

SENATE BILL NO. 227—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE INTERIM STUDY CONCERNING DISTRIBUTION
AMONG LOCAL GOVERNMENTS OF REVENUE FROM
STATE AND LOCAL TAXES (NRS 218.53881))

FEBRUARY 21, 2001

Referred to Committee on Taxation

SUMMARY—Revises and repeals provisions that exempt certain property from taxation.
(BDR 32-892)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; revising the requirements for certain property of recycling businesses to be exempt from taxation; revising, for a limited period, certain partial abatements from taxation for facilities for the generation of electricity from renewable energy; repealing the provisions that exempt from taxation certain property of businesses that use a facility for the production of electrical energy from solar energy; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 361.0685 is hereby amended to read as follows:
2 361.0685 1. Except as otherwise provided in this section, if a:
3 (a) Business that engages in the primary trade of preparing, fabricating,
4 manufacturing or otherwise processing raw material or an intermediate
5 product through a process in which at least 50 percent of the material or
6 product is recycled on site; or
7 (b) Business that includes as a primary component a facility for the
8 ~~production of electrical energy~~ *generation of electricity* from recycled
9 material,
10 is found by the commission on economic development to have as a primary
11 purpose the conservation of energy or the substitution of other sources of
12 energy for fossil sources of energy and obtains certification from the
13 commission on economic development pursuant to NRS ~~231.139, 75~~
14 ~~percent of the personal and real property of the business is exempt from~~
15 ~~taxation.~~



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1 ~~—2. Before an exemption may be granted pursuant to subsection 1, the~~
2 ~~business must execute an agreement with the commission on economic~~
3 ~~development which states that the business will continue in operation in~~
4 ~~this state for 30 or more years after the date on which the exemption is~~
5 ~~granted. The agreement must bind the successors in interest of the~~
6 ~~business. The exemption pursuant to this section continues until the~~
7 ~~expiration of the period for which the exemption was granted or until the~~
8 ~~business discontinues in operation in this state, whichever occurs first.~~
9 ~~—3. The exemption]~~ 360.750, the commission may, if the business
10 additionally satisfies the requirements set forth in subsection 2 of NRS
11 361.0687, grant to the business a partial abatement from the taxes
12 imposed on real property by this chapter.
13 2. If a partial abatement from the taxes imposed on real property by
14 this chapter is approved by the commission on economic development
15 pursuant to NRS 360.750 for a business described in subsection 1:
16 (a) The partial abatement must:
17 (1) Be for a duration of at least 1 year but not more than 10 years;
18 (2) Not exceed 50 percent of the taxes on real property payable by
19 the business each year pursuant to this chapter; and
20 (3) Be administered and carried out in the manner set forth in
21 NRS 360.750.
22 (b) The executive director of the commission on economic
23 development shall notify the county assessor of the county in which the
24 business is located of the approval of the partial abatement, including,
25 without limitation, the duration and percentage of the partial abatement
26 that the commission granted. The executive director shall, on or before
27 April 15 of each year, advise the county assessor of each county in which
28 a business qualifies for a partial abatement during the current fiscal year
29 as to whether the business is still eligible for the partial abatement in the
30 next succeeding fiscal year.
31 3. The partial abatement provided in this section applies only to the
32 business for which certification was granted pursuant to NRS ~~[231.139]~~
33 360.750 and the property used in connection with that business. The
34 exemption does not apply to property in this state that is not related to the
35 business for which the certification was granted pursuant to NRS ~~[231.139]~~
36 360.750 or to property in existence and subject to taxation before the
37 certification was granted.
38 4. ~~[Personal property exempted pursuant to subsection 1 may not~~
39 ~~receive an exemption for more than 10 consecutive years. Real property~~
40 ~~exempted pursuant to subsection 1 may not receive an exemption for more~~
41 ~~than 20 consecutive years.~~
42 ~~—5.]~~ As used in this section, a “facility for the ~~[production of electrical~~
43 ~~energy]~~ generation of electricity from recycled material” is a facility which
44 uses recycled material as its primary fuel including material from:
45 (a) Industrial or domestic waste, other than hazardous waste, even
46 though it includes a product made from oil, natural gas or coal, such as
47 plastics, asphalt shingles or tires;
48 (b) Agricultural crops, whether terrestrial or aquatic, and agricultural
49 waste, such as manure and residue from crops; and



1 (c) Municipal waste, such as sewage and sludge.
2 The term includes all the equipment in the facility used to process and
3 convert into electricity the energy derived from a recycled material fuel.

