will vote for Proposition 13, your taxes will be this forever and ever. Please send us some money. We estimate that you are going to save, depending on where you live"—we went heavily into Newport Beach which has all the big money—"you could save \$6,000." We were getting checks of \$1,000, \$2,000, because the apartment guys were trying to do it themselves; they couldn't do it. So, we just went to the little guys. I don't think there is anybody out here who wouldn't send in two bucks. And the more names we got, the more letters went out. So, the money just rolled in; it was just wonderful.

Senator Coffin:

Did you find one thing, in looking back at it, and I think it's been testified to, and we all probably recognize that commercial property does benefit a lot more than the residents over the period of time. Was that something you foresaw or could you say it just happened by accident?

John Briggs:

Well, remember, Howard Jarvis was the manager of the apartment house association; most of those were corporations. Little people, like me and you, own corporations and we own a commercial building. He probably used the little old lady out there to get the apartment house problem taken care of. But it got taken care of. I will just leave you with this; I still own property in California and my property values increased, religiously, 2 percent every year. It's compounded; it's 2, 2.01, or whatever. Over a period of 10 years, my value went from \$500 to \$600. I owned a piece of property in Lake Tahoe. I sold it; property taxes went up like \$8,000 in one year and then something the year before. I know you are talking about split-roll thing, where you hit commercial differently. I don't think you should do that. I don't think it's the right thing to do, but I don't want to get into that. What I'm trying to avoid is getting into this conversation because, with a lot of people behind me, and most of this you all heard before, and I appreciate your questions. If you wound up doing the freeze, and you wound up doing "13" for just homes and not commercial building, it would be fine with me.

Stanley E. Jones, DDS, Private Citizen, Las Vegas, Nevada:

The thing of it is the property tax that is before us, and that does upset me. It's been mentioned before that this does really have something to do with people and their investments and what they are trying to do. Dr. Lundeen and I bought a nice piece of property up near where the Levi Strauss property is and we were going to use that for our retirement. We finally got it paid for. The next year one of the big housing companies came up and put in a million-dollar subdivision, and it seemed like the bureaucrats said, "Boy, what a windfall this is." When a big piece of money comes like that, it gets funneled out to where it doesn't go to do anything anyway. It just helps the bureaucracies along.

Senator Coffin said something about would this help people if things went back. My opinion is every time something like this comes up, it's a big windfall and the governments can seem to find a way quick enough to spend it. That might be narrow-minded because that's what I happen to see, and that's what seems what's going on. A lot of people feel that too.

For example, I had my accountant, had a nice home in Vegas, and just a year ago, he saw what was coming and he said "Doc, I'm going back to Tennessee, I can't afford to live in this city anymore, and it's just not worth it." He sold his house and went back to Tennessee. I had another person I tried to get to come down here, and he looked into the area, and he thought it was terrible with higher expenses. Another person thought there were taxes on everything.

My pet peeve is when I go to get my driver's license renewed. Every year your car used to go down in value, but not now. Now you pay a special assessment tax and a special, special assessment tax on the licensing of your vehicle. It's just another way of bureaucracy of getting at you with different taxes. That's not right.

Now, back to the property tax issue. When I came here, I worked hard, I got my house, got it built—built a lot of it myself, got it paid for, and now property taxes are more than what it cost me to build the house and payment. What scares me is, when Dr. Lundeen and I bought this property up near Levi Strauss, we had it there and didn't have it a year when they built this new housing development. They raised the taxes so high that Fred and I couldn't pay the taxes. We had to sell it. I'm not pleading pauper, I made a little money, but nothing what I was made of, had I been able to keep it as long as we wanted to, with the retirement basis like we wanted to go for it. In other words, we were forced to sell.

We hear different caps on these property taxes, but something has got to be looked at where there's a permanent ceiling on these taxes. Let's say you have a cap that will only go up 2 percent. If you have it there and put it there, they're going to go up 2 percent because they never bring it down lower. They always go up to the maximum they can go. If they don't do that, they're going to come and reassess your place and will go up higher there. The thing that makes it hard—I'm better off than most, it's still quiet difficult—my wife suffers from multiple sclerosis and has been in a wheelchair for 29 years. That involves some big medical bills, so I don't have a lot of money reserved from what I've done. I've spent it for her and I still will.

[Stanley Jones, continued.] But things come up, and if you don't give us caps like this that keep coming, what's the difference? Ten years from now your property tax is still going to be at 20 percent more than what it is now. I know you have a big problem to come at. What I would like to see, maybe I'm representing a special group now, but I'm over 60 and they consider you over the hill. I figured that maybe when you're 60, why can't they just freeze the property taxes for 60 and above? You aren't going to live that long. You'll be out of it anyway. If the heirs sell the property, they're going to get a better tax. It sure would help a lot of people on a fixed income and that are 60 years or over.

That's about the main thing I have that I think should be done is look at something that makes a meaningful tax decrease and actually freezes it in some cases who do need it. If you put it on an age basis, that sure is a way of keeping it simple and the same for everybody. When you hit that age, you're in that bracket, you don't have to get a lot of elaborations on it. It will help a lot of people.

There are other issues; that's a whole different thing from property tax, and there's a whole other side to that story too. You may not like corporations, but they're the ones that write the paychecks. They're the ones that need to get developed. They're the ones that need to progress. Maybe in a way it's helping them and in a way, maybe it's helping us. That's something that can be argued back and forth.

I had to speak on this just because I think the way it is, is actually immoral, if you try to put a property tax hike like this on people. I appreciate all of you and what you're doing and I'm glad to have been here to say something.

Chairman Perkins:

I think there's a great appetite on this Committee, and I can't speak for them all, Dr. Jones, for some sort of relief, particularly for seniors and those that are looking at investing in our State as well. We're constrained by the uniform and equal clause of our *Constitution* right now, and that takes about 3 years to change. I know we have to cap some relief right away. When we are in Carson City, we need to find a short-term relief right away and find some long-term tools to fix our property tax structure in the future.

Ingeborg Levy, Private Citizen, Las Vegas, Nevada:

I'm 73 years old, handicapped senior citizen. I lived for 10 years in Las Vegas. We started our property taxes with \$1,800; we worked ourselves up to \$4,300. Since the name of my husband is Robert Levy and not Bill Gates, you can imagine we have a tough time. I'm sorry to say you people who are raising the property taxes are a threat and totally irresponsible; a threat to me for probably losing my house and the way of life I am accustomed to; irresponsible towards the old folks living on Social Security. I think when you turn 65 and go on Social Security, automatically you should get a freeze on your property taxes.

I think some people never heard of "Don't spend more than you are taking in"; it is spend, spend, and hit the people with more taxes. It is an artificial inflation, because all the gains in the real estate are on paper and not on money in the bank. If my property taxes are getting raised any more, I have two possibilities. I'm going to take my tax bill and I'm going to go to the Social Security, maybe they'll pay for it, or I buy a tent and I move under the freeway. That's all I can do. Thanks for listening to me.

Richard Rychtarik, Private Citizen, Las Vegas, Nevada:

I live in Las Vegas, Nevada, been here about 3 years. I retired here. I live in the northwest community, a fairly new one, so my taxes are going to go up 43 percent.

I lived here in the 1960s and 1970s; it was very comfortable then, and, of course, not as crowded. I really enjoyed it. I moved to Missouri, came back here, and found that property taxes between here and Missouri were about the same. The big difference is that, here in Nevada, you get nicked and dined to death by taxes. It's a little here and a little there and sort of insidious. It's just not a property tax issue. Everybody sees the property taxes, they just show up. While this Committee is not dealing with that at this time, it's not a viable

situation to cap a property tax and then see the taxes eke it out somewhere else. I think the State is going to have to look at the total tax situation; that is, fixing taxes at the State level, and then also the property tax issue. What will happen is that budgets won't get any different here; you'll find other ways to get that money.

[Richard Rychtarik read from statement ([Exhibit J](#)).]

I'm not here today to propose any property tax relief methodology. That's been done quite a bit already. What I would like to do is examine what I see as a broad set of issues that surround this debate. Hopefully, by doing so, it will help solidify your choices, bring clarity and finality to how our property tax system is reconstituted. I would also like to thank you in advance for your effort in working toward a solution to this difficult problem.

The Clark County Assessor, Mark Schofield, was one of the first public officials to bring the problem to light. He proposed a 6 percent property tax. In order to understand his position, I performed my own simple analysis, for which, by the way I got some of the data off the Internet, you can't get all the details. I can say that, from Mr. Schofield's perspective, I can see how he may have arrived at a 6 percent cap. By examining the past 20 years of property tax revenue in growth here in Clark County, several facts were evident.

For the past 20 years, the average year-to-year change in property tax revenue exceeds 12 percent. Last year it was 14.4 percent. That's growth in revenue. These annual increases in revenue were due to ever-increasing property values. A rapid increase in population, along with the normal growth in businesses required to employ and house this additional population, compounded these revenue increases. The change in population during this 20-year period averaged 6 percent per year. This growth is continuing, at least, for now.

