

EXPLANATION OF
CHAPTER 491 TAXES

Historical Background:

In 1981 the State of Nevada enacted "tax shift" legislation. This legislation reduced local property taxes by 50 percent and replaced that tax revenue by imposing an additional sales tax of one and three quarter percent. This new sales tax was distributed to local governments in the same proportion that their property tax revenue was reduced. The justification used in shifting to sales tax was that a significant amount of this tax is paid by tourist. Therefore, the policy behind the 1981 legislation was to reduce the net tax burden on Nevada citizens.

During the last ten years, some counties received more and some counties received less sales tax revenue than was collected within those counties. Because Clark County received less sales tax revenue than was collected in that county, Clark County legislators became increasingly vocal about the "unfairness" of the distribution of sales tax revenue. Although the distribution of revenue from this tax was never intended to be returned to the county in which it was collected, this became an increasingly divisive political issue between legislators from Clark and Washoe counties.

1991 Legislative Session:

During the 1991 Legislative Session the "unfairness" of the sales tax distribution formula created in 1981 was the focus of an intense debate among legislators and representatives from local governments. Ultimately, a coalition of Clark and rural county legislators passed the so-called "fair share" bill, Assembly Bill 104, Chapter 491, Statutes of Nevada, 1991 (ATTACHMENT A). Chapter 491 drastically changed the manner in which revenue from the sales tax is distributed to each county in Nevada. The new distribution method allocates a fixed amount set by the Legislature to ten rural counties. The balance is then distributed to the other seven counties, including Washoe County, in proportion to the amount of sales tax collected in each of those seven counties.

One of the more important consequences of the new distribution formula is a significant reduction in the amount of sales tax revenue that will be distributed to the local governments in Washoe County. It is estimated that Washoe County governments will lose \$8.7 million during the fiscal year ending June 30, 1992 and \$15.2 million in fiscal year ending June 30, 1993. To put these losses in perspective, 48 percent of Washoe County's operating budget is funded by sales tax revenue. Under the new distribution formula Washoe County's sales tax revenue will decline by 12.8 percent in the current fiscal year and by 22.1 percent in the next fiscal year.

Replacement Revenues:

The State Legislature realized that such a large reduction in revenues to local governments in Washoe County would result in drastically reducing the level of services that they provide. Therefore, they included in the "fair share" bill authorization to impose additional taxes to replace the reduced sales tax revenue.

Subsequent to a series of public hearings, Washoe County Ordinance Number 833 was adopted on June 9, 1991, imposing the taxes authorized by Chapter 491 (ATTACHMENT B). The intent of using multiple tax revenue sources was to broaden the tax base and to more equitably distribute the tax burden that resulted from the passage of Chapter 491. The taxing options adopted include:

- a 0.25% sales tax effective October 1, 1991
- a \$0.0822 property tax effective July 1, 1991,
- a \$0.01 motor vehicle privilege tax effective July 1, 1992
- a \$0.10 real property transfer tax effective July 1, 1992
- a gaming tax effective July 1, 1991

Explanation of the Chapter 491 Gaming Tax:

The gaming tax authorized by Chapter 491 has two key features. First, it is a new tax on businesses that carry on or operate any gambling game, slot machine or other game of chance. Second, the total revenue generated from the tax is limited by law.

In accordance with state law, the total estimated gaming tax revenue is calculated by first determining the total amount of revenue resulting from all replacement taxes imposed in the county to make up for the loss of revenue due to the new sales tax distribution formula. This amount is then multiplied by a percent, which is calculated by dividing the total gaming license fees collected by Washoe County and the cities of Reno and Sparks by the total general fund revenues of Washoe County and the cities of Reno and Sparks for the fiscal year that ended June 30, 1991.

In simple terms the equation is:

$$TGTR = TRTR \times PGFR$$

where:

TGTR = total gaming tax revenue

TRTR = total replacement tax revenue from all taxes imposed pursuant to Chapter 491.

PGFR = the percent of general fund revenue that is derived from gaming taxes for Washoe County and the cities of Reno and Sparks in the fiscal year that ended June 30, 1991.