4 **Sec. 2.** NRS 361.0687 is hereby amended to read as follows:

5 361.0687 1. A person who intends to locate or expand a business in
6 this state may, pursuant to NRS 360.750, apply to the commission on
7 economic development for a partial abatement from the taxes imposed by
8 this chapter.

9 2. For a business to qualify pursuant to NRS 360.750 for a partial
10 abatement from the taxes imposed by this chapter, the commission on
11 economic development must determine that, in addition to meeting the
12 other requirements set forth in subsection 2 of that section:

13 (a) If the business is a new business in a county or city whose
14 population is 50,000 or more:

15 (1) The business will make a capital investment in the county of at
16 least \$50,000,000 if the business is an industrial or manufacturing business
17 or at least \$5,000,000 if the business is not an industrial or manufacturing
18 business; and

19 (2) The average hourly wage that will be paid by the new business to
20 its employees in this state is at least 100 percent of the average statewide
21 hourly wage as established by the employment security division of the
22 department of employment, training and rehabilitation on July 1 of each
23 fiscal year.

24 (b) If the business is a new business in a county or city whose
25 population is less than 50,000:

26 (1) The business will make a capital investment in the county of at
27 least \$5,000,000 if the business is an industrial or manufacturing business
28 or at least \$500,000 if the business is not an industrial or manufacturing
29 business; and

30 (2) The average hourly wage that will be paid by the new business to
31 its employees in this state is at least 100 percent of the average statewide
32 hourly wage as established by the employment security division of the
33 department of employment, training and rehabilitation on July 1 of each
34 fiscal year.

35 3. ~~HH~~ *Except as otherwise provided in NRS 361.0685 and*
36 *subsection 4, if* a partial abatement from the taxes imposed by this chapter
37 is approved by the commission on economic development pursuant to NRS
38 360.750:

39 (a) The partial abatement must:

40 (1) Be for a duration of at least 1 year but not more than 10 years;

41 (2) Not exceed 50 percent of the taxes *on personal property* payable
42 by a business each year pursuant to this chapter; and

43 (3) Be administered and carried out in the manner set forth in
44 NRS 360.750.

45 (b) The executive director of the commission on economic development
46 shall notify the county assessor of the county in which the business is
47 located of the approval of the partial abatement, including, without
48 limitation, the duration and percentage of the partial abatement that the
49 commission granted. The executive director shall, on or before April 15 of



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1 each year, advise the county assessor of each county in which a business
2 qualifies for a partial abatement during the current fiscal year as to whether
3 the business is still eligible for the partial abatement in the next succeeding
4 fiscal year.

5 *4. If a partial abatement from the taxes imposed by this chapter is*
6 *approved by the commission on economic development pursuant to NRS*
7 *360.750 for a facility for the generation of electricity from renewable*
8 *energy:*

9 *(a) The partial abatement must be:*

- 10 *(1) For a duration of 10 years;*
11 *(2) Equal to 50 percent of the taxes on real and personal property*
12 *payable by the facility each year pursuant to this chapter; and*
13 *(3) Administered and carried out in the manner set forth in*
14 *NRS 360.750.*

15 *(b) The executive director of the commission on economic*
16 *development shall:*

- 17 *(1) Notify the county assessor of the county in which the facility is*
18 *located of the approval of the partial abatement; and*
19 *(2) Advise the county assessor of the county in which the facility is*
20 *located as to the dates on which the partial abatement will begin and end.*

21 *5. As used in this section:*

22 *(a) "Biomass" means any organic matter that is available on a*
23 *renewable basis, including, without limitation:*

- 24 *(1) Agricultural crops and agricultural wastes and residues;*
25 *(2) Wood and wood wastes and residues;*
26 *(3) Animal wastes;*
27 *(4) Municipal wastes; and*
28 *(5) Aquatic plants.*

29 *(b) "Facility for the generation of electricity from renewable energy"*
30 *means a facility for the generation of electricity that:*

- 31 *(1) Uses renewable energy as its primary source of energy; and*
32 *(2) Has a generating capacity of at least 10 kilowatts.*

