

**STATE OF NEVADA; INITIAL  
REPORT OF THE NEVADA  
TAX COMMISSION: 1913-  
1914, 1915-1916**

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Nevada Tax Commission

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**NEVADA TAX COMMISSION**

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STATE OF NEVADA

INITIAL REPORT

OF THE

NEVADA TAX COMMISSION

—  
1913-1914  
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CARSON CITY, NEVADA

STATE PRINTING OFFICE

JOE FARNSWORTH, SUPERINTENDENT

1914

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## REPORT OF NEVADA TAX COMMISSION

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The Nevada Tax Commission was created by the Twenty-Sixth Session of the Legislature, and the Governor, immediately after approving the measure, appointed Charles H. Colburn, of Reno, and Emmet D. Boyle, of Virginia City, to the two Commissionerships. J. F. Shaughnessy, First Associate Commissioner of the Railroad Commission, was, by the terms of the Tax Commission Act itself, designated as the Chairman.

The newly created board held its first meeting in Carson City on April 3, 1913, and L. F. Adamson was elected Secretary. Emmet D. Boyle resigned August 10, 1914, and was succeeded by F. N. Fletcher, of Reno.

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Nevada, like the majority of the States, depends in a large measure for its revenue on the general property tax. That thirty-eight (38) of the forty-eight (48) States of the Union have found it necessary to provide some form of centralized authority to supervise the work of local Assessors, is the best proof that the system, without such supervision, has been unsatisfactory.

All of the Western States now maintain Tax Commissions or State Boards of Equalization exercising powers similar to those delegated to the Nevada Tax Commission, and the fact that some such head was needed in this State has long been apparent.

A State Board of Equalization, consisting of certain of the state officers acting in an ex officio capacity, was tried out here in the early '90s, but its action did not meet with popular approval. Later an effort was made to effect equalization by methods which would usurp in the slightest degree possible the powers theretofore enjoyed by the separate county governments. The State Board of Assessors was created by the Twentieth Session of the Legislature in 1901. It was composed of the several County Assessors and met annually in Carson City with the State Board of Revenue to fix valuations on certain prescribed classes of property, the remainder being left to the various County Assessors. Assisted by the Railroad Commission, it made substantial increases in the assessed valuation of the railroads, and, theoretically, in the assessed valuation of live stock.

That some of the individual Assessors failed to keep faith with the board is clearly enough shown in the fact that, after years of attempted equalization by this method, no two counties were found to be assessing property on the same percentage of actual value. Two counties in 1912 had the bulk of their property assessed for more than 100% of its value, and one county at an average of not over 20%.

The state assessment being made on the aggregate assessment of all the counties, the State receives that proportion of the total revenue collected that the state rate bears to the combined state and county rate. An assessment on a low percentage of actual value in any particular county therefore results in the evasion by such county of a part of the state expense which it is legally called upon to pay, and the throwing of this additional burden on those counties which are assessed at or above the general average of actual value. The county assessed on a 20%

basis paid less than half, while the counties assessed at full cash value paid more than twice what they should have paid, respectively, toward the upkeep of the State Government.

Under our Constitution the Legislature sets the tax rate for the ensuing two years at each session. This rate is based on the known expenditures authorized by the Legislature and on the estimated aggregate assessment roll of all the counties. While the assessed valuation of each county was purely a matter of county policy—their own rates being entirely within their control—the State was at the mercy of the Boards of County Commissioners and Assessors. If the aggregate roll for the whole State fell short of the estimates of the Legislature, the State was unable to meet its obligations, and, with the counties vying with one another in the matter of keeping valuations down, the natural result was a shortage in revenues over a period of years, which finally exhausted the constitutional borrowing power of the State in 1912.

The lack of equalization between the counties was no greater than the lack of equalization in individual assessments.

The taxpayers of the State were indulging in a high carnival of "individual equalization," a large proportion of the livestock interests returning 40% of their property for assessment at half its value, many of the mines defeating the bullion tax by the maintenance of separate transportation and milling companies which absorbed the profits; much of the land throughout the State being grossly undervalued for assessment, and homes in the towns and small property owners being, as a general thing, assessed very much above the average.

The first act of the Tax Commission, after its organization, was to visit the various County Assessors and to obtain from each a statement of the manner in which property in his county was assessed.

Practically every Assessor admitted that nothing approaching equalization had been obtained in his county, and with few exceptions reported the assessment on small homes higher than the average assessment of the property. A low average valuation seemed to be the rule in the majority of the counties, a system which Nevada can thank for tax rates which are sufficiently high to discourage investment on the part of any stranger who is not fully acquainted with the facts in the case.

The immediate causes leading up to the demand for a correction of these abuses were:

- (1) The unsatisfactory condition of state finances, and
- (2) The growing dissatisfaction with the inequality of assessments.

