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Work Session Document
Assembly Taxation Committee
April 1, 2003

AB 200—Provides for the sale to a private party of a tax lien against real property after taxes have been delinquent for one year. The prime sponsor and another proponent of the measure pointed out that the use of tax liens would provide revenue to local governments faster while also limiting their loss of revenue if the owner of property files for bankruptcy protection. At the same time, investors, while assuming certain risks, would gain access to a new investment option that could provide higher income than other investment alternatives. A county treasurer opposed the bill because of concerns that she would be pressured to sell tax liens, that it would add costs because of the additional paperwork burden, and that it could produce additional litigation. At least two county treasurers were most concerned about the additional interest that would be applied and their inability to waive interest and penalties in particular taxpayer hardship cases once the tax lien is sold.

The prime sponsor of the measure proposed a series of amendments to the bill that are attached. One key amendment eliminates the ability of the holder of the tax lien to apply for a deed to the property that is subject to the lien. If the committee chooses to process this bill, staff suggests the following amendments to correct certain language in sections 23 and 24 of the bill:

Amend section 23, page 15, by deleting lines 26 and 27, and inserting:

“real property against which a tax lien was sold in a manner that did not comply with the provisions of sections 2 to 13, inclusive, of this act.”

Amend section 24, page 15, line 36, by deleting “this section.” and inserting “NRS 541.230.”

AB 204—Proposes to triple the business license tax and cigarette tax and increase liquor taxes by 89 percent and the quarterly fees on restricted slots by 33 percent to provide additional state revenue during the April to June quarter. A spokesman for the Governor and the budget director explained the bill and indicated it was needed to shore up the state’s precarious fiscal condition in the event that a war with Iraq or another terrorist attack damages the state’s economy even further. The administration estimates the bill will raise about \$77.2 million during the three months; the fiscal division’s estimate is \$72.4 million. If state revenues continue to come in as expected for the remainder of the fiscal year, at least \$45 million of the revenues will be used to replenish part of an expected \$100 million appropriation from the state budget stabilization (rainy-day) fund. Staff presented several options that the committee could consider to reach this year’s ending fund balance requirement if the Legislature did not appropriate \$45 back to the rainy-day fund. These included a no tax option and several options that required less revenue than AB 204.

In a second day of testimony, several proponents made the same case as the administration, arguing that the only options beyond these tax increases were cuts to education and safety-net programs in the event the state economy declined once again. A couple of proponents argued that the cigarette tax increase was particularly important because it would discourage smoking and improve the health of some Nevadans.

The business community expressed various opinions on AB 204. Some rejected the bill on the grounds that the rainy-day fund was to be the bridge when there were temporary revenue shortfalls, and that raising taxes temporarily to replenish the fund was not logical. Some others supported partial increases in the taxes in AB 204, but generally expressed agreement that the tripling of the business license tax and the cigarette tax was excessive. The maximum acceptable increases expressed by some representatives for business and cigarette taxes were no more than double the current rates. There was little opposition to the liquor tax increases, except that the increases fall most heavily on the same segment of retailers as the other tax increases in AB 204. One small slot route operator suggested that the tax increase on restricted slots should be restructured to fall more heavily on major slot route operations and suggested a way to do that. A representative of slot route operators proposed that the increase in slot fees be limited to 25 percent rather than 33 percent.

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ASSEMBLY COMMITTEE ON TAXATION *13 pages*
DATE: 4/1/03 ROOM: 3148 EXHIBIT 5
SUBMITTED BY: TED ZUEND

AB 208—Authorizes a county to impose, with voter approval, a sales tax of up to one-quarter percent to pay for the operation and maintenance of a swimming pool. The bill applies only to counties with a population of less than 15,000. However, because the voters of White Pine County approved an advisory question on this matter at last November's general election, the bill would allow White Pine County to enact the tax without subsequent voter approval. The prime sponsor of the bill indicated that White Pine County was using a sales tax for this purpose because the property tax rate was already at the \$3.64 combined limit within the county.