33 *The term includes all the machinery and equipment that is used in the*
34 *facility to collect and store the renewable energy and to convert the*
35 *renewable energy into electricity. The term does not include a facility that*
36 *is located on residential property.*

37 *(c) "Industrial or manufacturing business" does not include a facility*
38 *for the generation of electricity from renewable energy.*

39 *(d) "Renewable energy" means:*

- 40 *(1) Biomass;*
41 *(2) Solar energy; or*
42 *(3) Wind.*

43 *The term does not include coal, natural gas, oil, propane or any other*
44 *fossil fuel, or nuclear energy.*

45 **Sec. 3.** NRS 361.0687 is hereby amended to read as follows:

46 361.0687 1. A person who intends to locate or expand a business in
47 this state may, pursuant to NRS 360.750, apply to the commission on
48 economic development for a partial abatement from the taxes imposed by
49 this chapter.



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1 2. For a business to qualify pursuant to NRS 360.750 for a partial
2 abatement from the taxes imposed by this chapter, the commission on
3 economic development must determine that, in addition to meeting the
4 other requirements set forth in subsection 2 of that section:

5 (a) If the business is a new business in a county or city whose
6 population is 50,000 or more:

7 (1) The business will make a capital investment in the county of at
8 least \$50,000,000 if the business is an industrial or manufacturing business
9 or at least \$5,000,000 if the business is not an industrial or manufacturing
10 business; and

11 (2) The average hourly wage that will be paid by the new business to
12 its employees in this state is at least 100 percent of the average statewide
13 hourly wage as established by the employment security division of the
14 department of employment, training and rehabilitation on July 1 of each
15 fiscal year.

16 (b) If the business is a new business in a county or city whose
17 population is less than 50,000:

18 (1) The business will make a capital investment in the county of at
19 least \$5,000,000 if the business is an industrial or manufacturing business
20 or at least \$500,000 if the business is not an industrial or manufacturing
21 business; and

22 (2) The average hourly wage that will be paid by the new business to
23 its employees in this state is at least 100 percent of the average statewide
24 hourly wage as established by the employment security division of the
25 department of employment, training and rehabilitation on July 1 of each
26 fiscal year.

27 3. ~~HH~~ *Except as otherwise provided in NRS 361.0685, if* a partial
28 abatement from the taxes imposed by this chapter is approved by the
29 commission on economic development pursuant to NRS 360.750:

30 (a) The partial abatement must:

31 (1) Be for a duration of at least 1 year but not more than 10 years;

32 (2) Not exceed 50 percent of the taxes *on personal property* payable
33 by a business each year pursuant to this chapter; and

34 (3) Be administered and carried out in the manner set forth in
35 NRS 360.750.

36 (b) The executive director of the commission on economic development
37 shall notify the county assessor of the county in which the business is
38 located of the approval of the partial abatement, including, without
39 limitation, the duration and percentage of the partial abatement that the
40 commission granted. The executive director shall, on or before April 15 of
41 each year, advise the county assessor of each county in which a business
42 qualifies for a partial abatement during the current fiscal year as to whether
43 the business is still eligible for the partial abatement in the next succeeding
44 fiscal year.

45 **Sec. 4.** NRS 361.079 is hereby amended to read as follows:

46 361.079 1. *Except as otherwise provided in subsection 2, for any*
47 *assessment made on or after July 1, 1983, any value added by a qualified*
48 *system must be excluded from the assessed value of the building*
49 *regardless of the date the system was installed.*



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1 2. *Value added by a qualified system must not be excluded from the*
2 *assessed value of a commercial or industrial building during any period*
3 *in which the business that owns the commercial or industrial building is*
4 *receiving another abatement or exemption from the taxes imposed by this*
5 *chapter.*

6 3. As used in this section, "qualified system" means any system,
7 method, construction, installation, machinery, equipment, device or
8 appliance which is designed, constructed or installed in a residential,
9 commercial or industrial building to heat or cool the building or water used
10 in the building, or to provide electricity used in the building, by using:

11 (a) Energy from the wind or from solar devices not thermally insulated
12 from the area where the energy is used;

13 (b) Geothermal resources;

14 (c) Energy derived from conversion of solid wastes; or

15 (d) ~~[Water power,]~~ *Waterpower,*

16 which conforms to standards established by regulation of the department.

