MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON GROWTH AND INFRASTRUCTURE
AND THE
SENATE COMMITTEE ON TAXATION

Seventy-Third Session
March 25, 2005

The Joint Assembly Committee on Growth and Infrastructure and the Senate Committee on Taxation reconvened and called to order at 10:52 a.m., on Friday, March 25, 2005. Chairman Richard Perkins presided in Room 4100 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Richard Perkins, Chairman
Ms. Chris Giunchigliani, Vice Chairwoman
Ms. Francis Allen
Mr. Bernie Anderson
Mr. Tom Grady
Mr. Lynn Hettrick
Mrs. Marilyn Kirkpatrick
Ms. Sheila Leslie
Mr. Harry Mortenson
Mr. David Parks
Ms. Peggy Pierce
Mr. Scott Sibley
Ms. Valerie Weber

SENATE COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chairman
Senator Sandra Tiffany, Vice Chairwoman
Senator Terry Care
Senator Bob Coffin
Senator John Lee
Senator Dean A. Rhoads
Senator Randolph J. Townsend

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman Kelvin Atkinson, Assembly District No. 17, Clark County
Assemblywoman Barbara Buckley, Assembly District No. 8, Clark County
Assemblyman John C. Carpenter, Assembly District No. 33, Elko, Humboldt (part)
Assemblyman Jerry Claborn, Assembly District No. 19, Clark County
Assemblyman Marcus Conklin, Assembly District No. 37, Clark County
Assemblyman Mo Denis, Assembly District No. 28, Clark County
Assemblywoman Heidi Gansert, Assembly District No. 25, Washoe County
Assemblywoman Susan Gerhardt, Assembly District No. 29, Clark County
Assemblyman Pete Goicoechea, Assembly District No. 35, Churchill (part), Eureka, Humboldt (part), Lander (part), Pershing, Washoe (part), White Pine
Assemblyman Joe Hardy, Assembly District No. 20, Clark County
Assemblyman Joseph Hogan, Assembly District No. 10, Clark County
Assemblyman William Horne, Assembly District No. 34, Clark County
Assemblyman Mark Manendo, Assembly District No. 18, Clark County
Assemblyman John W. Marvel, Assembly District No. 32, Humboldt (part), Lander (part), Washoe (part)
Assemblyman Bob McCleary, Assembly District No. 11, Clark County
Assemblyman Harvey Munford, Assembly District No. 6, Clark County
Assemblyman John Oceguera, Assembly District No. 16, Clark County
Assemblywoman Bonnie Parnell, Assembly District No. 40, Washoe (part), Carson City (part)
Assemblyman Bob Seale, Assembly District No. 21, Clark County
Assemblywoman Debbie Smith, Assembly District No. 30, Washoe County
Senator William Raggio, Washoe County Senatorial District No. 3
Senator Dina Titus, Clark County Senatorial District No. 7

STAFF MEMBERS PRESENT:

Susan Scholley, Committee Policy Analyst
Russell Guindon, Deputy Fiscal Analyst
Chris Jantzen, Deputy Fiscal Analyst
Linda Utt, Assembly Committee Manager
James Cassimus, Assembly Committee Attaché
Tanya Morrison, Senate Committee Attaché

OTHERS PRESENT:

Lorraine Hunt, Lieutenant Governor, State of Nevada

Chairman Perkins:
[Meeting called to order.] The purpose of our reconvening was to go over a proposed bill draft on property tax relief. It has taken a number of ideas from many of the current concerns that have been raised. Assemblywoman Buckley and Assemblyman Hettrick will present these ideas to the Committee.

Senator McGinness:
I would like to indicate that a lot of work has gone into this bill draft. It has truly been a bipartisan effort. With the tremendous amount of work, staff cannot be commended enough. This was a joint work in progress. The fact that we have a Republican and a Democrat at the table to present this shows how bipartisan this has been.

We wanted to do this today so that we have an opportunity to look this over on the weekend and come back to us by 9 a.m. Monday morning to discuss any big changes that we have to effect.

