

TAX TOPICS

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POSITIONS ANNOUNCED ON PETITIONS

In responding to a written survey,* the Board of Directors of the Association took a position OPPOSING the 3 referendum petitions being circulated to repeal the taxes imposed by SB 8 during the 20th Special Session of the Legislature and the initiative petition to fund K-12 education at the national average by 2013.

Of the three referendums, one proposes to repeal the payroll tax on general business; one proposes to repeal the payroll tax on financial institutions; and the third petition proposes to repeal the new taxes and increased tax rates imposed by SB 8. Additionally, this latter petition also repeals: various changes made to some of the appropriations; the additional money which was authorized for the rainy day fund; the pilot project to create a program budget for all substance abuse programs; and the money appropriated for the Department of Taxation's computer system.

The positions taken by the Board with regard to the referendums was in large part due to the concern of unintended consequences if the referendums qualified and were placed on the November general election ballot. The outcome of this action would potentially rival the unintended consequences that occurred with the passage of the taxes in SB 8. Under Nevada law, if the referendums to repeal the taxes qualify, are placed on the ballot and the repeal is approved by the voters, the Legislature would be free to enact the same taxes at a later time AND this would be aside from the obvious result of reducing the revenue the State would receive. However, an even greater problem would occur if the voters rejected repealing the taxes. In that instance (as Nevada law is written) only the voters would be able to approve changes that would be needed to those taxes. This is the situation which currently exists with the 2% State portion of the sales tax whereby any substantial changes which need to be made to the Sales and Use Tax Act of 1955 must be approved by the voters. The State 2% portion of the sales tax was approved by the voters in 1956 and can only be changed by the voters.

NTA President, Carole Vilardo said that even if the referendums to repeal the payroll tax on general business and financial institutions were approved that it was doubtful that there would simply be a reduction in spending to cover the loss of revenue. She said it was more likely that a special session would be called and other taxes would be imposed on business; either a gross receipts tax or a business income tax which had been discussed and rejected during the 2003 regular and special sessions.

In the case of the initiative petition to amend the Constitution to fund education at the National Average by fiscal year 2012-2013, the Board's position was based on the fact that this was a fiscally irresponsible provision to have contained in the Constitution. As reported in various press stories, the union has said the initiative did not require a funding mechanism to support the funding increase. They have stated that the Legislature could redirect existing revenue and not raise taxes. This initiative petition which was filed by the teacher's union does not take into account what the cost to fund education will be in fiscal year 2013; and further, removes both the Governor and Legislature from determining funding priorities.

It is interesting to note that during the 2003 regular legislative session SB 2, introduced by Senator Schneider, made an appropriation to fund education at the national average. The fiscal note on that bill was \$1.14 billion over the biennium. Even if that were the amount needed 10 years from now, what programs do you cut or eliminate to redirect funds? How can anyone know at this point in time what the state's funding priorities might need to be?

Additional information about petitions can be found on page 5.

*The Association's Board of Directors was surveyed on these petitions to determine the position. By policy of the Board, 60 % of the Board members must respond to a survey and at least 55% of those responding must agree on the position to be taken.

Luncheon and 82nd Annual Meeting

The Association held a day of meetings at the Stardust Resort in Las Vegas on February 25. The day started off with the Annual Board Meeting, followed by the general membership meeting and luncheon and Policy Advisory Committee Meeting.

The luncheon, which was attended by over 300 members, guests and elected officials, included the announcement of the Cashman Good Government finalists and the announcement of the winner, and featured Governor Kenny Guinn and President of the California Taxpayers Association Larry McCarthy as speakers.