If you apply simple math, subtracting the rate of annual population growth from the annual growth in property tax revenue, then applying the assessor's proposed 6 percent annual cap, you will see that the past 20-year property tax revenue stream remains near the same. In fact, for the past 5 years, the result from the 6 percent cap and actual property tax revenues are nearly identical. The question I ask you to consider is this: Are we willing to

perpetuate this kind of tax growth, and if so, why, and for how long?

[Richard Rychtarik, continued.] Let's review some of Clark County's demographic issues and their impact. There are, in my mind, many unanswered questions. Where is growth and tax revenue really coming from? What are the population segments? What are their ages and economic status?

I was unable to determine these profiles or the profiles of who is or isn't moving to Clark County. I was hoping the State Demographer would be able to provide you with this information before you make decisions about taxation. It is important that you understand this because it represents our future.

Here is what I do know. There are 200,000 retired military living in Clark County. If they are on retired military pensions and Social Security, they will not be able to withstand major increases in their property taxes. They served their country, and now we should serve them. The demographics of Clark County School District are also changing. Can the underlying property tax base here in Clark County support this demographic change now? How about within the confines of the future property tax changes? From personal observations, I see many non-military retirees moving to Las Vegas. These folks seem to arrive with significant amounts of capital and seem to require very little state-funded support or services. If we don't get this tax issue right, we will lose many of these retirees to other more tax-friendly environments. There is no doubt we need these retirees to help shore up our tax systems. They don't just pay property taxes here. They also don't enroll children in public schools or demand other special services. Most are self-sufficient. They spend large sums of money on new homes, home decoration, and improvements. This spending generates even more jobs and tax revenue.

The flip side of the excessive taxation here is that people and businesses may exit the State. This, coupled with excessive taxation, will drive down property values and assessments. Then what? Where will funds come from for our schools, public works, and public service employees?

Finally, I would like to say just look around at the environment that this has created here in southern Nevada. It's just growth, growth, and more growth. This translates to more and more tax revenue.

It is my opinion that Clark County and the State coffers are, and will continue to be, dripping money.

[Richard Rychtarik, continued.] I noticed that Governor Guinn wanted to give back \$300 million in excess taxes at the State level. That's interesting because—and some of you were involved in the last tax debate—just a few days later, in the paper, in order to fund his Millennium Scholarship Program ad infinitum, he wanted to take out a bond for \$100 million to fund that. That's fine, we need education. What really disturbed me was, I read again the next day in the newspaper, if the report is correct, that he finds \$50 million lying around in two budgets. What is the real number? Is the real number \$320 million in excess revenue that's sitting at the State level? Or is it \$1 billion? Someone needs to understand that factor also.

[Continued reading from [Exhibit J](#).] Finally, I would like to say that, in this environment we have created, it translates to more taxes and more revenues. There are three well-defined industries here: tourism, construction, and retirees. The current rate of hotel and casino expansion in Clark County is enormous. Every major hotel here has a significant expansion effort underway or just completed. Now add in the increase property tax and other tax revenues generated by the supporting businesses and those employees, the State and local coffers are overflowing. Growth in residential construction is off the chart. The airport is clogged with passengers. I refuse to believe that with all this growth, now and for the past 20 years, major property tax relief is not already in place.

In closing, it seems there are two primary, but opposing, views on how to proceed. These are those who want to continue with the status quo by applying a 6 percent property tax cap and there are those who believe they should pay no additional property taxes on unrealized gains in the value of their property. Frankly, the solution lies somewhere in between. I wish all of you success in quickly resolving these difficult tax issues.

Mike Aupperle, Private Citizen, Las Vegas, Nevada:

Thank you very much for allowing me to speak before you today. I'm one of those senior citizens on Social Security. I've lived in the same house since 1968. And you all know we have a problem, because you're all homeowners also. My property value has gone up. I'm concerned about the property bill. But I beg you, let's have a Nevada solution for our Nevada problem. It would be great to cherry-pick Prop 13, pull some stuff out of there. Prop 13 is not going to be the answer, as you well know, because we have Nevada law to comply with. When you call 911 to get emergency services, you don't get Jarvis on the phone; you don't dial Prop 13. The people who think that that's going to save all are probably the same people who have California license plates on their cars out here in the parking lot.

I drove around down there before I came up here; I got here real early. There's a whole bunch of California licenses, Washington, Oregon, and everywhere but Nevada. That's adding to the problem. I beg you, please do not fall for the threats and the intimidations. You are all good people, and some of you were in school when [Governor] Kenny Guinn was running the school district, and our problems started then because he had to cut those services. Remember, we lost intramural sports, we lost our bands, and we lost a whole lot of things. In all these years, most of us in this room have lived with not enough money in the budget, we have to have a hiring freeze; not enough money in the budget to fix the streets.

On my way over here, there's a woman who needs help. She's under the freeway down there on MLK [Martin Luther King Boulevard]. She needed help. You know we have no place to put her to help her, and you all know the other infrastructure problems that we've got. So, with the caps, the freezes and all that, there's going to be some kind of combination. Please do the right thing. Please don't listen to the threats. We're all in this together. We all got to work it out together. We are all Nevadans, at least the ones who have Nevada plates on their car.

James B. Gallagher, Private Citizen, Pahrump, Nevada:

I grew up in Las Vegas. My parents moved here in 1941. My dad went to work on the Union Pacific and I was 2 years old at the time. We lived in a tent down on 27th Street. I made my home here and raised my four children here. They are all natives. Three of my children still live here and work in Las Vegas. And they are raising their families here.

I was a City of Las Vegas firefighter for 30 years and 5 months. They made me a deal and I didn't pass it up. I retired a few years ago, and now make my home in Pahrump in Nye County. I'm concerned about property taxes. I know they are going up all over the state, or most of the state. And people like me on fixed incomes cannot afford huge spikes in our tax bills. I got one from [President] George Bush last year for \$2,500 more than my normal tax bill. Some parts of Pahrump have seen really big increase. Something has to be done in order to help people so that this fair and equitable phase of the *Constitution* comes into play so that some people don't pay too much.

[James Gallagher, continued.] However, I'm also concerned about public services. Pahrump is growing. There are over 32,000 people there. Many people and retirees move to Pahrump to get away from the hustle and bustle of Las Vegas, and they're finding it. The nights are nice and quiet; the summers are fairly cool at night. With our growth, we have needs in Pahrump. Fire stations, firefighters, police, EMS services, a hospital—can you believe a town of 32,000 does not have a hospital yet?—and so on and so forth, to make the community safe and livable.

We would all like to see some relief from huge increases in this year's tax bills. But I know that I'm willing to pay a little more if it means that my community and my children and my grandchildren can live in safe communities with good schools. Overall, our taxes are lower than a lot of places. I think that the Committee should work hard to find a solution that was fair and helps those who need tax relief the most.

John Baietti, Private Citizen, Las Vegas, NV:

Listening to all this, you've got a lot of upset taxpayers here. Very upset, you can see from the folks here. I see them coming in dripping wet. I see people coming in here on crutches. I saw two people roll up here in wheelchairs. I saw people fighting the crowd. I saw people crowding into a room, and I saw a message being sent that said, "By God, we're going to be here to show you the inevitable and the obvious." I'm in business for myself. You people listening to testimony and trying to make a decision here it's got to be dead obvious to every single one of you that every single person in this room is against a property tax increase. We voted that two-thirds of the Legislature must vote a tax increase and got screwed on that deal. We vote something in, we come out to these hearings, we battle the weather, we come on crutches, and we're told to go cram it. We could care less what you say. Does anybody care what we're saying?

Here's the deal. Sales tax graph is like this, and when Wynn opens, it's going to go like that. And when Wal-Mart opens 10 more stores, it's going to go even like that. New folks moving in here with new property tax bills, it's going through the roof. There's 80 projects on the books for high-rise condos; that's going to send property tax income through the roof. And we sit here and talk about seniors and other people who have been here for a long time, let's go after them. Why? I don't get it.

[John Baietti, continued.] It's insane that anybody on this Committee could tell, and I have an accounting background, that you can't live on last year's budget. It's insane to look me in the eye and say you can't live on a budget from two years ago. You can't live? You can't make this work? With all these other revenue sources going through the roof? Let's attack residents that have been paying taxes religiously for years. We've got a component called property tax, let's go after that. One of the main faults we have, Senator Titus was able to talk before she left, and I said you're one of the people that we've learned to hate, because you're the one that took our [expletive] vote of two-thirds and [expletive] took it to the bathroom and pushed the valve, and said we don't need them telling us what to do, and you're ticking everybody off. What you have to do is, instead of arguing about what percent or what type of complicated equation that's 17 pages long, you don't need that. Here's what you need. You say we're going to back to the year 2000. Why 2000? It's a round number and it sounds good to me, and we're going to set you on 2000, and here's what we're going to do. For 5 years, you get zero; it's zero, zero, zero; why don't you send something to us, instead of figuring out how to increase it.