17 ~~[2. For any assessment made on or after July 1, 1983, any value added~~
18 ~~by a qualified system must be excluded from the assessed value of the~~
19 ~~building regardless of the date the system was installed.]~~

20 **Sec. 5.** NRS 374.357 is hereby amended to read as follows:

21 374.357 1. A person who maintains a business or intends to locate a
22 business in this state may, pursuant to NRS 360.750, apply to the
23 commission on economic development for an abatement from the taxes
24 imposed by this chapter on the gross receipts from the sale, and the storage,
25 use or other consumption, of eligible machinery or equipment for use by a
26 business which has been approved for an abatement pursuant to
27 NRS 360.750.

28 2. ~~HH~~ *Except as otherwise provided in subsection 3, if* an application
29 for an abatement is approved pursuant to NRS 360.750:

30 (a) The taxpayer is eligible for an abatement from the tax imposed by
31 this chapter for not more than 2 years.

32 (b) The abatement must be administered and carried out in the manner
33 set forth in NRS 360.750.

34 3. *If an application for an abatement is approved pursuant to NRS*
35 *360.750 for a facility for the generation of electricity from renewable*
36 *energy:*

37 (a) *The taxpayer is eligible for an abatement from the tax imposed by*
38 *this chapter for 2 years.*

39 (b) *The abatement must be administered and carried out in the*
40 *manner set forth in NRS 360.750.*

41 4. As used in this section, unless the context otherwise requires ~~it~~
42 ~~"eligible"~~:

43 (a) *"Biomass" means any organic matter that is available on a*
44 *renewable basis, including, without limitation:*

45 (1) *Agricultural crops and agricultural wastes and residues;*

46 (2) *Wood and wood wastes and residues;*

47 (3) *Animal wastes;*

48 (4) *Municipal wastes; and*

49 (5) *Aquatic plants.*



- 1 (b) "Eligible machinery or equipment" means :
- 2 (1) *If the business that qualifies for the abatement is not a facility*
- 3 *for the generation of electricity from renewable energy,* machinery or
- 4 equipment for which a deduction is authorized pursuant to 26 U.S.C. § 179.
- 5 The term does not include:
- 6 ~~(a)~~ (I) Buildings or the structural components of buildings;
- 7 ~~(b)~~ (II) Equipment used by a public utility;
- 8 ~~(c)~~ (III) Equipment used for medical treatment;
- 9 ~~(d)~~ (IV) Machinery or equipment used in mining; or
- 10 ~~(e)~~ (V) Machinery or equipment used in gaming.
- 11 (2) *If the business that qualifies for the abatement is a facility for*
- 12 *the generation of electricity from renewable energy, all the machinery*
- 13 *and equipment that is used in the facility to collect and store the*
- 14 *renewable energy and to convert the renewable energy into electricity.*
- 15 (c) "Facility for the generation of electricity from renewable energy"
- 16 means a facility for the generation of electricity that:
- 17 (1) *Uses renewable energy as its primary source of energy; and*
- 18 (2) *Has a generating capacity of at least 10 kilowatts.*
- 19 *The term includes all the machinery and equipment that is used in the*
- 20 *facility to collect and store the renewable energy and to convert the*
- 21 *renewable energy into electricity. The term does not include a facility that*
- 22 *is located on residential property.*
- 23 (d) "Fuel cell" means a device or contrivance which, through the
- 24 chemical process of combining ions of hydrogen and oxygen, produces
- 25 electricity and water.
- 26 (e) "Renewable energy" means a source of energy that occurs
- 27 naturally or is regenerated naturally, including, without limitation:
- 28 (1) Biomass;
- 29 (2) Fuel cells;
- 30 (3) Geothermal energy;
- 31 (4) Solar energy;
- 32 (5) Waterpower; and
- 33 (6) Wind.
- 34 *The term does not include coal, natural gas, oil, propane or any other*
- 35 *fossil fuel, or nuclear energy.*
- 36 **Sec. 6.** NRS 231.139 is hereby amended to read as follows:
- 37 231.139 1. The commission on economic development shall certify a
- 38 business for the benefits provided pursuant to NRS 704.223 if the
- 39 commission finds that:
- 40 (a) The business is consistent with the state plan for industrial
- 41 development and diversification and any guidelines adopted pursuant to the
- 42 plan;
- 43 (b) The business is engaged in the primary trade of preparing,
- 44 fabricating, manufacturing or otherwise processing raw material or an
- 45 intermediate product through a process in which at least 50 percent of the
- 46 material or product is recycled on site;
- 47 (c) Establishing the business will require the business to make a capital
- 48 investment of \$50,000,000 in Nevada; and