Chairman Perkins:
I want to echo the sentiment that this has been a bipartisan effort. If there is some agreement between the Committees and we have a bill draft request for introduction, it will be important because we have a great sense of urgency to get this done and allow as much input as possible.

Assemblywoman Barbara Buckley, Assembly District No. 8, Clark County:
I am pleased to be here with Assemblyman Hettrick. If we were to have all those who worked on this over the past several weeks, we would have at this table Senator Raggio, Senator Townsend, our cochairs Senator McGinness and Speaker Perkins, Senator Titus, and all the members of this Joint Committee—Assembly Growth and Infrastructure and Senate Taxation. It truly has been a joint effort to get through all these drafts to solve the problem for all of our constituents in regard to the staggering market dynamics which have caused this spike in assessed valuation.

This BDR that we are presenting is fairly simple. I would like to walk through it in a few steps as it is set forth in BDR 32-1383 (Exhibit B).

[Assemblywoman Buckley, continued.] The first section is a declaration setting forth the conditions that have brought us to this point, of which this Committee is well aware. With our population increase, with the market dynamics leading to an extreme rise—some up to 300 percent—in land values, we are seeing increases that we have never seen before in this state. It also mentions the rubric that we have to work within our *Constitution*.

We have two very separate and distinct constitutional provisions under which we operate: the "uniform and equal" mandate, which requires us to provide equity, uniformly and equally, with regard to property taxes; and the constitutional language which says that for owner-occupied residence with severe economic hardships, the Legislature can do more. That's what the bill proceeds to do.

In Section 3, it provides that owner-occupied residences will not see an increase in their tax bill by more than 3 percent. On page 3, Section 3, lines 1 and 2, it references the specific that the Legislature finds that an increase by more than that amount would constitute a severe economic hardship within the meaning of subsection 10 of Section 1 of Article 10 of the *Nevada Constitution*. It then proceeds that the Legislature would provide for a direct abatement—not a deferral but a forgiveness—for that amount which would exceed that 3 percent. The definitions are set forth to mirror the constitutional provision.

Section 4 goes on to provide uniform, broad-based relief for everyone who is not entitled to the extra relief allowed by virtue of being an owner-occupied residence. That relief is a partial abatement of taxes. The formula is set forth on page 6 in paragraphs (a) and (b). Specifically in paragraph (b), subsection 1, on page 6, you look at a 10-year historical average, any increase over that historic rate will be abated. We see overall significant relief as demonstrated by our chart ["Property Tax Impact Analysis and Cap Analysis" (Exhibit C)] for everyone who is seeing spikes in their assessed valuation and in their taxes.

We have a special section we call our rural protector, which Mr. Hettrick will outline. It is covered in the number 2 section under paragraph (b) on page 6. It allows the Nevada Tax Commission to adopt regulations.

Section 5 is just a protector section which Legal is continuing to define. The entire intent of that statute is to say that nothing we can do can impair a bonding contract bid that was entered into. John Swendseid [Swendseid &

Stern, Reno, Nevada, bond counsel for the State of Nevada] and the other bonding counsel have been working with Legal to make sure this doesn't impair any of our contracts and our bonding.

[Assemblywoman Buckley, continued.] Section 7 goes on to appoint a committee to conduct an interim study. This proposal, this bill, is permanent. It is not transitory language. It is permanent relief, but as we all know, whenever the Legislature is in session, nothing is permanent. This would allow us to have a study to make sure that we are doing the right thing, see if there could be any additional changes that we were not able to accomplish in our short time frame, and to make recommendations to the next Legislature.

The last section is our severability to provide protection; if any portion of it is held unconstitutional, that decision would not affect the validity of the rest of the portion.

To the Cochairman and the Committee, this is a proposal that takes advantage of our severe economic hardship provision to direct relief to the residences, the folks who are seeing the spikes in value. It then brings down the rates to the historic level—it is basically a spike buster. Instead of having to deal with the spikes of the market, we are averaging it for 10 years. Everybody gets a spike buster and all the residences see a known amount, a quantity to explain, to ensure that their biggest investment of their life, their home, isn't taken away from them by increased property taxes.