California's Recent Past - A Path Not to Follow

Larry McCarthy provided an overview of the events which led to a \$30 billion shortfall and a seriously fractured economy. He cited initiatives which mandated increased spending, an anti-business regulatory environment, skyrocketing worker's compensation premiums, the success of the spending lobby and the political polarization caused by reapportionment. The latter being responsible for politics instead of policy being the dominant factor in spending decisions. McCarthy spoke of the hope that Governor Schwarzenegger would be successful in his campaign to get the voters to approve a \$15 billion bond issue as the first step to California getting out of its economic crisis. (The bond issue passed.) He also said that besides being a very successful businessman, Governor Schwarzenegger was proving a successful negotiator in bringing various factions together. The message, loud and clear, was keep away from the path that brought California its fiscal woes.

Nevada Update

Governor Guinn took the opportunity to tell the audience why Nevada would not be going down California's path. He reviewed the privatization that had occurred with the State's workers' compensation system and resultant benefits and the savings identified and realized through the work of his Fundamental Review Committee. He also spoke of the savings that had been generated by the elimination of over 450 positions. The Governor said that unlike former California Governor Grey Davis he was not adverse to taking risks and because of that Nevada was in a sound economic condition. The Governor spoke about how it was a long legislative session for all involved. He



Governor Kenny Guinn and Larry McCarthy conversing on stage.

noted that the economy in Nevada was not on turning around, but that we were leading the nation in job growth. The Governor remained after the luncheon concluded to answer questions resulting from some confusion over remarks he made concerning new job creation and the actions of legislators during the sessions of 2003.

Cashman Good Government Award

Preceding the featured speakers, Chairman of the Award Selection Committee Tim Cashman introduced the seven finalists for the award. See page 3 for related story.

Cashman thanked this year's selection committee members: Ray Bacon, Larry Bennett, Margaret Cavin, Mendy Elliott, Russ Fields, Steve Hill, Anne Macfarlance, Mike Shepard and David Turner.

Cashman Good Government Award

and the winner is . . .

Washoe County School District Housekeeping Department

The Housekeeping Department developed a new method of custodial cleaning and organization which increased efficiency and allowed them to reduce cleaning staff by 24 employees (7.5%). The new system does a better job from a health standpoint by disinfecting surfaces used by teachers and students. The new cleaning methods, which also use new products and equipment, are standardized throughout the school district. This provides all schools with the same quality of service and the District is saving \$600,000 per year. The Department's Staff has already trained two other school districts' cleaning staffs and interest has been expressed from other districts as far away as Canada.

In addition to the winner, other finalists presented during the luncheon were:

Churchill County Juvenile Probation Wilderness Team

The Wilderness Team works with at-risk youths who are under a suspended commitment to a state correction facility. The Team works with the child and the family in a 28-week program designed to reduce the number of required state detentions. In 2002, only one of the twenty youths who completed the program was committed to a state facility. There has been no increase in the department's budget. They have relied on grants for their equipment and training. The program was created by department staff who saw the need to provide intervention for at-risk youth. The Team has invested time in special training and commitment beyond their normal duty hours.

Jackie Crawford and Staff Nevada Department of Corrections

Jackie Crawford, as Director of the Department of Corrections, initiated a program to use inmate labor and correctional staff supervision to rehabilitate the facilities of the Southern Nevada Correctional Center. The facilities were aged and deteriorating, restricting the number of inmates that could be housed there. Existing resources, along with tools and materials provided by the Public Works Board, were used to complete the project which saved the State \$7 million in construction costs. Director Crawford provided the supervision for the construction project. The inmates were given the opportunity to learn, or exercise their skills in the building trade while reducing the cost of their incarceration.

Captain Ted Moody and the Las Vegas Metropolitan Police Department Crisis Intervention Team

Captain Moody developed a program to train officers to better understand mental illness and appropriately handle crisis situations. With no additional resources, but a great deal of support, he conducted extensive research

to establish the criteria and recruit officers for participation in the voluntary program. He utilized psychiatrists and other local health care professionals to provide the 40 hours of training at no cost to the department. Having officers specifically trained to handle these high risk situations has reduced the amount of time and number of staff required to respond. The program also helps the officers prevent the escalation of violence, lessen the risk of injury and property damage, and save lives.