The total Chapter 491 gaming tax revenue has been calculated to be \$343,560. This is approximately 3.99% of the \$8.6 million in total revenues that will be generated from all replacement taxes in the current fiscal year. The new gaming tax is imposed on each business in the same proportion that the individual business' quarterly county gaming tax is to the total quarterly county gaming tax collected from all businesses. This percentage is multiplied by the quarterly portion of the total Chapter 491 tax to compute each business' Chapter 491 tax bill. For example, assume a business paid 0.01% of the countywide gaming tax during the quarter, then the business' quarterly Chapter 491 tax would be \$8.59 $((343,560/4) \times .0001)$.

Because Chapter 491 was not passed by the Legislature until late May, the new gaming tax could not be included in the first quarter countywide gaming tax bills during the current fiscal year. Therefore, the total gaming tax of \$343,560 will be allocated to each of the last three quarters, or a total of \$114,520 per quarter. In the fiscal year ending June 30, 1993, the total make-up revenue will increase to \$15,097,806. Therefore, the total Chapter 491 gaming tax revenue will be \$602,717, or approximately \$150,697 per quarter. The total replacement revenue will increase primarily due to the new sales tax being in effect for the full year and because the motor vehicle privilege tax and the real property transfer tax will become effective during that year.

After the fiscal year ending June 30, 1993, the Chapter 491 gaming tax should stabilize because all replacement revenue taxes will have been imposed. With the exception of the property tax rate, all tax rates for the replacement taxes will be at their maximum allowed amount in the fiscal year ending June 30, 1993. The property tax rate cannot be increased after the fiscal year ending June 30, 1996. Any increase in the total Chapter 491 gaming tax after the fiscal year ending June 30, 1993 will most likely reflect an increase in the revenues from the other replacement taxes due to increases in the base for each of those taxes, such as increases in taxable sales and assessed valuation.

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Sec. 27. Sections 27 to 38, inclusive, of this act constitute the Local Government Tax Act of 1991.

Sec. 28. 1. A tax distribution fund must be created in the state treasury for each county that imposes or levies any tax pursuant to the provisions of sections 29 to 33, inclusive, of this act.

2. All interest and income earned on the money in the fund must be credited to the fund after deducting any applicable charges.

3. The state controller shall distribute the money in the fund monthly among the several local governments in the county that are eligible to receive a distribution of the revenue from the supplemental city-county relief tax, including the county, in the proportion which the basic ad valorem revenue of each local government bears to the total basic ad valorem revenue of all these local governments.

4. As used in this section, "basic ad valorem revenue" has the meaning ascribed to it in NRS 377.057.

SALES TAX

Sec. 29. 1. Except as otherwise provided in section 34 of this act and in addition to all other sales and use taxes, the board of county commissioners of Churchill, Elko, Humboldt, Washoe and Lander counties and the board of supervisors of Carson City may by ordinance, but not as in a case of emergency, impose a tax at the rate of up to 1/4 of 1 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail, or stored, used or otherwise consumed in the county.

2. The tax imposed pursuant to this section applies throughout the county, including incorporated cities in the county.

3. The ordinance enacted pursuant to this section must include provisions in substance as follows:

(a) Provisions substantially identical to those of the Local School Support Tax Law, insofar as applicable.

(b) A provision that all amendments to the provisions of the Local School Support Tax Law subsequent to the date of enactment of the ordinance, not inconsistent with this section, automatically become a part of the ordinance enacted pursuant to subsection 1.

(c) A provision that the county shall contract before the effective date of the ordinance enacted pursuant to subsection 1 with the department to perform all functions incident to the administration or operation of the tax imposed pursuant to subsection 1.

4. All fees, taxes, interest and penalties imposed and all amounts of tax required to be paid to the county under this section must be paid to the department of taxation in the form of remittances made payable to the department of taxation.

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5. The department of taxation shall deposit the payments with the state treasurer for credit to the tax distribution fund for the county in which it was collected.