This gentleman said, how about 6 percent? Why doesn't somebody stand up and go "I vote 4," and somebody else stand and go, "I can do you one better, I vote 2," and then you stand up and go, "Let's go zero, how's that?" You're competing the wrong way. What we need you to do is tell us, you know what, I heard about 6; I think we can do better. I heard about 3; I think we can do better. I disagree with this gentleman about Proposition 13; I disagree with him very strongly. That's a very bad thing for him to say, with all due respect. We need you to stand up, once and for all, and say we're going to take the different ideas we've heard and we're going to try to get this thing to zero. Can't you get up and say that? Try to get this to zero. What's wrong with that?

Walter Seip, Private Citizen, Las Vegas, NV:

I own property out here in the east part of the Mojave rain forest. [Read from statement ([Exhibit K](#)).] I gave up my real estate broker's license in 1995 and

moved from the D.C. area [Washington, D.C.] to our retirement home in October of that year.

[Walter Seip, continued.] One of my first enigmas was fixing the basis, for tax purposes, for the value of our parcel's land component. Several local realtors tried to help me, but they were of little use. I made my best estimate. Then, for the next 9 years, I tracked the sales of land in my area. Because of this interest, I was surprised when I saw the assessment for the land portion of our parcel.

I called the assessor's office. The impression I was given was the value could be set at any figure that didn't exceed the sale price of comparable parcels in the vicinity. You heard that earlier today.

Given my background and the given land assessment, I downloaded the applicable Nevada statute. The procedure outlined over the phone by the assessor's office did not conform to the procedures in *Nevada Revised Statutes* (NRS) 361.227. So, I completed the dispute paperwork and attached a rather lengthy discourse outlining my position. I was visited by a representative of the assessor's office. Based on that visit, I submitted what I labeled an addendum to my dispute.

To me, the issue of taxable value is what it has been for me for almost 10 years: which properties are comparables? There were several advanced by the assessor's office. My dispute addendum suggested that several of these were not the "arm's length" transactions required of true comparables. I pointed out one that involved an individual recently indicted for money laundering. The representative agreed that this was probably not a true comparable.

After going through the dispute procedure, I conclude that the assessor's office considers a property to be comparable if the acreage and square footage are about the same and the property is near the dispute parcel. I found no evidence that the terms of the sale were a consideration.

I also suggested a few of the comparables were speculator transactions, you heard that, and that a couple were "spikes." This is a term used in a discussion on property taxes that I watched on channel 4. During that argument, there was an argument advanced that these were anomalies and temporary. That we're not looking at something long-term here, because now a seller's market is now really a buyer's market—their comments, not mine.

My point is that the assessor's office determines the taxable value of a parcel of real estate by applying NRS 361.227, subpart 5(a); it's supposed to be the

equalization clause. The wording is: "Comparative sales, based on the prices actually paid in the market." That's the one where if you don't exceed that number, then everything is fine, you can put any value you want on land, and the land is the real problem, as far as the assessors, in my opinion. The assessors do a good job on following the prices paid, but expend little or no effort determining if the sale was truly a comparable sale as required by the statute.

[Walter Seip, continued.] The results of including the highest sales prices as comparable, regardless of the conditions of the sale, have directly contributed to the higher assessments. Additionally, if these speculator, or spike, sales are only temporary, then their impact must be reversed.

I suggest that any property tax relief legislation direct county assessors' offices to validate the conditions of the sale of comparables used to determine a parcel's taxable value.

Kenneth Reim, Private Citizen, Las Vegas, Nevada:

I built a house here in 1951; I and a friend physically built the house for \$6,000 and sold it for \$12,000. It's now under the 95 freeway. I think the problem is really government spending. The population of the state is concerned that we have excess government and excess expenditures, and they need to control their budgets. The budgets set within the property taxes needed to meet those budgets would be appropriate. Most people in the state of Nevada want less government. I have a feeling that the Legislature, the bureaucrats in the various city and county and state agencies, want more government. I don't think that's the desire of the population.

Growth should pay for growth. Does it? I don't think so. Think about the poor family that's been living in a home for 4 years; they paid for the streets, they paid curbs and gutters, and now they are paying for the needs of an expanding population.

I lived in California when Proposition 13 was passed. We were paying about \$1,200 annual tax, and our tax bill came in at \$4,000. That precipitated the tax revolt. That's what's going to happen here. The only solution the people of Nevada have is a Prop 13 to control the growth of government. We have city and county employees, a lot of them making over \$100,000 a year. Their benefits are in excess of any private industry. That's obscene. The long-term debt that the State, city, and county will incur from those things will be

astronomical. I think the Legislature has to come to grips or the people will take care of it. Thank you.

William Petrasek, Private Citizen, Las Vegas, Nevada:

I'm here, as are so many other people, because we are very concerned about these property taxes that are out of control. We realize, of course, that the Legislature is making every effort to solve this problem equitably and with wisdom, and I'm sure they will.

I would like to make a few observations that in listening to the other people, I concur with their feeling. The property taxes are out of control. As one speaker said before, Nevada is literally pushing the people out of their homes. It's that simple. We were pushed out of New Jersey, the same thing. We came here to Nevada, and now we will be pushed out of Nevada. So, it rests with your judgment and your ability to come to a fair decision for everyone involved. Thank you very much for coming to Las Vegas to hear our concerns.

Ryan Beaman, Professional Fire Fighters of Nevada:

Thank you for the opportunity to speak today on an important issue, not only for public safety, but also for the State of Nevada. It is very obvious even to the casual observer people are upset about the taxes in our state.

Thomas Jefferson must have been a prophet for 1816 when he spoke these modern words: "Taxation is, in fact, the most difficult function of government and that against which the citizens are most to be refractory." Every Nevada community finds itself on the receiving end of this refractoriness. Today I speak to you in terms of public safety.

The public safety system is a vital part of our community regardless of where we call home. We ask you to consider the importance of your police, fire, and emergency services when you look at the 14 different property tax proposals. We ask you to consider the impact to your hometown, your neighborhood, your family, and yourself. We ask you to go and speak with your local police chief, your local fire chief, and your local emergency service. Ask them directly, what impact these measures will have on their abilities to serve you.

Within the Clark County Fire Department alone, the impact is astonishing. In 2004, our department has experienced an increase of 9,000 emergency response calls from 2003. Clark County is responding to more calls for service with fewer personnel and resources. Imagine trying to meet these current fire and emergency service calls with the resources of 7 or 8 years ago. Since

2001, we have gone from 1.08 firefighters per 1000 residents to 0.88 per 1000 residents. This doesn't even include the record number of visitors we've had in the past year. Currently, 61 percent of the Clark County Fire Department's budget comes from property tax.

[Ryan Beaman, continued.] Over the years, the role of firefighters has expanded to include EMS [emergency medical services] and also to encompass rapid response to virtually every kind of incident and emergency situation, natural and man-made. Fire departments have stepped up their service to meet the growing needs to our communities. Today, firefighters are once again being thrust to the forefront in a new role as domestic defenders against terrorism—threats posed by chemical, biological, and nuclear weapons of mass destruction. Fire departments expanded their service to meet these new challenges.

Your public safety system adds to the value of your community. Your public safety system provides 7 days a week, 24 hours a day of preparedness to meet any and all of your emergency needs. Your public safety systems provides, dollar-for-dollar, the most efficient and affective response whenever you're faced with an emergency.

We ask you today to consider the impact that property tax has on public safety when making your decision. I thank you for your time and consideration in this matter.

Chairman Perkins:

Thank you. Questions from the Committee? As we stated, even in the northern part of the State, yesterday in our hearing, that's truly our challenge: to balance the needs of public safety and education as well provide the relief that is necessary for the citizens sitting behind you. Thank you. We appreciate your time. Thank you for coming.

Robert J. Rubin, Private Citizen, Las Vegas, Nevada:

I'm amazed that today we're having this hearing. Over the last few years, my taxes have gone up; 46 percent one year; the year before I think it was 36 percent; the year before that, it was 28 percent. This is nothing new to me. Granted, I live in a neighborhood where there were some empty lots; people have bought them and put up million-dollar homes. Naturally, my property was affected.

I retired in 1974 from the air force. The first thing I did was try to figure out, like a bank would, before they give a mortgage, what can you afford? So, after I did the numbers, I bought my home, because I thought I could afford the expenses involved. I had no idea what was going to happen to property taxes, franchise taxes on the utilities to the property, so on and so forth.

[Robert Rubin, continued.] I do have some specifics. Here I have the original 1975-1976 land assessed value of \$6,720; and, presently, 2005-2006, it is \$113,750. That's the specifics you asked for. It's the same land I lived on in 1975—same trees, same grass—no improvement. I do have fewer services, though. As my property taxes went up, the police told me that the alarm system I installed they would no longer respond to, because they didn't have the time. Now, the fire department says that unless somebody is on the property as it's burning, they will not respond to a fire alarm. What good is an alarm, because that's what's supposed to help you if you aren't home? So, [it's] fewer services, more property taxes.