In 1911 Governor Oddie proposed a Tax Commission bill to the Twenty-Fifth Session of the Legislature, which failed of passage. This bill was also submitted by Governor Oddie to the extraordinary session of the Legislature which convened in 1912, at which time it again failed of passage. In February, 1912, the General Fund of the State Treasury was exhausted, and it became necessary to call a special session of the Legislature to increase the bonded indebtedness of the State to the full constitutional limit, or \$300,000.

In 1913 the Governor submitted to the Legislature a statement worked up from the Controller's books showing the receipts and disbursements of the State, strictly in the operating account, which was as follows:



	<i>Receipts</i>	<i>Disbursements</i>	<i>Deficit</i>
1909.....	\$832,991.15	\$1,089,490.75	\$226,559.60
1910.....	848,242.82	888,132.25	89,889.44
1911.....	860,709.94	1,008,956.49	153,196.55
1912.....	927,960.40	990,086.56	62,125.16
Totals.....	\$3,469,934.31	\$3,941,704.06	\$481,769.75

The receipts and disbursements mentioned include all receipts and disbursements into and from the State Treasury, with the exception of such receipts as accrue from the sale of school lands, penal fines, escheated estates, etc., which are required to be invested for educational purposes in government, state, or county bonds, and such disbursements as are required for redemptions. The interest only becomes a receipt, in the proper sense, and is applicable for educational purposes and none other.

This statement indicates that from the beginning of 1909 to the end of 1912 the State's revenues were insufficient by an average amount exceeding \$120,000 per year to meet its expenses.

In explanation of this average deficit, the following extract is taken from Governor Oddie's message to the Twenty-Sixth Session of the Legislature of 1913:

The foregoing deficiency, showing in each year since 1909, falls very largely on the General Fund and for all intents and purposes may be so considered. A comparison of the net cash balances in the General Fund, after deducting outstanding warrants, at the beginning of each year shows as follows:

January 1, 1909.....	\$461,082.20
January 1, 1910.....	241,398.18
January 1, 1911.....	175,020.50
January 1, 1912.....	44,514.16
January 1, 1913.....	54,422.25

There was \$276,061.70 less in the General Fund on January 1, 1911, than on January 1, 1909, showing that the deficit between the income and expenditures for 1909-1910, aggregating \$266,449.04, had been largely met by a draining of this fund.

Now the cash balance on January 1, 1909, showed a surplus over the amount necessary to cover the expense of the legislative session and to meet the normal disbursements from it until June 30, following (which may be estimated at \$350,000), approximating \$100,000. On the other hand, on January 1, 1911, the same basis of accounting (\$350,000 required) shows an actual deficit in the General Fund of \$175,000; there being, to that extent, insufficient moneys to meet the expense of the Legislature and conduct the government until June 30, 1911. These differences disclose why the deficits of 1909-1910 did not create a crisis in our fiscal affairs during those years.

For some years public interest in matters pertaining to state finances had been growing, and in the autumn of 1912 a number of prominent citizens and public officials, including Governor Oddie, Lieutenant-Governor Ross, Senators Newlands and Massey, Railroad Commissioners Shaughnessy and Simmons, Alex. J. McCone, Charles B. Henderson, Frank Williams, and others, at various times discussed informally some of the more important features of the financial situation in the State. As an outcome of these discussions, a letter was written by Senator Newlands to Mr. F. J. Shair, president of the Reno Commercial Club, setting forth some salient facts relative to income and expenditure and suggesting that the Commercial Club take the initiative in organizing a movement designed to crystallize public sentiment in favor of such wise legislation as might be needed.

At a meeting of the Commercial Club held November 14, 1912, a resolution was passed requesting Governor Oddie, Lieutenant-Governor Ross, and Senators Newlands and Massey to act as an appointing board and appoint a committee of citizens to investigate and report on matters

pertaining to economy and taxation. In response to this request a committee of twelve members, consisting of Clay Tallman, of Tonopah; John Henderson, of Elko; A. R. Merritt, of Fallon; D. S. Dickerson, of Carson City; A. J. McCone, of Reno; John G. Taylor, of Lovelock; Romanzo Adams, of Reno; George Gillson, of Carson City; Hugh H. Brown, of Tonopah; Levi Syphus, of Saint Thomas; R. M. Price, of Reno, and August Frohlich, of Reno, was appointed, and a meeting was called to be held in the rooms of the Reno Commercial Club December 3 and 4, 1912.

The following is an extract from the report of the Citizens' Economy and Taxation Committee detailing their first and second meetings held in December, 1912:

#### **The First Meeting—December 3 and 4, 1912**

At this meeting all members were present and three sessions, lasting a day and a half, were held. Most of the time was given to informal discussion. The consensus of opinion appeared to be that practical effort should be in two directions—one looking to a reduction of state expenditures where this could be done without impairing the service, and the other toward some modification of our system of assessment and taxation designed to secure greater uniformity.