MOTOR VEHICLE
PRIVILEGE TAX

Sec. 30. 1. Except as otherwise provided in section 34 of this act and in addition to all other taxes imposed on the valuation of vehicles, the board of county commissioners of Churchill, Elko, Humboldt, Washoe and Lander counties and the board of supervisors of Carson City may by ordinance, but not as in a case of emergency, impose a special privilege tax of 1 cent on each \$1 of valuation of the vehicle for the privilege of operating upon the public streets, roads and highways of the county on each vehicle based in the county except:

(a) A vehicle exempt from the motor vehicle privilege tax pursuant to this chapter; or

(b) A vehicle subject to NRS 706.011 to 706.861, inclusive, which is engaged in interstate or intercounty operations.

2. The department of motor vehicles and public safety shall deposit the proceeds of the tax imposed pursuant to subsection 1 with the state treasurer for credit to the tax distribution fund for the county in which it was collected.

3. As used in this section "based" has the meaning ascribed to it in NRS 482.011.

GAMING TAX

Sec. 31. 1. Except as otherwise provided in section 34 of this act, notwithstanding the provisions of NRS 463.395 and in addition to all other fees and taxes imposed on gaming, the board of county commissioners of Churchill, Elko, Humboldt, Washoe and Lander counties and the board of supervisors of Carson City may by ordinance, but not as in a case of emergency, impose a license fee for conducting, carrying on or operating any gambling game, slot machine or other game of chance.

2. The total amount of revenue estimated to result for any fiscal year from the imposition of a license fee pursuant to the provisions of this section must not exceed the total amount of revenue estimated to result for the same year from the imposition of all taxes imposed in the county pursuant to sections 29 to 33, inclusive, of this act, multiplied by a fraction, the numerator of which is the total gaming license fees collected by all local governments in the county, including the county, for the fiscal year 1990-1991, and the denominator of which is the general fund revenues of the county and any incorporated cities in the county for the fiscal year 1990-1991.

3. The tax imposed pursuant to this section applies throughout the county, including incorporated cities in the county.

4. The proceeds of the tax imposed pursuant to this section must be deposited with the state treasurer for credit to the tax distribution fund for the county in which it was collected.

REAL PROPERTY
TRANSFER TAX

Sec. 32. 1. Except as otherwise provided in section 34 of this act and in addition to all other taxes imposed on transfers of real property, the board of county commissioners of Churchill, Elko, Humboldt, Washoe and Lander counties and the board of supervisors of Carson City may by ordinance, but not as in a case of emergency, impose a tax at the rate of up to 10 cents for each \$500 of value or fraction thereof on each deed by which any lands, tenements or other realty is granted, assigned, transferred or otherwise conveyed to, or vested in, another person, if the consideration or value of the

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interest or property conveyed, exclusive of the value of any lien or encumbrance remaining on the interest of property at the time of sale, exceeds \$100. The amount of tax must be computed on the basis of the value of the transferred real property as declared pursuant to NRS 375.060.

2. The ordinance imposing the tax must include:

(a) Provisions substantially identical to those contained in chapter 375 of NRS, insofar as applicable; and

(b) A provision that all amendments to chapter 375 of NRS after the date of enactment of the ordinance, not inconsistent with the chapter, automatically become a part of the ordinance imposing the tax.

3. The tax imposed pursuant to this section applies throughout the county, including incorporated cities in the county.

4. The proceeds of the tax must be deposited with the state treasurer for credit to the tax distribution fund for the county in which it was collected.

PROPERTY TAX

Sec. 33. 1. Except as otherwise provided in section 34 of this act, the board of county commissioners of Churchill, Elko, Humboldt, Washoe and Lander counties and the board of supervisors of Carson City may levy a tax ad valorem on the assessed valuation of all taxable property in the county.

2. Before levying a tax pursuant to the provisions of subsection 1, the governing body shall hold a public hearing to allow members of the public to present their opinions concerning the tax. The governing body shall publish notice of the hearing not less than 5 nor more than 10 days before the date of the hearing in a newspaper of general circulation in the county. The notice must be at least equal in size to one-quarter of a normal newspaper page.

3. The provisions of NRS 354.59811 do not apply to a tax levied pursuant to the provisions of this section and the tax must not be considered in determining the allowed revenue from taxes ad valorem for the county or any local government therein.