Let's go back to affordability. I'm fortunate, being on a fixed income from retirement in the military, I do get COLAs [cost of living adjustments]. The government says that over this period, the last 30 years, the COLAs average about 2.5 percent per year. If you do a little bit of arithmetic with the figures I gave you, my land value has gone up 17 percent per year. When I asked about the depreciation factor, the assessor's office told me: "Well, since that depreciation was passed, the State now has a factor that we have to use." The factor overrides the depreciation, I think, and I don't understand that stuff. I just don't understand it.

When I figured my affordability, out of my income, my income now has almost doubled in 30 years, but my per month property taxes have gone from \$127 a month out of my income to \$417 per month out of my income. My income doubled because of the COLAs, but my property taxes have quadrupled. That's what these old folks are talking about. You really have put us out of business, and you've been doing that over the last 4 or 5 years. For me, without going into all this other stuff, from what I've heard and what I've looked into, this Proposition 13 that was passed in California seems to be our best solution. Thank you very much.

Craig Michie, Private Citizen, Las Vegas, Nevada:

Members of the Legislature, I appreciate having an opportunity to come down here to make a few comments. I wanted to come down here, not because I'm able to focus specifically on any of the specific issues that some of the people

have addressed, but because I see a systemic problem that seems to exist within the Legislature with regards to dealing with the problems that we've been faced with.

[Craig Michie, continued.] These opinions are based upon a review that I've done over the last 5 years with problems that continually seem to be coming out of the Legislature, which end up on the backs of the citizens of this state, which creates problems. I see there are consistent signals in this arena and I want to bring some attention to it, because, quite simply, if you continue to do what you've always done, we'll continue to get what we've always gotten. The message here is we're tired of it. And we're tired of the repetitiveness of this. It shouldn't have to exist.

I'd like to point out that Governor Guinn recently brought attention to the fact that there's a mental health crisis here in Nevada. Several days prior to that, the crisis was the trauma center. Then, days before that, it was the crisis of doctors leaving because of the medical malpractice crisis. It was just crisis after crisis, time after time, and it's been session after session, year after year.

When I was younger, I worked in several businesses that seemed to have this same condition, operating from crisis to crisis, problem to problem. The symptoms here are classic signals. I would suggest the indications present suggest that the illness can best be described as chronic. Nevertheless, it can be confirmed that it's a chronic mental illness and that it exists as the Governor said, but he doesn't recognize how close to him this problem is. It's in the Legislature. The kind of problems that are turned out as legislation, that come out to the citizens, result in other mental health problems. So, you can solve some of your own problems by getting things right in the first place. My point here is that year after year, crisis after crisis—this is the twenty-first century. But we continue with the same sickness, as if we....

Chairman Perkins:

Excuse me; are you going to speak to the property tax issue? Because there are a number of people in the audience here that want to speak to the property tax issue. We brought this legislative hearing down here, on a Friday evening, to accommodate all the folks that are here in this room to talk about property taxes and challenges that are facing the State. So if you are going to steer your remarks to the property taxes, then that's fine; if not, then I'll have to take another witness.

Craig Michie:

Denial is also part of this illness and I think that this is important. I think that if Nevada can transform the vision of the Las Vegas Strip to include every imaginable venue on Earth, and some that aren't. Why do we constantly fall into this continuing crisis confrontation session after session? Perhaps we need to direct the Legislature to start attending classes and learn how to forecast, acquire information and data, well in advance of reaching the crisis state. Flapping of the lips which seems to take place will not support the hard work and analysis that's necessary to be exercised to deal with these things before they become a crisis.

I would like to address the issue of political expediency. These issues that we're talking about, and continually being confronted with, are big issues. At times, they involve serious questions that require in-depth review, examination, and analysis. Therefore, the concept of political compromise, a tool that has for too long been the bed-fellow of political expediency, is just no longer palatable. For those that need quick review, political compromise is that event where opposition parties, confronted with oppositions, good and bad, because of politics, decides to combine them, and it results in a bad answer. Then what happens is, we have to come back and confront it again...

Chairman Perkins:

I'm going to ask you, are you going to talk about property taxes? That's what this hearing is for, if you have something to talk about and add to the property tax discussion.

Craig Michie:

I think that the issue of property tax is also addressed in the issue of quality of life. One thing I want to say about the issue of quality of life is that the persons who are most affected by this property tax issue are human beings. Yet, there is another person in the state that seems to control the Legislature, and that's the corporation person. I think that it is very important that we keep in mind that the human person, the ones coming up here in their wheelchairs and their crutches, the ones crying out for some kind of assistance, these are the ones that need to be focused on when dealing with this issue. It seems that if the corporations are able to do pretty well for themselves, especially when you take a look at the corporate profits that continue to be earned within the state. The quality of life issue is best served by ensuring that the human life quality is preserved.

I understand that it's not an easy job that you have, but none of them are. So, why don't you start focusing on creating world-class solutions to these kinds of problems, along with the world-class resorts that you've assisted with up and down the "Strip"? It seems that the competency that are necessary to build a 3,000-, 4,000-, and 5,000-room hotel are exactly the same kind of competencies that are necessary to look at and deal with these problems effectively, and deal with all the contingencies that come along with them. But we continue to have to come back and revisit them.

[Craig Michie, continued.] I would just say in closing, I do appreciate your time and courtesy, but we deserve some world-class solutions, and if you continue to always do what you've always done, we'll continue to be bouncing from crisis to crisis. I think that we, the citizens, deserve better, and so do you. But, maybe it's going to take more than a 120-day session to be able to address these things responsibly.

Chairman Perkins:

If anyone has something to submit for our record, we'll be pleased to accept it. [Public Comment form submitted ([Exhibit L](#)).]

Patricia Peacock, Private Citizen, Las Vegas, Nevada:

Good evening. The only fair and just way for property tax relief is for the property taxes to be assessed on the purchase value of the property. The owner should pay on that assessment until the property is sold. Re-assessment should be on market value when sold. They should not have to pay on income not realized, inflated property tax values.

To tax on income not realized is likened to a businessperson paying on business improvements before he has earned income hoped for with his improvements. Without a fixed assessment, one cannot budget for today or for the future. Property taxes must be assessed on the purchase price, re-assessed when sold.

Kathleen Jamison, Private Citizen, Las Vegas, Nevada:

I only wish that I could see Senators Bob Beers and Dina Titus here. For a long time, I've been thinking along these lines. As a long-time, taxpaying, single-family homeowner with no children, I implore you to choose no further impositions on our incomes through increased taxation on our property. Stop increasing taxes on smokers and redirect that windfall to smokers' healthcare in Nevada. Remember, our money is our property too.

Thomas Pittman, Private Citizen, Las Vegas, Nevada:

I came here from California in the mid 1970s and I saw the beautiful thing that Proposition 13 did for California. In the late 1970s, I sold most all the residential property I owned in California, to my regret, because it went up about 10 times in value, and now I can't re-buy it.

When you come into any place, you are always seeking your retirement. You guys have pension plans, et cetera, and you have a small IRA [individual retirement account]. Most people who deal in real estate, that's their pension plan. Right now, I've got one little piece of property out here that's \$1,000 a month; that's what it's proposed to go to. I can't keep it; I've got to sell it, and that's not right, because I've owned it for a few years and that's my pension plan. If you guys were taxed on your pension plan, I think you could take a good look at it. I really think we need to do something with property taxes because, when you get to my age, you can't start over again. Seventy years is a good life if you are in good health. But, if you have no pension plan, you're in trouble. All of you are going to be there one day. I think a lot of senior citizens are truly being assessed out of the good life they should have. That's all I have to say. I think Proposition 13 is good, or a form of Proposition 13. I think we should go back to 1990, roll the taxes back. That's the year that we really started to see increase in our property taxes. Any assistance you can give us would be appreciated for all the senior citizens.

Thomas Gaule, Private Citizen, Las Vegas, Nevada:

Whether it's address the issue or challenge it, I don't know which way it is. The original agreement to have taxes in this area, initially, to allow gambling in this area, was there would be no taxes at all, whatsoever; the only ones that would pay taxes would be the casinos. What we have achieved is the exact opposite. We now have casinos which virtually pay no taxes, get a free 14 percent rake from the IRS [Internal Revenue Service] that was an internal agreement. No other businesses in the world get that because they were skimming so much money. Taxes, if the money goes for good things, that's one thing. But a lot of our tax dollars are not going for good things. I feel the real question here is whether gambling should go or the taxes should go.

Russ Mickelson, Private Citizen, Las Vegas, Nevada:

I'm a 27-year resident here in Nevada. I'm glad to be here, consider it a privilege to live here, and consider it a privilege to accompany leaders of our State, our Legislature, our Committees, and express my appreciation for the things you do and somewhat sympathetic to the problems you face.