In order to secure more complete information relative to these matters, provision was made for the appointment of four subcommittees as follows:

*First*—A committee of five to investigate and report upon the present laws as to taxation, with special reference to their practical working, particularly in regard to the uniformity or lack of uniformity of assessments, and in regard to assessments as compared with actual cash values, and with regard to licenses and the bullion tax.

*Second*—A committee of three to make a comparative study of the tax systems of other States, especially of States in which conditions are similar to those of Nevada, and to consider the question of adapting some features of these systems to the use of this State; also to consider the inheritance tax.

*Third*—A committee of three to investigate and report on the condition of the state revenues, and the state expenditures in recent years so far as may be necessary.

*Fourth*—A committee of three to report on the possibility and feasibility of a more economical administration of state affairs.

Further provision was made for an Executive Committee, consisting of the President, the Secretary and the Chairman of each subcommittee.

A Finance Committee of sixteen members, one from each county, was appointed and its members were requested to aid the work by securing funds to pay the necessary expenses of printing, postage, clerical assistance, and special investigation.

January 11 was fixed as the date of the next meeting, and the Assessors of the State were invited to be present at that time.

#### **The Second Meeting**

On January 11 and 12, 1913, the committee as a whole reassembled, the following-named members being present: Clay Tallman, D. S. Dickerson, Romanzo Adams, John Henderson, A. J. McCone, R. M. Price, A. R. Merritt, George Gillson, and August Frohlich.

A telegram was received from Hugh H. Brown expressing his regrets that he was not able to be present and a letter of similar import was received from Levi Syphus. Mr. Brown, as chairman of a subcommittee, had sent his report to Chairman R. M. Price.

The Assessors of Elko County, Humboldt County, Lander County, Washoe County, Nye County, Lincoln County, and Clark County were present, and they participated in the discussions.

The time of this meeting was devoted mainly to a presentation and discussion of the reports of the various subcommittees.

In the absence of Mr. Syphus and Mr. Taylor, the report of the first committee was presented as the report agreed upon by the three members present.

As the members of the second committee had not been able to get together, each presented a report.

The third committee referred to the Controller's reports relative to the recent tendencies as to income and expenditure.

The fourth committee presented a partial report pending the completion of the work of the special State Auditor.

In the discussion following the reading of these reports there appeared to be a very general agreement along the main lines of the various reports, and formal resolutions were passed recommending—

(1) That public expenditures be reduced where this can be done without sacrificing the efficiency of the service;

(2) That a tax commission be created with broad powers along the lines recommended in the reports; and

(3) That an inheritance tax be enacted along the lines recommended by the National Tax Association.

In addition to the reports of the regular subcommittees, two other papers received attention and were ordered printed: (1) A communication from Honorable L. F. Adamson, State License and Bullion Tax Agent, and (2) the report of Honorable J. F. Shaughnessy, State Railroad Commissioner, to Governor Oddie, relative to the Des Moines meeting of the National Tax Association to which he had been appointed as a delegate. Credit should be given to Mr. Adamson for other information of a confidential character relative to the extent of bullion tax evasions.

Largely as a result of this report, the present Tax Commission bill became a law at the succeeding session of the Legislature, though its passage was opposed so vigorously by various interests that the fate of the bill hung in the balance until the closing days of the session.

An Inheritance Tax law was also passed as a result of this committee's efforts, reference to which is made later in this report.

The Ways and Means Committees of both houses had in contemplation the fixing of the state rate at 76 or 80 cents should the measure fail, but on its passage allowed the tax rates as originally set for 1913 and 1914 to stand at 66 cents for the former and 60 cents for the latter year—acting on the presumption that the Tax Commission would take care of the State's obligations by substantial increases in the assessed valuation of property in the process of equalization.

#### STATE REVENUE AND EXPENSES

Figures which show accurately the cost of the State Government are not available in the published reports of the state departments having to do with fiscal matters. The annual reports of the State Controller and State Treasurer, while showing in great detail all of the financial transactions of the State, are not designed to show the annual operating cost of the government even approximately, and this being a matter of vital importance to the Tax Commission, it became necessary for the latter to compile its own statistics—a record showing the receipts and disbursements for 1913. This record appears in Tables 1 and 2 following in this report.

Subsequent to the compilation of this data by the Commission, the Special Auditor, Mr. Paul Gaston, a certified public accountant, made a report to the State Board of Examiners, which substantially agrees with the tables before mentioned. This report comments unfavorably on the clerical methods employed in the Controller's department, and shows that the present accounting system is obsolete.

The Tax Commission, empowered to supervise the revenue system of the State, would be derelict in its duty should it fail to call attention to the unsuitability of the present system of keeping accounts now employed by the State.

The inability of the Legislative Department for the past several years