Assemblyman Lynn Hettrick, Assembly District No. 32, Carson City (part), Douglas, Washoe (part):
I am pleased to be here and have the opportunity to work with everybody on some kind of a solution that is equitable as we can be and not break the bank at the same time. We have to realize that no matter what we do, we are impacting counties, the DSA [Distributive School Account], and every taxing district in the state. We have to be as reasonable as we could be and still provide relief for the taxpayers of this state who are experiencing unexpected spikes that are severe.

I do want to cover how we handle some of the rural counties. If you look at that spreadsheet chart (Exhibit C) that shows the impact on the various taxing districts, you will notice that many of the small counties are experiencing a decrease in assessed value.

[Assemblyman Hettrick, continued.] If we use the non-residential portion of this formula and strike that 10-year historical average for those counties, many of them could be at zero or even a negative number, which would cap their taxes at a negative number. Obviously, that can't be done. What has been done here on page 6 (Exhibit B) in paragraph (b), subsection 2, it says, "Twice the percentage of increase in the Consumer Price Index (All Items) for the immediately preceding calendar year." The line below that is "whichever is greater," which mandates the use of that. What you are going to do in these counties that might have had a negative is increase their CPI [Consumer Price Index]. You are going to have a lot of growth according to the current CPI of 5.4 percent for non-residential. Residential would remain capped at 3 percent across the state for all residential property that would be taxed.

This is an effort to allow business growth in the rural counties and not stifle their revenues so much that the exporter counties would have to make it up. This is a change for them to pay their own bills. Ms. Buckley covered how the rest of the bill works and what it does. It is fairly simple. It was just a matter of agreeing on what could be done and the numbers that made sense.

Chairman Perkins:
We had this discussion yesterday that the previous proposal was a cap of up to a particular value of the home and then the higher cap for above that. There is no threshold in this bill. All owner-occupied residences are treated the same. Is that correct?

Assemblywoman Buckley:
Yes, that is correct.

Assemblyman Grady:
Lynn [Hettrick], we have had this conversation before—and you are the numbers person—but if you take a county like Eureka or Lander where they do not have a great deal of commercial properties to add the "two-times," do the figures show that can make up that revenue?

Assemblyman Hettrick:
We do not have the projected revenue increases from all other sources for those counties. I would point out to you that this has no impact on Consolidated Tax

distribution, on centrally assessed tax distribution, other than there is a cap that applies to all businesses. They are going to get the increase in revenue from all of those things. If there is an increase in revenue, they do have small sales tax. They'll get whatever the increase in sales tax is; whatever gaming tax they have, they get that; cigarette and liquor, whichever of those they have, they get all of those things. The DSA is automatically made up by the State of Nevada. That will be whole no matter what. I haven't seen the numbers for each county to tell you individually, by county, that they will make it up.

[Assemblyman Hettrick, continued.] However, when you look at the negative ones, you'll see a number that says, "The county is going to lose about $603,000"; that's one of the small counties. But then you go over to "What happens if we do absolutely nothing?" they are going to lose about $895,000 if we do nothing, because assessed value is going down across that county.

There is no perfect solution. We can only do this within the limits of what we are allowed to do. It makes sense to have some kind of a fund that the counties could apply to, to make sure that if we have unintended consequences that we'd have some way to address that concern. That's up to this Legislature in regard to where we go there.

Chairman Perkins:
Correct me if I'm wrong, Mr. Hettrick, but I think as we've looked at various charts, this approach—having to be applied equally throughout all 17 counties—has the least negative impact on the rural counties compared to other options we've had available to us.

Assemblyman Hettrick:
It has the least impact of the charts that I have seen. We could say that a chart at a higher number would have less impact. But in terms of numbers that seem to generate the most support, this has the least impact on the smaller counties.

Senator Tiffany:
When all of these iterations were taking place, because I was not part of that, did you look at having commercial handled the same as residential with the 3 percent cap?

Assemblyman Hettrick:
Yes, we looked at applied caps of various numbers.

Senator Tiffany:
You looked at the commercial being treated the same as residential?

Assemblyman Hettrick:
Yes.