A spokesman for the Department of Taxation **proposed an amendment to section 6 to make the act effective on July 1, 2003, rather than passage and approval**, so that the businesses in White Pine County can be properly notified of the increased tax and to allow proper administration of the tax for those businesses that file quarterly tax returns.

AB 229—This bill would increase the tax that a county of origin may impose on the transfer of water to another county in this state or to another state from \$6 per acre-foot per year to \$60 per acre-foot per year. Proponents of the measure argue that the \$6 figure is arbitrary and insufficient to get potential users of the water to bargain in good faith. The proponents also noted that the amount is very low compared to the amounts for water transfers that have been negotiated elsewhere in the West. Opponents argue that the \$60 figure is too high and is just as arbitrary as the \$6 figure. They note that the imposition of such a tax by a county of origin would discourage rather than encourage negotiations for the use of the water.

Both proponents and opponents offered amendments to the bill that are attached to this document. If the bill is processed further, staff suggests the following amendment to clarify the existing statutory language:

Amend section 1, page 1, by deleting lines 5 and 6, and inserting:

"another county in this state or in another state, the county of origin may impose a".

AB 339—Increases the business tax from \$25 to \$35 per full-time equivalent employee per quarter effective July 1, 2003. The prime sponsor pointed out that an increase in the tax was overdue and that it would help the state meet its revenue needs. He also noted that the tax is easy to administer and easily calculated by businesses and is not opposed by the construction industry. A spokesperson for the Nevada Taxpayers Association agreed with the sponsor and noted that her organization also supported this increase in the tax. The measure was opposed by a representative of the Progressive Leadership Alliance who noted her organization was supporting a broad-based business tax similar to that proposed by the Governor and believed that an increase in the business tax does nothing to broaden the tax base. If approved, the bill would increase General Fund revenues by about \$66 million for the upcoming biennium.

AB 342—Imposes a \$3 per night occupancy tax on the rental of a room by a transient lodging establishment. The prime sponsor of the bill noted that it could provide more than \$300 million for the General Fund during the 2003-2005 biennium. He believed it was a better alternative than many of the tax proposals being discussed this session. He pointed out that it is tax that is passed along to the visitor on the rental bill and that it is imposed in New Orleans, which competes directly with Las Vegas for conventions and tourists. Opponents of the bill include representatives of visitor bureaus, vacation companies and hotels, motels and resorts. They believed that it would discourage visitors and reduce Nevada's competitiveness during a time that the state is facing many challenges from increased competition and the effects of September 11. Property owners from areas outside Las Vegas pointed out that the flat rate occupancy tax could increase their effective room tax rates by 10 percentage points or more.

An amendment to AB 342 was proposed on behalf of the American Resort Development Association, which was not opposed to the bill, **to clarify the exemption for occupancy by owners of time-share interests**. That amendment is attached. **A second amendment was proposed** by businesses which rent rooms to tenants whose stays typically exceeds 28 consecutive days **to eliminate the need provided in Section 13 for a 28-day prepayment of the lodging costs to qualify for the exemption for consecutive periods exceeding 28 days**. The prime sponsor supports both amendments.

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AB 364—Authorizes the imposition of a one-cent per gallon gasoline tax by a city or county to be used to mitigate the impact of high-volume traffic on developed areas through various right-of-way improvements such as sound walls, sidewalks, crossing aids, etc. The prime sponsor of the bill noted that AB 364 would provide a potential source of revenue to local governments for such projects that does not now exist. A supporter of the bill also pointed out that the proceeds could be leveraged to secure Federal matching funds to construct the right-of-way improvements. Opponents of the measure included fuel dealers and suppliers. They objected to the potential addition of higher taxes on already high fuel prices. One opponent also objected to the earmarking of fuel tax revenue for specific purposes. A representative of the Department of Motor Vehicles indicated that the bill would have a fiscal effect on the department and that an unsolicited fiscal note had been prepared. That fiscal note has not reached the fiscal division as yet.

