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K. Pearl

Assembly Committee on Taxation
Prepared Testimony of Karen Pearl,
Executive Director
Nevada Telecommunications Association

Dated: May 1, 2003

RE: Assembly Bill 281 – Imposes and increases certain taxes and fees and make various changes to provide additional state revenue and to stabilize revenue base of state (BDR 32-756)

Good afternoon Chairman Parks, Members of the Committee:

My name is Karen Pearl. I am the Executive Director for the Nevada Telecommunications Association. I appreciate the opportunity to testify today regarding A.B. 281 on behalf of Nevada's 13 local telephone companies.

The Nevada Telecommunications Association does not take a position on the general taxation provisions of A.B. 281 at this time. I am here today specifically to address Sections 8 and 11, which would have unfair negative impacts on our local telephone companies in the event this legislation is enacted in its current form.

SECTION 8.2(b) SHOULD BE AMENDED TO APPLY TO TELECOMMUNICATIONS, AS WELL AS TO ELECTRIC, GAS, WATER AND SEWER UTILITIES.

Section 8.2(b) states that gross receipts do not include any operating revenues for the provision of electric, gas, water or sewer service. The Nevada Telecommunications Association does not object to the application of this provision to

the types of utilities listed. However, this Association does object to the exclusion of telecommunication utility service from this provision.

It is particularly important that state law take a consistent approach to the application of proposed taxes to various types of utilities, because local laws already do so. For example, many Nevada cities and counties already apply gross receipts-type taxes to all types of public utilities, including telecommunications utilities such as Sprint of Nevada and SBC/Nevada Bell. Such taxes are imposed on utilities today in compliance with Nevada Revised Statute (NRS) 354, by Clark County, the City of Las Vegas, Washoe County, and the cities of Reno and Sparks, among others.

It would be grossly unfair to single out local telephone companies as the only type of utility subject to both the existing local gross receipts taxes and the proposed new state taxes. Therefore, A.B. 281 Section 8.2(b) should be amended to take a consistent approach to the application of this proposed tax.

The Nevada Telecommunications Association urges the Committee to include telecommunications utilities in Section 8.2(b). In the alternative, Section 8.2(b) could be amended to read:

"Section 2. "Gross receipts" does not include:...

(b) Any operating revenue of a public utility. ~~for the provision of electric, gas, water or sewer service."~~ ...

Such an amendment would clarify that Section 8.2(b) applies equally to all utilities regulated by the Public Utilities Commission of Nevada ("PUCN"), regardless of the type of utility service they provide.

SECTION 11 SHOULD BE AMENDED TO CLARIFY THAT SUCH TAXES, IF APPROVED, MAY BE INCLUDED AS OPERATING EXPENSES IN UTILITY RATE CASES.

Section 11 of A.B. 281 states that no business entity may pass the proposed taxes on to its customers. The Nevada Telecommunications Association seeks clarification of this provision. Under long-standing, existing statute and regulations of the PUCN, utilities should include federal, state and local taxes as part of the operating expenses, which are recovered in the utility's rates. This Association seeks clarification of Section 11 stating that this provision does not prohibit inclusion of the proposed taxes in operating expense data submitted by a public utility to the PUCN in a general rate case. Moreover, the Association asks that companies under plans of alternative regulation authorized by the PUCN or those companies that do not regularly file for generate rate cases, should be allowed under the statute to pass through these types of fees in tarified charges, in the same way that local franchise fees are treated today.

Thank you very much for this opportunity to present the testimony of the Nevada Telecommunications Association on A.B. 281. I make myself available for any questions or comments you may have.