Senator Tiffany:
Did you run numbers on that?

Assemblyman Hettrick:
Yes.

Senator Tiffany:
Then, can you tell me how you came to the conclusion that you should treat them—I call it a split-roll—commercial different than residential? What was the justification?

Assemblyman Hettrick:
The determining factor when we got done was that we were trying to apply as much relief as possible to residential. Under the clause of the *Constitution*, we are allowed to do that. At the same time, we had to recognize that business was going to see the same kind of increases and we needed to cap that as well.

In the end, it became a matter of juggling numbers; that was how much impact dare we have on some of the counties, the DSA, all the taxing entities, that we would have to make up or they would suffer from. We had to pick a number. It was arbitrary.

Senator Tiffany:
Do you know what the differences were if you treated everyone the same as opposed to if you did the split-roll?

Assemblyman Hettrick:
It is at least, off the top of my head, $100 million.

Senator Tiffany:
So that's $100 million and we have our surplus coming in at over $2 billion. Can I make the assumption that this is going to make local governments more whole by doing the differences between the commercial and residence?

Assemblyman Hettrick:
Yes.

Senator Tiffany:
So it's on the back of business again?

Assemblyman Hettrick:
If business was going to get a 30 percent tax increase in Clark County, and we now limit it to 10 percent—while you can say there is clearly a difference between 10 percent and 30 percent—it is a tax savings to business. Are they equal with residential? No, they are not directly equal. They are two different classes, whether you want to call them split-roll or not.

Senator Tiffany:
I have a problem that we are differentiating between the commercial and the residential. I talked with someone who owns a great deal of commercial property. He said, "I have one house, but I have twenty different properties. I vote on both sides whether I'm a businessperson and/or whether I'm a residential person." I just have problems treating them differently. Was there a lot of discussion about whether we could bring that back to being treated the same?

Assemblyman Hettrick:
The discussion began when we had the first joint hearing, and it has been going on ever since. It has gone back and forth.

Senator Tiffany:
It has been discussed whether or not we could, and somebody lost on that.

Assemblyman Hettrick:
You can look at it either way. It sounds like to me a reduction from 30 percent to 10 percent is not losing.

Senator Tiffany:
It is if it is from 30 percent to 3 percent, which everybody else gets. That is a part of the split-roll discussion that I think really is neither fair nor reasonable. Everything goes on the back of business.

On the long-term fix, which we always talk about, you suggested a fund. I assume we are not doing that?

Assemblyman Hettrick:
There has been no decision made to my knowledge whether or not to do a fund. We are considering that. We would like to see the numbers that Mr. Grady asked for. Since we have these numbers, which we got late last night, we now can determine what the impact is from this proposal. If we can then determine what the rest of the revenue stream is, we could see what the net effect is to the various counties. We don’t have those numbers yet.

Senator Tiffany:
So, a fund is still on the table as far as a long-term is concerned. Is there any language for the long-term that could make the constitutional change easy by just making a couple of exceptions, leaving in fair and equitable, but making a couple of exceptions?

Assemblyman Hettrick:
I have not worked directly on the constitutional amendments proposed, but the ones that I have seen are very simple, relatively few words directing what you want to get done. They are all over the ballpark as to suggestions as to what it should be.

Senator Tiffany:
I just don't want to see for the long term having this split-roll stuff continue, either.

Chairman Perkins:
Ms. Buckley, if you would like to address the constitutional reasons why we went down this path.

Assemblywoman Buckley:
Let's start first with the split-roll; this is not a split-roll. The voters allowed the Legislature to provide relief for owner-occupied residence. The voters approved that. If this is not a time when owner-occupied residences need our assistance, because of this severe economic hardship, I don't know what is. No one wants to do that on the back of business. These spikes are happening to everyone. That is why the major plank of this proposal is that we would look at a 10-year average so that businesses would not see these spikes as well. That is why we included a spike buster for everyone.

Additionally, the business community also has the ability to seek a further abatement under the severe economic hardship. For years, businesses have had the opportunity to have their taxes relieved and reduced; whenever they have a severe economic hardship, they can apply. That remains in place. We are leveling the playing field to give our residences the same opportunity to see relief. We should make further constitutional changes during the rest of this legislative session.

