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Bill Explanation

SENATE BILL 495
Assembly Committee on Taxation
Hearing: May 29, 2003

Summary: **Makes various changes to Consolidated Local Improvements Law. Section 20** makes the act effective July 1, 2003.

Preamble: Expresses legislative intent that the bill is designed to assist in economic development and tourism and not for any other purpose.

Section 1: Adds sections 2 to 7, inclusive, of the bill to chapter 271 of NRS (Consolidated Local Improvements Law).

Section 2 and 3:
Define "art project" and "tourism and entertainment project" for the purposes of chapter 271 of NRS (Consolidated Local Improvements Law).

Section 4: Authorizes the governing body of a municipality in a county whose population is less than 400,000 to include in an assessment ordinance for an improvement project the pledge of not more than 75 percent of the sales and use taxes collected on the sales or use of tangible personal property in the improvement district, after deducting 0.75 percent of the amount of the proceeds as a collection allowance for the state.

Provides that before sales and use tax revenues can be pledged in an assessment ordinance, the governing body of a municipality in which the district is located must determine that no retailers have maintained a fixed place of business in the district during the fiscal year until the ordinance is adopted. Also requires the board of county commissioners of the county to determine that retailers will locate their businesses in the district and a substantial increase in sales and use tax collections will result. The board must determine that a preponderance of the increased sales and use tax revenues will be attributable to transactions with tourists. The Commission on Tourism must concur in the board's determination, and the Governor must determine that the project and the pledge of sales and use tax revenues will contribute significantly to economic development and tourism in the state. Before making his determination, the Governor must consider the impact of the pledge of money on school finances and, if the adverse fiscal effect is substantial, provides that the Governor may require the municipality to provide payments to the school district to offset those impacts.

Imposes a reasonableness standard on determinations made by the board of county commissioners regarding the creation of a district by a municipality and authorizes an appeal to the Commission on Tourism.

Section 5: After an assessment ordinance is adopted, the governing body of the municipality and the Department of Taxation must enter into an agreement regarding the procedures for distribution to the municipality of the amounts pledged. The distributions must made at least each calendar quarter and must cease once all assessments imposed pursuant to the assessment ordinance have been paid in full.

Section 6: After an assessment ordinance has been adopted pursuant to section 4 of the bill, the municipality may enter into an agreement with an owner of property in the improvement district whereby the owner would agree to make payments to the municipality or another local government that provides services to the district. The payments would defray all or a portion of the costs of local government service during the term of the pledge authorized pursuant to section 4 of the bill.

Prohibits a municipality from entering into such an agreement unless it is determined that the project and the assessment of property within the district will not have a positive effect on the provision of local government services after determining the amount of taxes expected to be received from the project, the use of the pledged funds and any increases in the costs of services as a result of the project and the development of land within the district.

Requires the municipality proposing the district to obtain and consider comments from the board of trustees of the affected school district before making a determination regarding the fiscal effect of the provision of local governmental services.

Section 7: If an assessment ordinance is adopted pursuant to section 4 of the bill, prohibits securing the bonds by a pledge of the taxing power or general fund of the municipality.

Section 8: Adds sections 2 and 3 to the list of definitions applicable to chapter 271 of NRS.

Section 9: Adds an art project or a tourism and entertainment project to the projects that can be maintained by a municipality pursuant to chapter 271 of NRS if the governing body of the municipality complies with the provisions of section 4 of the bill.

Section 10: Provides that sales and use tax revenues pledged pursuant to section 4 of the bill constitute revenues for the purposes of provisions relating to revenues and assessments for improvement projects.

Section 11: Requires the governing body of a municipality to remit an unused portion of a credit from an individual assessment to the State Controller for distribution to the county school district fund, the State General Fund or another appropriate fund as provided in subsection 2 of section 12.

Section 12: Requires the State Controller to remit to the governing body of a municipality that has adopted an assessment ordinance pursuant to section 4 of the bill the amount of the proceeds that were pledged pursuant to the ordinance.

If additional sales and use taxes are collected in the district that are not needed to pay assessments in the year in which the payments are received, provide that the additional taxes must be distributed to the county school fund to the extent the funds would have been credited to the school fund if the provisions of the bill were not effective. If tax funds are still remaining, they should be distributed to the State General Fund to the extent the funds would have been credited to the General Fund if the provisions of the bill were not effective. If funds still remain, the remainder should be distributed to the other funds and accounts that they would have been distributed to had the provisions of the bill not been in effect.

Authorizes the Nevada Tax Commission to adopt regulations necessary to carry out the provisions of the bill.

Section 13: Provides that the amounts required to be remitted to a municipality pursuant to section 12 of the bill must not be included in determining the state's collection allowance for the Local School Support Tax or the transfer of the proceeds of that tax to the Distributive School Account.

Section 14: Provides that the amounts required to be remitted to a municipality pursuant to section 12 of the bill must not be included in determining the state's collection allowance for the City-County Relief Tax and Supplemental City-County Relief Tax.

Section 15: Provides that the amounts required to be remitted to a municipality pursuant to section 12 of the bill must not be included in determining the distribution of City-County Relief Tax revenues to the counties.

Section 16: Provides that the amounts required to be remitted to a municipality pursuant to section 12 of the bill must not be included in determining the distribution of Supplemental City-County Relief Tax revenues to the counties.

Section 17: Excludes from the local funds available for school funding the amounts required to be remitted to a municipality pursuant to section 12 of the bill.

Section 18: Delays the effective date for distributions under the bill until July 1, 2005, to provide the Department of Taxation with the opportunity to create a system for making distributions as required by the bill.

Section 19: Requires the submission of a report to the 2007 Legislature by any municipality that pledges revenues pursuant to the bill.