[Russ Mickelson, continued.] It seems that the problem with taxes brought to the head in this spike, if you want to call that, is the result of inflated land and real estate prices, resulting from growth, of course, but we've had growth for many years, more so from speculation and a substantial portion of that from out of the state to benefit those who are not residents here and haven't raised their children here. All of my children are born here and educated here, and we support everything that's been done here in those areas.

It seems also like we have a question of wants and needs. We all have wants. The economists tell us that human beings' wants are insatiable. We are all like indulgent parents with a house full of children, trying to satisfy all the whims of each and every one of our children. That adds up to pretty heavy bill and that's true I think with you, if we can call you the parents of our State, the overseers of our economy; you're going to have to exercise some restraint as every parent does. The process then becomes sorting out wants from needs, and needs as to what's actually necessary. What our need is, which was mentioned earlier, that in some parts of our jurisdictions don't even have budgets. I was quite surprised to hear that.

I had the privilege for several years to sit on the budget working group for the Air Defense Command, wherein which we were prioritizing needs and allocating funds for over 300 radar sites around the continental United States, and 102 fighter squadrons. That was a very substantial amount of money and a very large variety of needs and necessities. But we couldn't provide for all of them, nor does any unit of government have the ability to provide for everything. We are in the business of budgetizing and prioritizing. I wish you luck in that endeavor. Taxes are the results of budgets. Seems like budgets should be established first and not just take whatever revenue that comes. And after budgets are established and prioritized, then we tax only to the limit to that which is absolutely necessary, provide revenues that are really needed to perform those legitimate roles of government, and provide those necessary services. I know each one of us has different definitions of what's a legitimate role of government and what's necessary. But all of us need to be a little bit conservative in that area. I wish you well and thanks for allowing a few minutes with you.

Assemblywoman Giunchigliani:

On the budget hearings, only 2 out of the 88 districts, that was from prior testimony; but by law, they are required to have budget hearings.

Russ Mickelson:

I stand corrected.

Assemblywoman Giunchigliani:

And we will make sure, because that's what the law says. So, if they are not complying, then that's a point we should take up and deal with. I do appreciate your thoughtfulness and the way you kind of put it as a parent-child relationship because sometimes we have to deal with it, especially from the local governments, they won't like to hear this but sometimes the expenditures that you're seeing are really made at the local level. The sales tax we get to spend; they get to spend the property tax, more often than not.

Part of what we're wrestling with, that came up last evening, was some discussion of impact fees, for some of the new properties; perhaps, looking at properly defining severe economic hardship and not putting the means test to it, which is what the constitutional amendment was changed by our voters but no one ever defined that, and that might be a possibility to try to deal with, especially when you have those huge increases that come in, as you and many of the others have stated; possibly taking a look at relief for long-term residents over the age of 65 as some states have done. I don't know if that's been thrown out here, but those are some of the conversations that we heard last evening that will add to our list to take into consideration.

Bobbie Walker, Private Citizen, North Las Vegas, Nevada:

I live in North Las Vegas. I have lived there for 31 years. I have been a taxpayer. I would not like to see the property tax increases because people are on fixed income, like single people and widows. A lot of times, the fixed income that they are on sometimes doesn't meet the qualification of paying the taxes that they are paying now. A lot of times, they have to go and borrow money in order to meet the taxes they pay now. I'm asking you to take that into consideration about those types of people, too. People who are not making enough money, like pay raises on the job and things like that where people could meet the qualification of those tax increase, then that would be something different, but nobody in this state of Nevada is making enough money on the jobs in order to meet all the qualifications in Nevada now.

I think you should look at the pay raises in order that when you bring up these issues that you would want Nevada to meet, then they would have the money to meet those qualifications. People will lose their home because of the tax increase. People who have been in Nevada for years, and even people that have come to Nevada—I know people who love Nevada, because I like Nevada, I've been here that long. When I first came here I didn't like it because I didn't want to raise my kids here. I had the kids, and then it was okay, because I knew how to deal with Las Vegas. I hope you will take that into consideration. People have worked hard to earn a living to buy a home to live in and provide for their children. That goes for all of us, we all work hard in order to have what we have today. It's doctors, lawyers, school teachers, it doesn't matter; it's just that we do that. It's in our nature. Sometimes it's nice, most of the time it's hard.

[Bobbie Walker, continued.] I would like to see you look into other ways that you will go about getting money to do what you need to do for Nevada. I hope you will take that into consideration and look in other ways instead of increasing the tax. I hope you will take this tax increase and cast it out and off of your agenda and look into other ways of finding a solution and a revolution for the taxpayer. I ask you to take the people into consideration, in their hearts, and what they have addressed to this board and try to help them. We are all in this together. It's not one person, it's all of us. And we all need to come to a revolution and a solution. Thank you for allowing me to speak.

Bob Campbell, Private Citizen, Las Vegas, Nevada:

I came here in the 1950s. I was a builder here. I built a few thousand homes; I built apartments. I retired a number of years ago and I'm probably one of the luckiest guys in the world when I came to Nevada, it was probably one of the best things to ever happen to me. This has been my home; it's been my state; it's been a blessing for me and my family. My children are here; my grandchildren are here; my great-grandchildren are here.

I was appointed by three different governors to the State Contractors Board. I was the chairman of that board for a number of years, and that's been quite awhile ago. I was appointed to the [City of Las Vegas] Metropolitan Police Board; and I was the chairman of that for 17 years. I got to know problems of a lot of the policemen and they talked about their budgetary things. I don't want to get off track here.

I think this property tax thing has gone way too far. I think the problems that the State has, the cities have, is more a budgetary problem than anything else. I don't know how you're going to solve that. I really don't know. I heard that Mayor Montandon [of North Las Vegas] came in and said that if they cut the property taxes, he'd be stricken. Two or three days previous in the *Review-Journal* it gave the average salary of a North Las Vegas municipal employee. It's over \$100,000. I just can't be that sick about somebody's budgetary problems along that line.

[Bob Campbell, continued.] Let me tell you why I think Prop 13 was a good thing. I have been a builder, a homeowner here longer and older than some of you folks here on this panel. Twenty years ago, I bought a second home down in Laguna Beach, California. I paid \$450,000 for it and thought that I must have been crazier than hell. But I bought it. I have been paying the taxes on that house and they go up 2 percent every year. Fact of the matter is, when they had a couple of problems in Orange County [California], it only went up 1.8 percent or something like that. But they go up every year that much.

My neighbors, we've had a lot of them die-off there recently—that house that I bought for \$450,000, I'm told I can get over \$4 million for it right now. That's outstanding. The point I'm trying to get at is that the housing that is being sold in Lagunita, in Laguna Beach, are in the millions. The people that are buying those houses start out, like on the \$4 million house, with a property tax of \$40,000 a year. This has happened all over California. As the prices go up, and we all die or sell out, and when that happens, you start out with a brand new budget, you start out with a brand-new tax base. And it does work; it's worked down there. The problems that they have, again, are budgetary problems.

The State Contractors Board, I don't know how many of you know, how much does the State Contractors Board cost the State? Does anybody know up there?

Chairman Perkins:

It's funded by the contractors.

Bob Campbell:

You bet. It doesn't cost the State a dime. The Board was founded in 1941, and I came here in the 1950s. I was on that Board, as I say, for a number of years. Every facet of the State Contractors Board, and its whole operation, is paid by the builders. They pay a fee. I heard a gentleman here say that he was fortunate enough he was paying for his streets, sewers, and sidewalks for a number of

years. Let me tell you folks, I've been a builder here most of my life, when a builder builds a subdivision, he pays for the streets and he gives them to the city or the county. He pays for the sewer and he gives it to them. He pays for the water and he gives it to the water district. Everything in that subdivision is paid for, for the municipalities. When I hear people say, "Gee, these builders just overgrow." The way to stop the growth is to stop the casinos. If you stop building the casinos, I'll tell you what folks, the growth is going to stop quick. That's not the thing; the builders answer a need. There's a demand for housing, a demand for apartments, and that's how the demand gets built.

I really urge you to consider a sensible cap on these taxes. That's how it has to be done.

Senator Coffin:

You have been in the building business a long time as an observer and a participant in what's been going on here for many years. Do we have something to fix here? I'm thinking about, forgetting about the amount of tax, but the way the property is assessed. Have we, maybe, gotten ourselves into a bind where we have the new property selling affects the older property too much? Can you sense if we have a problem there? I know the assessor is here; maybe later he can address that. It's something that I wonder if some of this is a long-term solution, but it can be done immediately. What are we doing wrong here, if anything?

Bob Campbell:

I don't know what the assessor is doing today, and how it works. I remember back in the days of Jimmy Bilgrey [former Clark County Assessor]—if I got assessed too much, I'd call Jimmy up and say, "You better do something on this property," and it got fixed. But that don't happen today. I can tell you that I was the neighbor of Mo Dalitz. He was a guy that was the head of the Purple Gang, a bootlegger that came to Las Vegas, was named "Man of the Year" by the City of Las Vegas, and named "Man of the Year" by the State of Nevada. This is a wonder state to live in folks. I can remember Mo telling me over and again, all we have to do is get along with the gaming and we'll pay the taxes. And what this guy said back here awhile ago, when the corporations took over, that changed, didn't it?