One person noted the difficulty of collecting the tax under the provisions of AB 364 because a single city could impose the tax. He suggested **amending the bill to either allow the option only at the county level or to have the tax collected at retail if the authority to levy the tax is left with a city.** The prime sponsor agreed that the bill would need to be amended to make the collection of the tax as administratively efficient as possible.

AB 366—Provides a \$2,000 exemption from the determined value of a vehicle for purposes of the governments services tax for a resident of Nevada who is on active duty in the Armed Forces but is required to live in another state because of that military service. The section also provides for indexing of the \$2,000 for inflation as measured by changes in the Consumer Price Index beginning in FY 2005-06. The prime sponsor of the bill and various supporters of the measure noted that granting an exemption is a fair and right thing to do to show of appreciation to those who serve their country in the military. One supporter of the bill also noted that Federal law exempts non-resident service members from being compelled to pay the taxes of the state where they are stationed. There was no opposition to the AB 366. The Department of Motor Vehicles submitted a fiscal note that estimated a revenue loss of between \$400,000 and \$1.6 million depending upon the number of residents on active duty who apply for the exemption.

An amendment, which is attached, was proposed to exempt any resident from the government services tax who is on active duty in the United State military. The amendment also proposes to expand the veterans' exemption (\$1,750 for next year) to cover all veterans regardless of the dates they served in the military if they were on active duty for at least 90 consecutive days and were honorably discharged.

AB 387—Reduces the rate of the Government Services Tax (GST) from 4 percent to 2 percent and increases certain other taxes and eliminates certain tax exemptions to replace the forgone revenues. The prime sponsor noted that the GST is one of the most disliked taxes in the state, and the tax on vehicles in Nevada is one of the highest in the nation. It would also provide a tax break to Nevada residents at a time other taxes are likely to be increased. There was only limited testimony on the bill due to time constraints. Representatives from the real estate industry voiced opposition to the 50 cent per \$500 of value (\$200 on a \$200,000 home) increase in the Real Property Transfer Tax contained in the bill. They argued that the tax would make it more difficult for first-time homebuyers to qualify for a loan and that it would hurt real estate sales in general. **The bill was to be further considered in a subcommittee.**

ATTACHMENTS

Amendments to AB 200

Delete underlined - Insert *italicized*

Page 2

Sec 4 sub 2. Line 21 The procedure must include *but is not limited to*:

Sec 5 sub 1. Line 34 The board of county commissioners may direct the county treasurer *The county treasurer may decide*

Sec 5 sub 1. (d) Line 44 The price for the tax lien established by the board treasurer is at least equal to the amount of the taxes, *penalties, costs and interest* which are delinquent for the parcel.

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Sec 6 sub 2. (b) Line 32 The rate of interest established by the board may not be less than 15 *10* percent per annum or more than 30 *20* percent per annum.

Page 5

Sec 9 sub 1. Line 1 county treasurer shall:

- (a) *collect the delinquent taxes pursuant to the remedies set forth in NRS 361.5648 to 361.730, inclusive, or*
- (b) send a notice

Sec 9 sub 1. Line 3 maintained by the county treasurer. The holder may *must*, within

sec 9 sub 2. (a) Lines 9 & 10 Delete all as it appears as (a) in sub 1.

Sec 9 Line 11 (b) The county treasurer may sell the tax lien to another person if the county treasurer is directed to do so by the board of county commissioners.

the county treasurer may sell a new tax lien. The buyer of the new tax lien must redeem any previously purchased lien.

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Sec 12 Line 15 of this act within 2 years after it is sold, the holder of the certificate of purchase may:

1. Commence an

the same time granted the county to collect the taxes set forth in NRS 361.5648 to 361.645, inclusive, may commence an action for the collection of the delinquent taxes, penalties, interest and costs pursuant to NRS 361.645 to 361.715, inclusive; or

2. File a written request with the county treasurer to receive a deed to the parcel of real property which is the subject of the tax lien.

Delete all of Section 13

Renumber sections appropriately

Delete all appearances of , if the board of county commissioners so directs. which follow section 13.

