



10.16.2024



C-Tax Legislative History

Enactment of C-Tax

2

- Senate Concurrent Resolution No. 40 – Committee on Government Affairs (1995)
 - Directs Legislative Commission to conduct interim study of Nevada laws relating to distribution among local governments of revenue from state and local taxes
- C-Tax was formulated in 1997 via SB 254
 - C-Tax formula combined the distribution of six different tax types into one monthly distribution from the State of Nevada.
 - Cigarette Tax
 - Liquor Tax
 - Government Services Tax (i.e., vehicle registration)
 - Real Property Transfer Tax
 - Basic City County Relief Tax (BCCRT)
 - Supplemental City County Relief Tax (SCCRT)

Intent of C-Tax

3

- “C-Tax is a formula used to equitably distribute local government revenues first among Nevada’s counties (and Carson City) and then among the 150+ political subdivisions within those counties.” Applied Analysis presentation, Assembly Committee on Taxation (February 7, 2013).
- C-Tax was designed to fund local governments by “creating a system that would be a little bit more responsive to where growth is occurring within each one of the counties.” *City of Fernley v. State*, 132 Nev. 32, 36 (2016).
- Under previous systems, new cities would emerge to take advantage of their share in revenues without necessarily providing any benefit to the public. Testimony before Senate Committee on Government Affairs (March 31, 1997).

AB 653 (2001) & AB 10 (2001 Special Session)

4

- After two years, Nevada legislators realized C-Tax formula benefited some local governments more than others.
- Assemblyman Richard Perkins asked some entities (Las Vegas, Henderson, Clark County) to look for a legislative “fix”. Fix involved providing more tax revenue to faster growing entities.
- AB 653 resulted from failed negotiations involving Las Vegas, Henderson, and Clark County to address inequitable tax distributions to Henderson.
- AB 653 sought revisions to C-Tax provisions (e.g., change in excess distribution calculation formula and removal of CPI language) and included an increase of \$4M C-Tax base adjustment for Henderson.
- Ultimately, AB 10 passed in the Special Session and Henderson received a \$4M C-Tax base adjustment.
- At the time, North Las Vegas City Manager Curt Frisch indicated support for AB 10 because the calculation formula adjustment would benefit North Las Vegas long term but also expressed a need for North Las Vegas to receive a base adjustment.

Efforts at Cooperation (2001-2005)

5

- For supporting AB 10 in 2001 Special Session, testimony during legislative hearings shows that North Las Vegas was offered (i) phasing out of language in NRS 360 that helped NLV achieve some equity in excess distribution but not in the base distribution and (ii) commitment that NLV would get cooperation in working on interlocal agreement from other jurisdictions in Southern Nevada for a base adjustment benefiting North Las Vegas.
- Testimony during 2005 legislative session from North Las Vegas officials noted that North Las Vegas was told it would get support and assistance from other governments in Southern Nevada for having supported AB 653 and AB 10 in 2001 legislative sessions.
- NRS 360.730 allows local governments to enter into a cooperative agreement detailing an alternative formula for the distribution of C-Tax.
- Discussions with other local governments in Southern Nevada about a cooperative agreement did not yield any results.

AB 144 (2005)

6

- Bill sought an \$8.5 million base adjustment for North Las Vegas and \$1.5 million base adjustment for Mesquite.
- During hearing on AB 144, NLV representatives noted that attempts to solve C-Tax inequity issues through negotiations with other local governments broke down.
- Mayor Michael Montandon noted that it was not a money issue, rather it was a services issue.
 - “This is about providing the things that the citizens of Clark County, North Las Vegas, Las Vegas, and Henderson expect from their governments. We want to treat everybody fairly in North Las Vegas.”
 - “We are just asking to correct an inequity that has been in place for six years.”
- State Senator John Lee
 - “We are all members of the same community. We are only trying to do our part to make this part of the valley as beautiful as the rest . . . We need to pass this bill to bring the fairness that we deserve in our community.”
- AB 144 was introduced on February 25, 2005 and then referred to the Assembly Committee on Growth and Infrastructure and did not receive another hearing.

SB 38 (2005)

7

- Bill addressed C-Tax issues in rural counties (Elko, Esmeralda, Lander) related to the formula change in AB 10 (2001 Special Session).
- Rural counties received less revenue due to elimination of one plus language in statutory formula.
- Rural counties tried to resolve issue via agreement but that was to no avail.
- Ultimately, Nevada Legislature passed SB 38 which provided an additional method for calculating excess amount of the base monthly amount. Additional method was only applicable to certain smaller rural counties.

AB 71 (2011)

8

- AB 71 brought forward by Assembly Committee on Legislative Operations and Elections at the request of North Las Vegas.
- Bill directed Legislative Commission to conduct interim study concerning equitable allocation of C-Tax distributions, including local library districts that did not receive an allocation of C-Tax and to consider alternative methodologies to achieve a more equitable allocation.
- Testimony from legislative hearings noted that piecemeal attempts to resolve inequitable distributions do not work because distributions are made from one pie. Testimony acknowledged that C-Tax formula does not result in equitable distributions.
 - Henderson asked for base adjustment in 2001
 - North Las Vegas and Mesquite asked for base adjustment in 2005
 - Rural counties asked for new calculation formula in 2005
 - Fernley asked for base adjustment in 2011
- Subcommittee to Study C-Tax Allocation met six times between February 2012 and August 2012.

AB 68 (2013)

- Result of 2011 interim study was AB 68
- Jeremy Aguero of Applied Analysis led presentation on AB 68.
 - Mr. Aguero was retained by Henderson and Las Vegas
- Starting in September 2011, local governments participated in working groups and provided testimony in interim session hearings to discuss potential revisions to C-Tax calculation formula.
- In discussing the proposed changes to the calculation formula, Mr. Aguero noted that North Las Vegas's concern is that their base is lower and that even if the calculation formula is changed on a go-forward basis, it does not address all of the City's concerns relative to the inequities that exist since the inception of the C-Tax.
- North Las Vegas proposed an amendment to AB 68 because the proposed changes to the C-Tax calculation scheme detailed in AB 68 would not provide all cities in Clark County the base adjustment they needed to make the formula equitable.
- North Las Vegas sought a base adjustment of \$25,776,000.
- Clark County, Las Vegas, Henderson, and Boulder City opposed.
- AB 68 was passed without the proposed NLV amendment.

SB 74 (2021)

10

- Bill amended certain population calculation provisions for C-Tax purposes.
- SB 74 eliminated the need to use U.S. Census Bureau totals when they conflict with population totals certified by the Nevada Governor.

Continuing Disparity

11

- C-Tax disparity continues to grow
 - As noted in City Council presentation on 8/21/24, North Las Vegas Library District does not receive any funding from C-Tax.
 - For FY23:
 - Boulder City Library District received \$882,134 in C-Tax funding;
 - Henderson Library District received \$3,412,653 in C-Tax funding; and
 - Las Vegas/Clark County Library District received \$30,171,434 in C-Tax funding.

Continuing Disparity (cont'd)

12

- Amounts of Shortfall

- When Henderson received its C-Tax base adjustment in 2001, the C-Tax per resident shortfall for North Las Vegas was approximately \$10 million for FY 2001.
- When North Las Vegas sought a base adjustment in 2005, its per resident shortfall was approximately \$16 million for FY 2005.
- When North Las Vegas sought a base adjustment in 2013, its per resident shortfall was approximately \$36 million for FY 2013.
- The shortfall per resident has grown to approximately \$62 million for FY 2023.



Questions?