I would urge you, and I don't know how you folks are going to do it, because you're battling a lot of big money, but I can say to you that, I don't think the gaming industry is taxed more than what they're paying in New Jersey, or in

Illinois, or in Mississippi. If they can live with the taxes in Illinois or Mississippi—I understand that Illinois wanted to go to 50 percent, and I'm going to tell you, if they did, they'd pay it. But that would take a lot of intestinal fortitude for you folks to come up with that. Senator Coffin, I don't think that answered your question on the assessments, but I bought my mother-in-law and father-in-law a home up in Sun City. The taxes on that home have gone up 38 percent last year, and I believe it was 23 percent the year before. Mary and I bought the house for them, but we're not hurt. I'm not like a lot of folks here. If they had to pay those taxes, they'd lose the house. And that's what I think you're seeing out here. I'm afraid you folks could be faced with a tax revolt that wouldn't make everybody happy. Thank you so much for your time.

Thomas Lisiewski, Private Citizen, Las Vegas, Nevada:

My profession is real estate. The thing that scares me the most listening to all this, is that we are known as the entertainment capital of the world. You are charged with a very formidable—I wouldn't want to be in your seats. If you don't do something, we will be the foreclosure capital of the world. I'm not trying to scare anybody, but it's just a fact. If you look today at an average house in Las Vegas, it is \$250,000. You know how much money it takes to buy that house? \$70,000-80,000, depends on your debt. If you raise taxes, people will not be able to buy houses. And people will exit. We know right now there are 4,000-5,000 people moving here every single month—thank God, from southern California—they won't be coming here if we raise the taxes.

There are several solutions out there. There is the 6 percent solution; there are a lot of solutions out; the thing you have to look at is what is fair; that's the tough thing. I have been a member with Nevada Development Authority. When you look—we're recruiting businesses from southern California every single day, because of taxes. The issue that hasn't been brought up at all yet today is the 10,000 pound gorilla, the casinos: how are they going to be impacted? Look at what happens when Steve Wynn opens; he creates 10,000 jobs, and what's that multiplier of 4 or 5 percent? How many more? 50,000 more people are going to come here. This year alone, they are anticipating 8,000 new rooms; next year, they are anticipating 12,000 new rooms. Right now, on the books, there are 40 high-rises. If this goes through, you know what's going to happen to the high-rises the year after that, the year after that, and the year after that? There will be a big goose egg. Right now, Las Vegas is in the international market, which is great for all of us. We're all benefiting from it. But you're charged with this tough situation of the taxes, how to be fair to everyone. Some of you are from Las Vegas, some of you are from the rural counties, and you have to balance that. I know that they have different problems than we do.

But our situation here is—let me give you a classic example. You wanted to hear an example. Here is an example of a property that I personally own. This is my retirement. I have no retirement except this one piece of property. Last year, the assessed value was 105,000; the taxable was 300,000. This proposed year is 306,000; taxable is 875,000. I will have to sell that property to pay the taxes. I have worked my whole life for this one piece of property; that's my 401K for myself and my family. Now, I have to sell it. It's like when you look at the stock market. Let's say we were insightful enough to buy IBM [International Business Machines] stock when it was at this low price, and now it's at \$122-\$200. If it's at that price, we don't get taxed until we sell it.

[Thomas Lisiewski, continued.] The thing that I'm hearing in the industry that's scary is, you've just heard of a trickle right here today, there are so many people upset about this. I think that you will come up with a solution that is workable. But, by adjusting it in some way that the average person who is on a fixed income can make it, plus we have these people called speculators and investors. If they weren't investing in Las Vegas, we would be a ghost town. They are putting money into Las Vegas that's unbelievable. Right now, the average residential lot is \$675,000 per acre.

I served on the planning commission with Assemblywoman Kirkpatrick. You know as well as I do, you get four houses per acre. Do the numbers; that's what they're buying. Kaufman & Broad [housing developer] this year, has said they will close—not build—in Las Vegas, 4,000 homes. What will be the impact with those people the next year? They will lose them, definitely. Not just the senior citizens will lose them, but most, which is the scariest thing in the world, who are buying these homes, and you know how they're buying these homes? They are buying these homes on a thing called an ARM [adjustable rate mortgage], which is the scariest thing in the world. They're getting into these homes and buying \$300,000, \$400,000, \$500,000 homes. They have a balloon payment; they have interest-only; it's tied to all these different taxes. If the taxes go up, guess what's going to happen? They're going to lose their homes. We will be in double-digit foreclosures in Las Vegas within one year after this happens. People will be exiting because they can't afford it.

I know you are charged with this tough responsibility. But this classic example that I'm faced with is just the tip of the iceberg. This property went up 200 percent in one year. I did go down to the county board; I went through the equalization process; I listened to the whole thing; and nothing. So, I'm coming before you to just say that my suggestion would be to just come up with some reasonable cap that we can all live with. Right now, in Las Vegas, when these

casinos come on board with 30,000-40,000 people for every one of those casinos, you are going to see all those people moving here. They don't want to live in an apartment; they want to live in a house. The homes are continually rising. What do you see in the Sunday paper? You see 4 or 5 homes that are million-dollar homes that are selling every single week. What's going to happen after that? We need to attract a whole mix of people from A to Z. If the taxes go up, it's going to stop.

[Thomas Lisiewski, continued.] When the builders of these properties, and also the high-rise casinos, when everybody billed in their pro forma is taxes. Taxes have been a very small line item. If this goes through, it will be a big item and you will see those numbers drop. You can look at the construction; this year alone, there will be 4,000 new homes with one builder. Overall, there will be 25,000 new home built, plus 25,000 resell. Ask yourself one question, why does everybody move to Las Vegas? Why are they at our door? Why do they want to come in here? For one reason, affordable housing, quality of life, good education, opportunities, jobs; we all know the reasons. But if we tax them, what's going to happen? They are going to go back to their home states.

I know you'll do the right thing, but would suggest some sort of reasonable cap that everyone can live with.

Assemblywoman Giunchigliani:

As you started your comment, you mentioned the affordable houses, and we found an article today that says that the median price has increased by 50 percent; a \$200,000 house went up to \$300,000 this last year. That is the dilemma and the quandary that we're looking at. The sad and scary part is to balance what you said, the quality-of-life issues that bring people here, to make sure we provide that, make sure we have services for seniors, but also make sure that people can stay in their homes.

We're all taxpayers, too. We've all seen the same increases in many instances. We are very sensitive and we are going to do the best job that we can. This is a very committed Committee and has been very open in listening to everybody and their concerns. Thank you.

Joseph F. Leising, Private Citizen, Las Vegas, Nevada:

I came here with nothing prepared. I want to state my opposition to any tax increases greater than some metric that can be objectively defined, something

along the lines of the inflation rate, however objective that might be. I'm paid to give advice, and I'll give you some generalized advice.

[Joseph Leising, continued.] As a scientist, I deal with facts of nature on a day-to-day basis. You folks have a tough task when you're dealing with human institutions. You are going to be drawn into arguments with a lot of details. For example, how is money assessed in the rural counties? Since taxes are allocated based on assessed value, how do we do that? Don't let yourselves get bogged down in details. Details are important, but the overriding issue is what's right for people. It's not just a matter of income adjustment; it's not just a matter of tax credits for need; it's a matter of what's right.

People have made investment decisions, by fortune or by calculation, and have benefited from that. Those of us who are not retired and are working, nevertheless, have a right to our property. We have a stake; we have income that is being taken for these taxes.

I'm getting off track, so I'll give you one more piece of advice. You might want to ask yourself when you are considering who benefits and how you benefit the social cost, what gives you the right to what we have earned and what we have saved for? If you are trying to be fair, be fair. I say "you" as members of government, recognizing that the State is not the primary beneficiary of property taxes. But, nevertheless, what gives any agency the right to someone's hard work and someone's sound investment decision.

Chairman Perkins:

I just hope there's an understanding that we are dealing with a formula that is well over two decades old. There is no interest in this Legislature to raise taxes; there's just not. We know we need to find a solution to a currently broken formula, currently broken system. But it's something that the folks on this panel inherited. We are very committed to find a solution for everybody in this state.

Joseph Leising:

That's good to hear. I was not aware of that specific aspect of it. But keep in mind, fairness for everyone. You've heard a lot of talk and it's right, about people on fixed incomes. But all of us end up paying out of what we earn.