What works for Clark County does not work for Humboldt County. I didn't realize that as much until I saw all these numbers. The rural communities have such problems; the uniform and equal numbers vary so much by county. That is why the first twenty-six iterations this Committee did didn't work. I now fully understand that, and we should move toward that debate and consideration of that. The folks who don't have relief right now are the ones experiencing a severe economic hardship, and those are the residential customers. I view the discussions on this and on split-rolls as being completely different and to come later.

Senator Tiffany:
I don't think there are any questions about the residences. Between Henderson and Summerlin, they are getting inundated with this. I do not pit one against the

other; that has never been the point I wanted to make. The point was that both should be treated equally, and they are not, because they are trying to keep governments more whole. That's the part that bothers me.

Can you tell me what percentage of the property taxes are paid by business and by residence statewide?

Chairman Perkins:
I don't know what statewide is. When we looked at the distribution of taxable property, and there are nine classifications, by far, the largest distribution was residential property—about 60 percent.

Senator Tiffany:
If we don't have it now, that is something I would like to hear from staff.

I wanted to make sure that Majority Leader Buckley understood we absolutely have to give residences relief. It should be equal and fair on both playing fields.

Senator Coffin:
This is the first time we've all seen the language. I just wanted to clear. It looks like a home office business would be treated like a residence, if you are in a single-family residence operating a business.

Assemblyman Hettrick:
So long as the tax assessor or the county hasn't forced them to license as a business, if it is owner-occupied and in a residential area, it would be classified as a residence.

Senator Coffin:
You do have your business license there. The tax roll may show one thing, and if this license is from the tax department, it might show another.

Assemblyman Hettrick:
I believe it would be classified as residential.

Assemblyman Sibley:
I have a concern as far as business goes, but a question for Mr. Hettrick. Can you tell me what percentage of small business actually owns the buildings that they are operating out of?

Assemblyman Hettrick:
No, I can't. The Majority Leader expressed that business does have an opportunity to go for relief. To be able to do that, you do need to own your own building and you do that on the basis of return on investment. Those who rent would not have an opportunity go for relief. However, I had that discussion with Ms. Erdoes and she said, in fact, we could change the law to allow that.

In practicality, if you had a small strip mall with 10 occupants, even if you could apply to do that by combining, you might have 2 or 3 that have returns on investment great enough to warrant a reduction in property tax; you might have 2 or 3 that didn't; and you might have 2 or 3 that were in the middle and would have no impact. To get them all together to go in and somehow come with a fair adjustment would probably be very difficult.

What we have done here is try to take our best shot at doing a spike buster that applies across-the-board and cap residences, which are the significantly larger percentage of the taxable parcels in this state than any other single group, and we have tried to take advantage of the provisions that were available to us to do the fairest thing we could do.

Assemblywoman Giunchigliani:
This is more for staff. I want to clarify how to view the chart (Exhibit C) that we have. If I look on page 1, the Clark County School District, for example, where that dark line is, that is the actual collections at that point. If I am reading this right, the total property collections with no caps would have been $355 million plus. With the spike built in this year, it would have gone up to $455 million, or a 28 percent increase.

With the 3 percent effect in place, they will generate $387 million, 8.8 percent. The State's obligation to fill the hole, which Mr. Hettrick referenced, would have to be computed during session to see what additional income we would need to make sure that those districts were held whole. But definitely it is not as bad a loss as I thought it would be.

Assemblyman Hettrick:
Exactly right. What is built into the budget from the Governor is a 9 percent increase in property tax included in the DSA the first year, and 8 percent the second year. What you are seeing on that chart (Exhibit C) is a 28 percent increase in property tax revenue in Clark County. The number is far closer to what is in the Governor's budget when you get done. The makeup is smaller by far than what it would look like.

In addition, you have to remember that Clark County, since you picked that example, is experiencing double-digit sales tax increase, and a third of that goes directly to the schools. They are seeing gaming tax revenue at a double-digit increase right now; cigarette and liquor taxes, about the same. Real property transfer tax is a huge tax, and a portion of that goes directly to the schools.