Define interest to be simple interest to be calculated annually on each certificate from the original date of issue.

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AB 229 Amendment

Proposed by the Southern Nevada Water Authority

Section 1. NRS 533.438 is hereby amended to read as follows:

533.438 1. Except as otherwise provided in subsection 4, if an appropriation of ground water pursuant to a permit to appropriate ground water results in the transfer to and beneficial use of water in a county in this state other than the county in which the water is appropriated or in another state, the county of origin may impose a tax of ~~15¢~~ ~~\$60~~ \$6 per acre-foot per year on the transfer. *The county of origin may further negotiate with parties for other compensation and may enter into interlocal agreements pursuant to NRS 277 to arrange for other benefits that would accrue to the county of origin which facilitates the development of water resources in the county from which it is appropriated.*

2. A county of origin shall not impose a tax pursuant to subsection 1 without the prior approval of the State Engineer. The county of origin shall notify the State Engineer in writing of its intent to impose the tax. The State Engineer shall review the notice of intent to impose the tax to determine:

(a) Whether the appropriation of ground water pursuant to the permit specified in subsection 1 results in a transfer to and beneficial use of water in a county in this state other than the county of origin or in another state; and

(b) The amount of water, if any, that is:

(1) Subject to the proposed tax because of that transfer and beneficial use; or

(2) Not subject to the proposed tax pursuant to subsection 4.

3. Within 30 days after reviewing the notice of intent to impose the tax, the State Engineer shall send a written notice to the county of origin that includes the results of his review. If the State Engineer determines that the appropriation of ground water pursuant to the permit results in a transfer to and beneficial use of water in a county in this state other than the county of origin or in another state, the State Engineer shall include in the notice the amount of water that is subject to the proposed tax. The county may, upon such a determination, impose the tax on the transfer.

4. A tax may not be imposed pursuant to this section on water that is appropriated and beneficially used pursuant to a permit to appropriate ground water which is issued for a point of diversion and a place of beneficial use in the county of origin and which, after the water is diverted and beneficially used, is discharged or migrates into a county in this state other than the county of origin or into another state.

5. All money collected from a tax imposed pursuant to this section must be deposited in a trust fund for the county. The principal and interest of the trust fund may be used by the county only for the purposes of economic development, health care and education.

6. For the purposes of this section, if a basin includes land lying in more than one county, each county any part of whose land is included is a county of origin to the extent of the proportionate amount of water transferred from it. The State Engineer shall determine the respective proportions.

7. As used in this section:

(a) A "basin" is one designated by the State Engineer for the purposes of chapter 534 of NRS.

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- Imputed Property Tax
 - Assume \$5,000/ac.ft. value
 - Assessed value is \$1,666
 - Property tax equivalent = $(\$3.64/100) \times \$1,666 = \$60.64/\text{ac.ft.}$

Closing Thoughts

- Is the fee provided for in NRS 533.438 really a tax or a fee?
- If a tax, can it be imposed upon a tax exempt entity (i.e. a county, city, water authority or water district)?
- What about inflation? If not regularly adjusted to account for inflation, the value of the revenue stream made possible through NRS 533.438 diminishes each year? Current NRS authorizes annual real property tax revenue increase by local governments of up to 6 percent to reflect inflation.
 - Arizona Water Banking Authority fees paid to Salt River Valley Water Users Assn. are increased by 3 percent annually
 - Duke Energy fees to City of Clovis are adjusted annually by the Consumer Price Index, but never will fall below the original base amount

Suggested Amendments to AB 229

- Change all reference in the bill from tax to fee.
- Provide mechanism for annual adjustment of fee to account for inflation.
- Assess fee on a per 1,000 gallon basis, measured by a flow meter.