Mark Schofield, County Assessor, Clark County, Nevada:

First, I'd like to commend you for the meetings that you've held over the last two weeks. I think they've been very productive and very informative, and certainly have been very inspiring to me, particularly the last meetings that you've conducted, allowing the public to come forward and render their opinion on this issue. I have nothing more to add, and I'm sure, throughout the course of the debate, you'll be calling upon me to answer questions about how we arrived at the proposal that you have before you as one of the options. We will be very pleased to do so. With that said, with the lateness of the hour, and also, I would like to commend the public for coming forward.

As you can see, there is quite a diversity of opinions. And it's a highly emotionally-charged issue. As I indicated to you in my prior testimony, which you were gracious enough to ask the assessors to come before the Joint Committee, I believe the solution is in front of you. I believe you can do it. I sense from your demeanor and the patient way in which have addressed this issue that you are going to reach a consensus in a timely manner.

Senator Coffin:

Mark, I know you follow the law on this, as far as I can tell, but I have heard nothing from anybody that says there's been an egregious mistake. What I'm curious about is, after you looked at this for 6-8 months now, did we bind your hands in some way with the statute that, in some way, traps you into setting the land values on a residence too close to the value of a bare land option price? In essence, that hits them real hard. Isn't that the major cause of some of this land value increase?

Mark Schofield:

Indeed, that is the phenomenon that has created this tremendous increase. To answer your question, have you bound us, or have you tied our hands, which helped this problem take place? The answer is no. A lot of people will disagree with me about this. Chairman Perkins brought this up with the prior speaker. He indicated that this is a problem that the Legislature did not create. It is really not a problem that anyone created, except the people, because the people set the market. There is just no way around that. I will say to you, in the 30 years, half of which I managed the Clark County Assessor's Office, that 25 years ago, when in the eminent wisdom of the Legislature to address this pending crisis that might have occurred because of Question 6, and it would have been a tremendous crisis, there is nothing wrong with the system. The system works

as it should have and it's this tremendous appreciation that we've experienced that has created this tremendous increase in property taxes.

[Mark Schofield, continued.] I have heard a lot of people come before you and say, or testify, that we're not sure if this is a short-term aberration, a long-term problem, or what we need to do to solve it. Can we make a quick fix? Does it have to be a constitutional change? I happen to be rather reluctant to change the *Constitution*. That is a slippery slope when you get into changing the *Nevada Constitution*. You have some ideas before you that I think can work.

Is it going to stop? Has it leveled out? Yes. What's leveled out is the sales of real estate, the timeliness of the sales. I can tell you that all the real estate experts that I've spoken to, all the publications we've received, and, in fact, I just read something late last week, and Assemblywoman Giunchigliani mentioned it, where the medium price of a new home is \$300,000 now here in Clark County. I just read that in March, they're looking at it to spike again. So, not only are we dealing with a tremendous increase with this upcoming fiscal year, but the next one could be as bad if not worse.

No, the Legislature has done a thoughtful job in not tampering with the current structure, the current methodology that we employ to assess property. I think the system works, albeit, it's unorthodox; there are only 3 states in this country, including Nevada, that employ this similar type of assessment methodology. It did what it was designed to do, but no one anticipated this level of appreciation to occur. When I spoke to a reporter from *Fortune* magazine a few weeks back, he told me that from all analysis, Las Vegas, or Clark County itself, was at one point, and still they're in it, the top five. At one point, it had the highest level of appreciation of any jurisdiction in the country. That's what's created the phenomenon. Of course, we have to do our job based upon the laws that you prescribe for us. We have to follow the market as it relates to the appraisal of land.

An interesting statement that a gentleman made and I certainly won't go on and I'll let you ask your questions, talking about depreciation, depreciation does not exist. It is something that, and the gentleman was right when he mentioned it to you that what he heard was correct, there is a factor that is applied to depreciation, if you are not re-appraising every year like we are in Clark County, that essentially wipes out that depreciation. There essentially is no depreciation. With that said, the older the home, they are going to pay less property taxes, because the depreciation that is in place is in place. As the appreciation and the escalation of construction cost have occurred—cement, steel, wood, et cetera—those increases in cost are passed through to the Marshall and Swift manual

[*Marshall and Swift Dwelling Cost Estimator User's Guide*]. Interestingly enough, in one jurisdiction in the State of Nevada, the improvement values are going to increase 13 percent over a one-year period of time because of the inflationary factors with construction materials. That's not going to get any better, I'm afraid.

[Mark Schofield, continued.] I believe the system is good; it's workable. There are some tweaks that you could make. I believe they could be equitable. Unfortunately, it's a sticky wicket with the *Constitution*, in that, whatever tweak you make, has to apply to everyone.

I know that there is a segment of the population that has basically stated to you, stated to me, and I have been in the trenches on this issue for almost the last year—I've heard the stories long before you have, and contacted and spoke to many of you about this—is we have a problem with the senior citizens on fixed incomes; we have a problem with young families that cannot afford these tremendous property tax increase. But the tremendous dispersion of this increase affects the middle class. What I'm hearing, and that gentleman that came before you earlier this afternoon and talked to you about apartments, now they have to pass through the property taxes to the tenants, how is that going to affect them. The majority of these increases are affecting the citizens buying entry-level homes and those in the middle class. This is not going to affect the wealthy, in fact, it affects the wealthy the least. It affects the middle class the most.

Senator Tiffany:

Mark, we heard 4 or 5 of the assessors while we were in Carson City; there are 17, obviously. Have all 17 of you met? And all 17 of you discussed a solution? For the fact that you know where 6 or 8 of these counties are, and even within Clark County, there's a whole variety of the increases in the property tax rolls, and not the other cow counties that have decreased. I'd like to hear if the 17 assessors, sitting in a statewide panel, have thought about a solution.

Mark Schofield:

Yes, in my testimony that I provided to you last week, I indicated that we had met in March; we do have an association; we meet twice a year. We will be meeting this March, in Carson City, as a matter of fact. We discussed this issue. Clark County initially brought it up because I knew that if we did not start the dialog soon on this thing and give the Legislators ample time to deliberate

this issue, come up with something that would be palatable to all, that we were going to have a serious problem on our hands.

[Mark Schofield, continued.] Yes, we did meet. I encouraged them to think about the issue. At that point, we proposed the 6 percent because we had been thinking about it. One of the elements of the 6 percent we thought about, contrary to what you may have heard, is that it does not hurt the rural counties. As a matter of fact, most of the non-urban counties, as I like to refer to them, don't even arrive at the 6 percent level, including their new construction.

When the discussion was over, and it was one of the more lengthy discussions we've had about legislation, we reached the consensus that this was an issue that was so important, that it was something that the assessors should not take on, on their own, because all counties were not suffering from the same affliction. Actually, we only have 5 of the 17; some are losing values. We took it upon ourselves to roll this out initially in Clark County and we always went out with the intention of getting some legislators to embrace the concept and to at least get the dialog started. We never said it was a perfect solution. We simply wanted the legislators to start thinking about what needed to be done. Yes, we did talk about. Do we all agree, Senator? No, we do not all agree; this is the solution du jour, if you will.

Senator Tiffany:

It didn't seem to me that any of you agreed when we were listening to the testimony; it seemed like everybody was in disagreement. What I hear you saying is that, that is part of the discussion that you had, that you came up with that 6 percent; is that accurate?

Mark Schofield:

I and many of my associates and many people within this community that I trust and confide in came up with that solution. No one outwardly came out in the assessors association and opposed it. I can tell you that.

Senator Tiffany:

What would the lowest threshold be then if the 6 percent didn't meet much resistance? We had a couple of ideas; the one gentleman said 3 percent. Would 3 percent work in that case?

Mark Schofield:

Any percentage that the Legislature chooses to select, the thought process must begin with what government services are going to be diminished when we select that percentage. Even with the 6 percent, and I think you've received some testimony yesterday that indicated, even with the 6 percent, there will be a small loss to local governments and the school district. However, that loss will be mitigated by the tremendous amount of growth. I think it will have a very negligible impact.

Any percentage that you go below 6—for example, let's take CPI—I can guarantee you that if you chose the CPI, you're going to have local government officials coming before, and I believe, as we speak, they're planning to come before you and render their opinion on this issue and what they feel they could accept without diminishing the precious services we all enjoy. But if you took CPI, I can guarantee you something is going to suffer. When I say that, it's not very popular to some of the citizens that would prefer to go to a CPI benchmark, what I tell them is this: We all have to remember that government is a creature of the people. We own the government. The government exists purely to provide services to us. So, what do you want to lose? Then I get into the dialog about why the 6 percent was chosen. It creates an equilibrium. By the way, the Las Vegas city council, Wednesday, at their meeting, had a report on various proposals. You need to get a copy of that and perhaps Mr. Leavitt can provide that to you. Mark Vincent, the finance director, gave a presentation about this issue. I don't know if any of you saw it, but there is a PowerPoint presentation that I'm sure he'd be pleased to provide you that tells a remarkable story about stability and what can happen if you choose this particular method or that.