Philip Speight City Manager of Henderson

The City of Henderson has been and continues to be one of the fastest growing cities in Nevada and the United States. Under the direction of City Manager Philip Speight, Henderson has managed not only to keep up with providing essential services, but enhance the quality of life provided to its residents. This has been achieved through the introduction of cost sharing agreements for facilities by Mr. Speight. The agreements in turn have allowed general fund revenues to be used for operations and maintenance instead of being diluted by having to construct facilities.

Virginia City High School

Virginia City High School provides a three-week period of remediation and enrichment classes between semesters in January of each year. The reduction of semester days from 90 to 80 allows staff to provide the special classes without additional funds. Classes include: applications such as those found in the real world of work; enrichment classes such as art and music; and intense remediation classes that provide the additional help some students need in order to graduate. This curriculum has resulted in the High School Proficiency Test scores that are some of the highest in Nevada. Another result is the reduced need for costly after-school and summer classes.

A Day of Meetings

The Board Meeting

Preceding the general membership meeting and luncheon was the annual Board meeting. In addition to approving the 2004 operating budget and research projects the officers of the Association for 2004 were elected.

Re-elected were:

Fred Gibson - Chairman
Tito Tiberti - 1st Vice Chairman
Mendy Elliott - Secretary
David Turner - Treasurer

At the request of the Nominating Committee the position of 2nd Vice Chairman was left open at this time.

Newly elected to fill open board seats were:

Mike Benjamin, Benjamin Enterprises - L.V.
Greg Heinrich, Fairway Chevrolet - L.V.
Sean Higgins, Herbst Gaming - L.V.
Ann Lynch, Sunrise Hospital - L.V.
Jack Stanko - Champion Chevrolet - Reno.

The PAC Meeting

Over 40 sustaining members, who make up the Policy Advisory Committee, attended the afternoon meeting chaired by Board member David Turner. Larry McCarthy of CalTax attended the meeting and provided a California business perspective on some of the items discussed including the initiative petition process.

There was extensive discussion on the three referendum petitions and the need to have expenditure reform in place to present to the 2005 Legislature. With regards to the referendums, concerns were voiced about the increasing number of petitions that were being circulated in Nevada and whether or not this would continue and potentially create the type of problems seen in California whereby spending and taxes were dictated by what happened at the ballot box rather than legislative/public deliberation. It was generally agreed that without some expenditure reforms being enacted over the next couple of years that there would be a continuation of the 10-13 year cycle whereby the economy softens and taxes move to the forefront, not for purposes of policy discussions but for a revenue grab to keep government whole.

Tax Commission Chairwoman and Commissioner David Turner, both NTA Board members addressed some of the regulatory problems associated with the passage of SB 8 of the 20th Special Session and answered questions. NTA president Carole Vilardo reviewed the changes to the payroll taxes (general business and financial institutions that were presented the Legislative Committee on Taxation, Public Revenue and Tax Policy.

2004 Board of Directors

Barry Becker, Las Vegas
Mike Benjamin, Las Vegas
Larry Bennett, Carson City
Jan Biggerstaff, Las Vegas
Mark Brown, Las Vegas
Michael J. Brown, Washington D.C.
Barbara Campbell, Las Vegas
Robert Campbell, Las Vegas
Randall Capurro, Las Vegas
Tim Cashman, Las Vegas
Margaret Cavin, Sparks
Sherry Colquitt, Las Vegas
T.J. Day, Reno
Mendy Elliott, Reno
Ms. Lou Emmert, Las Vegas
Fred Gibson, Las Vegas
John Gibson, Las Vegas
Terry Graves, Las Vegas
C. Joseph Guild, III, Reno
Kent (Tim) Hafen, Pahrump
Greg Heinrich, Las Vegas
Sean T. Higgins, Las Vegas
Amy Hill, Reno
Steve Hill, Las Vegas
Wayne Horiuchi, Sacramento
Donald Karras, Denver
Michael Lee, Reno
Robert List, Las Vegas
Ann Lynch, Las Vegas
Anne Macfarlane, Reno
Michael Maffie, Las Vegas
Berlyn Miller, Las Vegas
James Murphy, Reno
Ann O'Connell, Las Vegas
Kevin Orrock, Las Vegas
Dean Rhoads, Tuscarora
Sylvia Samano, Reno
Pat Shalmy, Las Vegas
Michael Sheppard, Winnemucca
George Smith, Las Vegas
Jack Stanko, Reno
Scott Swain, Las Vegas
Tito Tiberti, Las Vegas
David Turner, Reno

