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

Dated: March 18, 2003

RE: Senate Bill 238 – Provides revenue in support of State Budget

Good afternoon Chairman McGinness, 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 S.B. 238 on behalf of Nevada's 13 local telephone companies. I will provide the record with a map of our company locations, as well as copies of my prepared statement, so the members can see where each of our member companies serve the public in this state.

The Nevada Telecommunications Association does not take a position on the general taxation provisions of S.B. 238 at this time. Instead, I am here today to address Sections 11 and 19, which would have unfair negative impacts on our local telephone companies in the event this legislation is enacted in its current form.

SECTION 19(5) SHOULD BE AMENDED TO APPLY TO TELECOMMUNICATION UTILITIES, AS WELL AS TO ELECTRIC, GAS, WATER AND SEWER UTILITIES.

Section 19 (5) allows public utilities to deduct operating revenues for the provision of electric, gas, water or sewer service, from their gross receipts in calculating

their tax liability. 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 operating revenues 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, SB 238 should be amended to take a consistent approach to application of this proposed tax to different types of public utilities.

The Nevada Telecommunications Association urges the Committee to include telecommunications utilities in Section 19 (5). In the alternative, Section 19(5) could be amended to read:

"Section 19. In calculating the tax liability of a business entity pursuant to this chapter, the business entity is entitled to deduct from its gross receipts:...

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

Such an amendment would clarify that Section 19(5) applies equally to all utilities regulated by the Public Utilities Commission of Nevada ("PUC-N"), 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 S.B. 238 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 PUC-N, 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 PUC-N in a general rate case. Moreover, the Association asks that companies under plans of alternative regulation authorized by the PUC-N 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 tariffed charges, in the same way that local franchise fees are treated today.