You need to know an interesting statistic: 97 percent of the single-family homes in Clark County increased about 6 percent; 3 percent were below. The median increase, for single-family homes, was approximately 27 percent, which simply means that 50 percent of them increased at a higher level, 50 percent at a lower level. There's that 3 percent that did not increase.

Senator Tiffany:

I wouldn't want to put me in the position whether to choose the senior citizens that I have in my district to local government; I'd choose the senior citizens; they need aid. I would not want to pit that one against the other. The citizens will win over local government.

You did make the comment about choosing services or property tax cut. You did say that. Split rolls, which would require constitutional change, you seem to be negative about.

Mark Schofield:

If I leave you with that impression, I certainly don't mean to. Split roll is an option that's available to you, and I did not get to finish my thought about there is a segment of the population that is saying, "Wait a minute, if you affect this species of property, or this classification of property, we want the same benefit." I believe the business community has already come out and said they're opposed to a split roll. A split roll would solve the problem relative to you being able to give this relief to owners of homes, but I'm not sure where you would navigate to give relief to renters of apartments, or owners of manufactured homes who rent their space.

I'm not unalterably opposed to a split roll. I just know that there are two problems with it. It's going to take a constitutional amendment, which will take 5 years, and you don't have that amount of time, and it will be the big debate. I have always said the solution to quickly fix this problem is before you; the huge debate is going to be, do you narrowly tailor relief to a certain classification of property?

That's what I'm hearing. I have my own personal opinion, but I don't think this is the appropriate venue to render that.

Senator Tiffany:

We had heard that commercial land actually benefits from a split roll because they don't turn over their assets every 3 years like the homes do; that commercial actually benefits more than the residences do.

Mark Schofield:

May I state something? That is not a correct assessment. They would benefit less, because, even though they don't turn over, the values of the property still increase. And what you're going to do is set a different method used to assess commercial property, gaming property, and then another method to assess residential property. The burden will shift. I can tell you that happened with the tax shift too, except the majority of the relief in the tax shift went to commercial because of the way the mechanics work.

Chairman Perkins:

I think what we heard earlier was that commercial properties benefit more from a Prop 13 environment, because of the capping of the increase every year and that commercial properties don't turn over as quickly.

Mark Schofield:

That's correct.

Assemblywoman Weber:

Mark, have you provided to our Committee before total single-family residences in Clark County, in particular, along with what percentage of new inventory comes online each year, and what the turnover rate annually would be?

Mark Schofield:

Or sales? Assemblywoman Weber, I don't have data with me to give today. We certainly can provide that to you. I don't know what significance the turnover, as far as sales go, unless you were going to attempt to entertain an idea that would change the value upon sale of the property. However, we have currently, it's higher than this, because this report was generated—we generate this report twice a year—in December and it's increased. By the time we close the roll again there will be over 600,000, by the time we re-open in June, there will be over 615,000-620,000 parcels. We create about 40,000 to 45,000 parcels a year, or have been, over the last couple of years. In December, we had 590,911 parcels. The residential parcels represent 81.85 percent of the roll.

But as far as any data like that, that you would require, we can certainly provide that to you. We are getting a number of requests. I'm aware, Senator Coffin, I haven't had a chance to contact you. You had a request, and Assemblyman Mortenson had a request we just provided him information on the first part of the week. I appreciate the letter you sent; I just opened that today. But we can provide that to you.

Assemblywoman Giunchigliani:

That last figure just piqued my interest, Mark: 81.5?

Mark Schofield:

Yes, 81.85, that's now. That was in December; that's going to increase.

Assemblywoman Giunchigliani:

So that's going to increase with the March count. When we talk about residential—again, part of the problem was the speculators that were coming in to town and purchasing some land—the realtors put a moratorium on, unless you are going to live in that home, so that they could try to get a capture on that. We don't segregate that. We just count by residences; we don't actually own if someone is living in them or they were bought for...

Mark Schofield:

A gentleman that testified earlier gave you statistics, and I couldn't sit here and tell you whether or not they were accurate. They sounded reasonable to me, but the way he said he tracked owner-occupied versus investor home; that would be the way we would do it. There is no pristine, scientific way to get you an exact answer. I will say this: I hear this all the time, and it amuses me, we blame this appreciation on the investors that come in from out of state. But, people are buying these homes and living in them, and they are paying this price for them. So, whether the investors were shrewd enough to anticipate what was going on in Clark County and came here and bought property, is not the sole reason.

Assemblywoman Giunchigliani:

It's a component; it's an element of it. The land speculation actually drove more than residential purchases—just raw land—that has added to that element as far as...

Mark Schofield:

The number-one contributor to this problem is scarcity—the supply and demand issues of the land. It's just been phenomenal.

Assemblywoman Giunchigliani:

Assessment methodology: all assessors have to use the same formula, but they can tweak it? I thought I heard that.

Chairman Perkins:

It was a gentleman earlier that didn't understand market valuing and taxable valuing. I asked our staff earlier to get with you, or the other assessors, and kind of give a sense in our next meeting.

Assemblywoman Giunchigliani:

That would be excellent because I want to make sure as we deal with this whole issue of uniformity, that if there are other things there we should be looking at, to make sure everybody's treated the same, assessed the same, consistently, same programming, and same methodology. When you said that phrase, I remember someone making that kind of comment. I'll wait till that meeting and deal with it.

Mark Schofield:

We're all assessing the same as prescribed to us by NRS 361, but the timing is the difference.

Assemblywoman Giunchigliani:

You are the only one assessing every year. Whereas the others...

Mark Schofield:

That should make no difference, because the law also requires that if we don't reappraise, you need to factor. In fact, we are one of the few, and, by the way, I think it's very important, that the assessor's position, for future reference, that you the Legislature, keep the assessor's position elected positions, they're under the control of the people.

All of us are doing it the same, and we're one of the few elective offices that go through a performance audit by the State to ensure that we are in compliance with the laws. That was referred to earlier as the Ratio Study. You'll hear more about that.

Assemblywoman Kirkpatrick:

Mr. Schofield, I know everybody wants numbers for their district, but you and I talked in the very beginning. You gave me a packet that gave a little bit of history and showed like the last 15 years. I think that for the entire Committee that information would be useful, as well as what they want for their districts. I

know from my area, I was able to see a trend that happened over the last 15 years. It was very simple and everybody would appreciate that. If you can get some more of those copies that would be great.

Mark Schofield:

That packet will have to be modified because things have changed since then. We've added new information. But, at the legislators' request, we'll provide that. We just did not want to—you're being saturated here with information—I feel so much empathy for what you're going through. It reminds me of what I went through when I was on the school board. I'll provide that information to you. Mr. Chairman, if you'd like me to, I can put a package together explaining, but all I can do is talk about the 6 percent.

Assemblywoman Kirkpatrick:

But I think that out of all the information that I've received in the last two weeks, that was probably the most simple to read and to understand the entire process. For my colleagues, I think it would be well worth reading, even if it's not quite up to date.

Mark Schofield:

Well, it's changed since we provided it to you. This one that I was talking about the city is very cogent, very comprehensive. One more thing before I stop, I know how you feel, you sit up there and you have people come before you that are, it's a highly charged emotional issue. They are very, very upset about this. In their passion to get their point across, it may seem to be threatening, but I would encourage you to not view what they're saying to you as being threatening more than as it is a warning. This is exactly what happened in the state of California and why they are in the condition they are in, because the government refused to listen.

Assemblyman Mortenson:

In the past, the increases have been land, like this year, the appreciation and the taxes have been because of the land, and the house just moves up a little bit, because it's based on construction cost. Did I hear you correctly, that this next year the house, itself, the improvements on the lot, will go up 13 percent?

Mark Schofield:

In one county, the improvement factor is 13 percent and, yes, they will go up by a very high percentage, because, Marshall and Swift, which is a little over a year behind in catching up, they have now modified their costs.

Assemblyman Mortenson:

So, now we're going to get the double whammy.

Mark Schofield:

Right.

[Ms. Julie Whitacre submitted a letter from the NSEA, Nevada State Education Association, in opposition to any property tax reform ([Exhibit M](#)).

Ms. Elizabeth Francis submitted a letter she sent to the county assessor to justify her support for property tax reform ([Exhibit N](#))].

Chairman Perkins:

This brings us close to 25 hours of testimony that this Committee has heard on this issue. We want to urge you to continue to participate in this and help us find a solution. And I tell you, we are all committed to do that.

We recognize that there is a real property tax crisis in our state, and we want to provide the best relief we can and still, as Mr. Schofield pointed out, provide the essential services that you all are going to need as well. With that, this meeting is adjourned [at 6:35 p.m.].

RESPECTFULLY SUBMITTED:

James S Cassimus
Committee Attaché

APPROVED BY:

Assemblyman Richard Perkins, Chairman

DATE: _____

Senator Mike McGinness, Chairman

DATE: _____

EXHIBITS

Committee Name: Joint Meeting of Assembly Committee on Growth and infrastructure and Senate Committee on Taxation

Date: February 18, 2005

Time of Meeting: 2:10pm

[illegible]