4. Notwithstanding the provisions of NRS 279.676, no portion of the taxes levied pursuant to this section may be distributed to a redevelopment agency.

5. The county treasurer shall deposit the proceeds of the tax levied pursuant to the provisions of this section monthly with the state treasurer for credit to the tax distribution fund for the county in which it was collected.

Sec. 34. 1. The governing body of any county in which one or more of the taxes authorized by sections 29 to 33, inclusive, of this act have been or will be imposed or levied:

(a) Shall adopt a plan to replace the reduction in the amount of proceeds of the supplemental city-county relief tax estimated for that county pursuant to section 35 or 36 of this act on or before September 1, 1991, if the tax is to be imposed or levied for fiscal year 1991-1992 and on or before May 31 of the immediately preceding fiscal year if the tax is to be imposed or levied for fiscal years 1992-1993 through 1995-1996. The plans may include one or more of the taxes authorized by sections 29 to 33, inclusive, of this act, but the total amount of revenue estimated to result from all taxes imposed or levied pursuant to sections 29 to 33, inclusive, of this act must not exceed the estimate of the reduction in the amount of proceeds of the supplemental city-county relief tax estimated for that county pursuant to section 35 or 36 of this act for the fiscal year during which the plan is to be in effect.

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(b) May revise the plans adopted pursuant to subsection 1 for the fiscal years 1992-1993 through 1996-1997 on or before the May 31 immediately preceding the fiscal year during which the plan is to be in effect.

2. The board of county commissioners of Churchill, Elko, Humboldt and Lander counties and the board of supervisors of Carson City shall not, after June 30, 1996, impose, levy or continue any of the taxes authorized by sections 29 to 33, inclusive, of this act.

Sec. 35. The legislature hereby finds and declares that the following amounts specified for each county estimate fairly the amount by which the proceeds of the supplemental city-county relief tax were reduced during the revision of the formula for the distribution of the supplemental city-county relief tax:

1. For fiscal year 1991-1992:

Carson City	\$342,678
Churchill	340,084
Elko	802,427
Humboldt	504,554
Lander	24,803

2. For fiscal year 1992-1993:

Carson City	\$685,356
Churchill	680,168
Elko	1,604,854
Humboldt	1,009,107
Lander	49,606

3. For fiscal year 1993-1994:

Carson City	\$514,017
Churchill	510,126
Elko	1,203,641
Humboldt	756,830
Lander	37,205

4. For fiscal year 1994-1995:

Carson City	\$342,678
Churchill	340,084
Elko	802,427
Humboldt	504,554
Lander	24,803

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5. For fiscal year 1995-1996:

Carson City	\$171,339
Churchill	170,042
Elko	401,214
Humboldt	252,277
Lander	12,402

Sec. 36. 1. As soon as practicable after the effective date of this act, the executive director of the department of taxation shall make an estimate of the difference between the total amount of revenue from the proceeds of the supplemental city-county relief tax that would be distributed to the local governments in Washoe County, including the county, without the provisions of this act for the fiscal years 1991-1992 through 1996-1997 and the total amount of that revenue that he estimates will be distributed to the county pursuant to the provisions of this act.

2. The department of taxation shall provide to the board of county commissioners of Churchill, Elko, Humboldt, Lander and Washoe counties and the board of supervisors of Carson City, any estimate that is requested by the board and necessary to carry out the provisions of this act.

Sec. 37. (Deleted by amendment.)

Sec. 38. 1. On or before May 31, 1994, the department of taxation shall make an estimate of the total amount of proceeds that will be derived in Washoe County from each of the taxes imposed or levied pursuant to sections 29 to 33, inclusive, of this act for fiscal year 1994-1995.

2. On or before June 30, 1994, using the estimate prepared pursuant to subsection 1, the board of county commissioners of Washoe County shall reduce the rate of one or more of the taxes imposed or levied pursuant to sections 29 to 33, inclusive, of this act if necessary to maintain the estimated revenue from all taxes imposed or levied pursuant to sections 29 to 33, inclusive, of this act at or below an amount equal to \$2,225,664 less than the amount determined for the fiscal year 1994-1995 pursuant to subsection 1 of section 36 of this act.