For Additional Info. Contact:
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Marcia De Brega

Section 1. Chapter 371 of NRS is hereby amended by adding thereto a new section to read as follows:

- 1. A vehicle registered by any actual bona fide resident of the State of Nevada who is on active duty in the Armed Forces of the United States is exempt from governmental and supplemental services tax.*
- 2. Before allowing any exemption pursuant to the provisions of this section, the Department shall require such proof of the status of the applicant as may be necessary to determine his qualifications for the exemption. After the department determines that the person is entitled to the exemption, the department shall annually grant the exemption for vehicles registered by that person until the department determines that the person is no longer entitled to the exemption.*
- 3. If any person files a false affidavit or produces false proof to the Department, and as a result of the false affidavit or false proof a tax exemption is allowed to a person not entitled to the exemption, he is guilty of a misdemeanor.*
- 4. If a vehicle ceases to be exempt from taxation after the beginning of a registration year, the amount of the tax otherwise due will be reduced by 1/12 for each month that has elapsed since the beginning of the year.*

Sec. 2. NRS 371.1035 is hereby amended to read as follows: Exemption of a vehicle registered to veteran. Vehicles to the extent of \$2000 determined valuation, registered by any actual bona fide resident of the State of Nevada who:

- (a) has served a minimum of 90 continuous days active duty, none of which was for training purposes, *OR*
- (b) Has served on active duty in connection with carrying out the authority granted to the President of the United States

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in Public Law 102-1 and who received, upon severance from service, an honorable discharge or certificate of satisfactory services from the Armed Forces of the United States, is exempt from taxation.

2-38 (a) Pay to the Department all or any portion of the amount by
2-39 which the tax would be reduced if he claimed his exemption;
and

2-40 (b) Direct the Department to deposit that amount for credit to
2-41 the Veterans' Gift Account established pursuant to NRS
417.145.

2-42 2. Any person who wishes to waive his exemption pursuant
to

2-43 this section shall designate the amount to be credited to the
Account

2-44 on a form provided by the Department.

3-1 3. The Department shall deposit any money received pursuant
3-2 to this section with the State Treasurer for credit to the Veterans'
3-3 Home Account established pursuant to NRS 417.145. The State
3-4 Treasurer shall not accept:
3-5 (a) For Fiscal Year 2001-2002, more than a total of \$1,250,000;
3-6 (b) For Fiscal Year 2002-2003, more than a total of \$1,500,000;
3-7 and
3-8 (c) For Fiscal Year 2003-2004, more than a total of
3-9 \$1,750,000,
3-10 for credit to the Account pursuant to this section and NRS
3-11 361.0905
3-12 during any fiscal year.
3-13 **Sec. 3.** NRS 371.1035 is hereby amended to read as follows:
3-14 371.1035 1. Any person who qualifies for an exemption
3-15 pursuant to NRS 371.103 *or section 1 of this act* may, in lieu of
3-16 claiming his exemption:
3-17 (a) Pay to the Department all or any portion of the amount by
3-18 which the tax would be reduced if he claimed his exemption;
3-19 and
3-20 (b) Direct the Department to deposit that amount for credit to
3-21 the Veterans' Home Account established pursuant to NRS
3-22 417.145.
3-23 2. Any person who wishes to waive his exemption pursuant
3-24 to this section shall designate the amount to be credited to the
3-25 Account
3-26 on a form provided by the Department.
3-27 3. The Department shall deposit any money received
pursuant
to this section with the State Treasurer for credit to the Veterans'
Home Account established pursuant to NRS 417.145. The State
Treasurer shall not accept more than a total of \$2,000,000 for
credit
to the Account pursuant to this section and NRS 361.0905
during

J9413

3-28 any fiscal year.

3-29 **Sec. 4.** NRS 371.105 is hereby amended to read as follows:

3-30 371.105 ~~{Claims}~~ *Except as otherwise provided in NRS*

3-31 *371.103 and section 1 of this act, claims* pursuant to NRS
371.101,

3-32 371.102, 371.103 or 371.104 *or section 1 of this act* for tax

3-33 exemption on the governmental services tax and designations of
any

3-34 amount to be credited to the Veterans' Home Account pursuant
to

3-35 NRS 371.1035 must be filed annually at any time on or before
the

3-36 date when payment of the tax is due. All exemptions provided
for in

3-37 this section must not be in an amount which gives the taxpayer a

3-38 total exemption greater than that to which he is entitled during
any

3-39 fiscal year.