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- 1 (d) The economic benefit to the state of approving the certification
2 exceeds the cost to the state.
- 3 2. ~~The commission on economic development shall certify a business~~
4 ~~for the benefits provided pursuant to NRS 361.0685 if the commission~~
5 ~~finds that:~~
- 6 ~~—(a) The business is consistent with the state plan for industrial~~
7 ~~development and diversification and any guidelines adopted pursuant to the~~
8 ~~plan;~~
- 9 ~~—(b) Establishing the business will require the business to make a capital~~
10 ~~investment of \$15,000,000 in Nevada; and~~
- 11 ~~—(c) The economic benefit to the state of approving the certification~~
12 ~~exceeds the cost to the state.~~
- 13 ~~3.1~~ The commission on economic development may:
- 14 (a) Request an allocation from the contingency fund pursuant to NRS
15 353.266, 353.268 and 353.269 to cover the costs incurred by the
16 commission pursuant to this section and NRS 704.032.
- 17 (b) Impose a reasonable fee for an application for certification pursuant
18 to this section to cover the costs incurred by the commission in
19 investigating and ruling on the application.
- 20 (c) Adopt such regulations as it deems necessary to carry out the
21 provisions of this section.
- 22 **Sec. 7.** NRS 361.0785 is hereby repealed.
- 23 **Sec. 8.** 1. Except as otherwise provided in this section,
24 notwithstanding subsection 2 of section 9 of this act, if the commission on
25 economic development, during the period from July 1, 2001, through June
26 30, 2005, grants a partial abatement of tax pursuant to NRS 360.750 for a
27 facility for the production of electricity from renewable energy and the
28 partial abatement is for the tax imposed pursuant to:
- 29 (a) Chapter 361 of NRS, the duration of the partial abatement must be
30 10 years and the terms and conditions of the partial abatement must be as
31 set forth in NRS 361.0687, as amended by section 2 of this act.
- 32 (b) Chapter 374 of NRS, the duration of the partial abatement must be 2
33 years and the terms and conditions of the partial abatement must be as set
34 forth in NRS 374.357, as amended by section 5 of this act.
- 35 2. The provisions of subsection 1 do not prevent the commission on
36 economic development, the department of taxation or the Nevada tax
37 commission from exercising any enforcement authority provided by law to
38 ensure that the facility for which the abatement was granted continues to be
39 operated in a manner that is consistent with the terms and conditions
40 pursuant to which the abatement was granted.
- 41 3. As used in this section, "facility for the generation of electricity
42 from renewable energy":
- 43 (a) For the purposes of the partial abatement described in NRS
44 361.0687, has the meaning ascribed to it in section 2 of this act.
- 45 (b) For the purposes of the partial abatement described in NRS 374.357,
46 has the meaning ascribed to it in section 5 of this act.
- 47 **Sec. 9.** 1. This section and sections 1, 2 and 4 to 8, inclusive, of this
48 act become effective on July 1, 2001.
- 49 2. Sections 2 and 5 of this act expire by limitation on June 30, 2005.



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- 1 3. Section 3 of this act becomes effective on July 1, 2005.

TEXT OF REPEALED SECTION

361.0785 Exemption of property used as facility for production of electrical energy from solar energy.

1. Except as otherwise provided in this section, all property, both real and personal, is exempt from taxation as set forth in this section to the extent that the property is used as a facility for the production of electrical energy from solar energy.

2. Personal property exempted pursuant to subsection 1 may not receive an exemption for more than 10 consecutive years.

3. Real property exempted pursuant to subsection 1 may not receive an exemption for more than 20 consecutive years.

4. The provisions of this section do not apply to:

(a) Residential property; and

(b) Property that is used as a facility for the production of electrical energy from solar energy before July 1, 1997.

5. As used in this section, “facility for the production of electrical energy from solar energy” means a facility which uses solar energy as its primary fuel in the production of electricity. The term includes all the equipment in the facility used to collect, store and convert into electricity the energy derived from solar energy.