3. The board of county commissioners of Washoe County shall not, after June 30, 1996:

(a) Except as otherwise provided in subsection 4, decrease any of the taxes imposed pursuant to sections 29 to 33, inclusive, of this act unless all of the local governments that are entitled to receive a monthly distribution from the tax distribution fund for the county agree to the decrease.

(b) Increase the rate of any tax imposed pursuant to sections 29 to 33, inclusive, of this act.

4. If necessary to avoid violating the provisions of subsection 2 of section 31 of this act, the board of county commissioners of Washoe County shall reduce the amount of the license fee imposed pursuant to that section by the minimum amount necessary to comply with the provisions of subsection 2 of section 31 of this act.

ATTACHMENT B

WASHOE COUNTY
ORDINANCE NO. 833

SECTION 2.

21.010 Imposition of additional sales tax.

1. There is hereby imposed, in addition to all other taxes imposed on gross receipts, a tax of one-quarter of 1 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail, or stored, used or otherwise consumed in Washoe County.
2. The tax imposed pursuant to subsection 1 applies throughout Washoe County, including incorporated cities.
3. Prior to the effective date of this ordinance, the board of county commissioners shall contract with the department of taxation to perform all functions incident to the administration or operation of the tax imposed pursuant to subsection 2.

SECTION 163.

21.1610 Imposition of additional motor vehicle privilege tax.

1. Except as provided in subsection 3, there is hereby imposed a special privilege tax of 1 cent on each \$1 on the valuation of vehicles based in Washoe County for the privilege of operating upon the public streets, roads and highways of the county.
2. As used in subsection 2, "based" has the meaning ascribed to it in NRS 482.011.
3. The provisions of subsection 1 do not apply to a vehicle:
 - (a) Exempt from the motor vehicle privilege tax; or
 - (b) Subject to NRS 706.011 to 706.861, inclusive, which is engaged in interstate or intercounty operations.

ATTACHMENT B

WASHOE COUNTY
ORDINANCE NO. 833

SECTION 164.

21.1620 Imposition of additional gaming license fees.

1. There is hereby imposed, in addition to all other license fees, a license fee for conducting, carrying on or operating any gambling game, slot machine or other game of chance.

2. The fee imposed pursuant to subsection 1 applies throughout Washoe County, including incorporated cities.

3. The total amount of revenue estimated to result for any fiscal year from the imposition of a license fee pursuant to subsection 1 must not exceed the total amount of revenue estimated to result for the same year from the imposition of all taxes imposed in the county pursuant to sections 29 to 33, inclusive, chapter 491, Statutes of Nevada 1991, multiplied by a fraction, the numerator of which is the total gaming license fees collected by all local governments in the county, including the county, for the fiscal year 1990-1991, and the denominator of which is the general fund revenues of the county and the incorporated cities in the county for the fiscal year 1990-1991.

SECTION 165.

21.1630 Imposition of additional real property transfer tax.

1. There is hereby imposed, in addition to all other taxes imposed on transfers of real property, a tax at the rate of 10 cents for each \$500 of value or fraction thereof on each deed by which any lands, tenements, or other reality is granted, assigned, transferred or otherwise conveyed to, or vested in, another person. The amount of the tax must be computed on the basis of the value of the transferred real property as declared pursuant to NRS 375.060.

2. The tax imposed pursuant to subsection 1 applies throughout Washoe County, including incorporated cities.

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WASHOE COUNTY
ORDINANCE NO. 833

SECTION 177.

21.1750 Imposition of additional tax ad valorem.
There is hereby imposed, in addition to all other taxes ad valorem, a tax ad valorem in the amount of 8.22 cents per \$100 on the assessed valuation of all taxable property in Washoe County.

SECTION 178.

1. Sections 164 and 177 of this ordinance become effective on July 1, 1991.
2. Section 2 of this ordinance becomes effective on October 1, 1991.
3. Sections 163 and 165 of this ordinance become effective on July 1, 1992.