3-40 **Sec. 5.** NRS 371.106 is hereby amended to read as follows:

3-41 371.106 1. Whenever any vehicle ceases to be exempt from

3-42 taxation under NRS 371.101, 371.102, 371.103 or 371.104 *or*

3-43 *section 1 of this act* because the owner no longer meets the

3-44 requirements for the exemption provided in those sections, its
owner

3-45 shall immediately notify the Department of the fact.

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4-1 2. If a person fails to notify the Department as required by
4-2 subsection 1 and as a result of such failure is allowed a tax
4-3 exemption to which he is not entitled, there ~~[shall]~~ **must** be added
to

4-4 and collected with the tax otherwise due a penalty equal to
double

4-5 the amount of the tax. If the person's failure is fraudulent and
results

4-6 in his receiving a tax exemption to which he is not entitled, the
4-7 person is also guilty of a gross misdemeanor.

4-8 **Sec. 6.** 1. This section and sections 1, 2, 4 and 5 of this act
4-9 become effective on July 1, 2003.

4-10 2. Section 3 of this act becomes effective on July 1, 2004.

4-11 3. Section 2 of this act expires by limitation on June 30,
2004.

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PROPOSED AMENDMENTS TO AB 342

(March 24, 2003)

Proposed amendment submitted by:

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On behalf of the American Resort Development Association

Purpose: To clarify the exemption for occupancy by owners of time share interests.

Amend Section 4:

Sec. 4. 1. "Transient lodging establishment" means any establishment that is kept, used or maintained as, or held out to members of the public to be, a place where sleeping or rooming accommodations are furnished to temporary or transient paying guests.

2. Except as otherwise provided in subsection 3, the term includes, without limitation:

- (a) Hotels.
- (b) Motels.
- (c) Time-share projects, except when an owner of a ~~{unit}~~ *timeshare interest* in ~~{the}~~ *a* time-share project who has a right to use or occupy ~~{the}~~ *a* unit is occupying ~~{the}~~ *a* unit pursuant to a time-share instrument as defined in NRS 119A.150 *or a program for the exchange of occupancy rights pursuant to NRS 119A.590.*

- (d) Apartment hotels.
- (e) Vacation trailer parks.
- (f) Campgrounds.
- (g) Parks for recreational vehicles.
- (h) Any other establishment that rents rooms or spaces, or both, to temporary or transient paying guests.

Add New Section 33:

Section 33. NRS 244.33565 Taxes on revenues from rental of transient lodging: Adoption of ordinance defining "transient lodging." 1. Each board of county commissioners shall adopt an ordinance that defines the term "transient lodging" for the purposes of all taxes

imposed by the board on the rental of transient lodging. The ordinance must specify the types of lodging to which the taxes apply.

2. The definition adopted by the board may include rooms or spaces in any one or more of the following:

- (a) Hotels;
- (b) Motels;
- (c) Apartments;
- (d) Time-share projects, except when an owner of a ~~[unit]~~ *timeshare interest* in ~~[the]~~ *a* time-share project who has a right to use or occupy ~~[the]~~ *a* unit is occupying ~~[the]~~ *a* unit pursuant to a time-share instrument as defined in NRS 119A.150 *or a program for the exchange of occupancy rights pursuant to NRS 119A.590*;
- (e) Apartment hotels;
- (f) Vacation trailer parks;
- (g) Campgrounds;
- (h) Parks for recreational vehicles; and
- (i) Any other establishment that rents rooms or spaces to temporary or transient guests.

3. The board may provide one or more different definitions pursuant to subsection 1 for different jurisdictions within the county in which the taxes are collected. Unless the governing body of the governmental entity that collects the taxes consents by majority vote to a change, each definition must be consistent with the past practices of the specific jurisdiction in which the taxes are collected.

(Added to NRS by 1997, 1266)