When you look at the whole number, the likelihood that we would make up any significant amount is not very great.

Assemblywoman Giunchigliani:
Looks like about another 10 percent. We were looking at much more than that.

Assemblyman Hettrick:
It was in the hundreds of millions. Now, we are down into the tens of millions. Twenty was the number that had been generated.

Assemblywoman Giunchigliani:
That was just for Clark County. We would have to look at the other impacts. But that is the largest other than Washoe County.

I have to take a disagreement with my colleague. It is a leveling. The businesses have generally had an opportunity to equalize or have some kind of hardship relief, and our residences haven't. That's who the emails and phone calls come from—the residences. That is the key piece of this legislation that we are trying to deal with. We are attempting to equalize the playing field to make sure that we at least gave the hardship relief that we've had in the *Constitution* and never made available.

This is a way to get that relief and to equalize that playing field without hurting businesses as much as people seem to think we are. This is not a balancing on the backs of them. Unfortunately, we still have to make sure that government services are funded. I would have concern if this hurt them too much, because the people need those services from government that they are expecting to pay for. We have to be realistic on that side of it.

Chairman Perkins:
Further questions from the Committee? I want thank Senator McGinness, both Committees, both parties, and both Houses. This truly has been a collaboration: bicameral, bipartisan. We have a crisis facing our state and we have undertaken a great effort to do that. This product that we have in front of us came with no small amount of effort by a lot of people.

Senator Townsend:
It needs to go underscored because too often in this building and in this process, no one recognizes the remarkable work done by hundreds of staff who allow us to provide this information to the public and ultimately to turn what is agreed to into law.

Chairman Perkins:
We do have the BDR in front of the both Committees, and if it is the appetite of the Committee, we can receive a motion for introduction so we can get the introduction underway and move the process along. It will be Monday before we take up the bill in bill form.

Senator William J. Raggio, Washoe County Senatorial District No. 3:
I wanted to add my personal thanks and that of the Senate for the work done by the staff and by this Joint Committee. It has been intriguing to watch this process. We have had so many sessions where it has been confrontational and dysfunctional. This has been a real joint effort, and you are to be commended.

My suggestion would be, since you are about to take a motion, that the bill that does come forward be a joint sponsorship by each of the taxation committees, your Growth and Infrastructure Committee and the Senate Taxation Committee, rather than individual sponsorships.

Chairman Perkins:
Senator McGinness and I conferred on that just before we started this meeting and had agreed to that as well.

Again, in discussion with Senator McGinness, the purpose of this meeting is get this out into the public view and see if the Committees want to have a joint introduction. Then, on Monday, we will reconvene and take testimony from the public and any other interested parties.

- BDR 32-1383–Revises provisions governing assessing and taxing property. (Assembly Bill 489)

ASSEMBLYWOMAN LESLIE MOVED FOR COMMITTEE INTRODUCTION OF BDR 32-1383. (ASSEMBLY BILL 489)

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

****

SENATOR COFFIN MOVED FOR COMMITTEE INTRODUCTION OF BDR 32-1383. (ASSEMBLY BILL 489)

SENATOR CARE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairman Perkins:
It is unanimous by both Committees. With nothing further to come before the Committee, we will be in recess until we reconvene on Monday, because our regularly scheduled meeting isn't until Tuesday. [Gavel at 11:29 a.m.]

RESPECTFULLY SUBMITTED:

James S. Cassimus
Committee Attaché

APPROVED BY:

Assemblyman Richard Perkins, Chairman

DATE:

Senator Mike McGinness, Chairman

DATE:

EXHIBITS

Committee Name: Assembly Committee on Growth and Infrastructure/Senate Committee on Taxation

Date: March 25, 2005 **Time of Meeting: 10:52 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B	Assemblywoman Buckley and Assemblyman Hettrick	BDR 32-1383
	C	Assemblywoman Buckley and Assemblyman Hettrick	Property Tax Impact Analysis / Cap Analysis