PETITION FAST FACTS

Signatures Needed to Qualify

51,244

Turn in Date to County Clerks

Referendums - May 18, 2004

Initiatives - June 15, 2004

Other Requirements

Initiatives to amend the Constitution require the signatures of 10% of the registered voters in at least 3/4's of the counties in addition to a total of 10% of the registered voters statewide.

Note: The issue of having initiative petitions qualify in 3/4's of the counties is currently facing two district court challenges on the basis that it violates the one man one vote rule.

Referendum Summaries

Payroll 1 - Would repeal the .07% payroll tax on general business (0.65% effective 7/1/04)

Payroll II - Would repeal the 2% tax on financial institutions

Axe the Tax - Would repeal the payroll taxes, the live entertainment tax and the rate increases on cigarettes, alcoholic beverages, restricted slot machines and the gross gaming increases. In addition, the petition would eliminate: some increases and decreases in appropriations; an increase in funding for the rainy day fund; a pilot program to create a program budget for substance abuse programs.

Initiative Summary

Fund K-12 Education to the National Average

Requires the legislature to provide sufficiently for the financial support and maintenance of the public elementary and secondary schools. *“Commencing with the fiscal year beginning on July 1, 2012, the appropriations made by the legislature for this purpose, when combined with the projected revenue from all other federal, state and local sources, must be in such amount as the legislature determines are sufficient to ensure . . . that the annual per-pupil expenditure . . . equals or exceeds the national average.”*

If you need additional copies of *TAX FACTS*, the definitive publication on the taxes levied in Nevada use this form.

NEVADA “TAX FACTS” ORDER FORM

DATE _____

CURRENT EDITION: 2003-2005

QUANTITY _____ ORDERED BY: MEMBER NON-PROFIT/GOVERNMENT NON-MEMBER

MAILING ADDRESS
(If to be sent to another location)

COMPANY _____

ATTENTION _____

STREET _____

CITY _____ STATE _____ ZIP _____

RETURN ORDER WITH PAYMENT TO:

Nevada Taxpayers Association
501 S. Carson Street #301 • Carson City, NV 89701

AMOUNT ENCLOSED: \$ _____

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EARLIEST TAX FREEDOM DAY® IN 37 YEARS

Not since 1967 has Tax Freedom Day been earlier than this year as reported in *Tax Foundation Special Report No. 129*. The Report which is issued annually identifies Tax Freedom Day as the day when Americans will finally have earned enough money to pay off their total tax bill for the year (Federal, state and local taxes). Tax Freedom Day calculated the U.S. date for 2004 as April 11.

According to the Report the five most heavily taxed states are all from the Northeast: Connecticut (April 28), New York (April 27), New Jersey (April 19), Massachusetts (April 18) and Rhode Island (April 16). Of the next highest five states, four are Western states including Nevada. The dates for these five states are: Maine (April 15), Washington (April 15), Wyoming (April 14), **Nevada (April 13)** and California (April 13). The states with the lowest burden are: Alaska (March 26), South Carolina and Tennessee (April 1), Louisiana, Mississippi, Oklahoma and South Dakota (April 2).

You can download the complete Tax Freedom Day report in PDF format by logging onto: <http://www.taxfoundation.org/taxfreedomday.html>.