

**MINUTES OF THE  
SENATE COMMITTEE ON TAXATION**

**Seventy-third Session  
March 31, 2005**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 1:54 p.m. on Thursday, March 31, 2005, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

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

**GUEST LEGISLATORS PRESENT:**

Senator Bob Beers, Clark County Senatorial District No. 6  
Senator Dina Titus, Clark County Senatorial District No. 7  
Assemblywoman Bonnie Parnell, Assembly District No. 40

**STAFF MEMBERS PRESENT:**

Brenda J. Erdoes, Legislative Counsel  
Chris Janzen, Deputy Fiscal Analyst  
Ardyss Johns, Committee Secretary  
Tanya Morrison, Committee Secretary

**OTHERS PRESENT:**

Pat Zamora, Clark County School District  
Russell Rowe, American Council of Engineering Companies of Nevada  
Kimberly McDonald, City of North Las Vegas

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Carole Vilardo, Nevada Taxpayers Association  
Charles Chinnock, Executive Director, Department of Taxation  
LeRoy Goodman, Commission on Economic Development; Board of  
Commissioners, Lyon County  
Berlyn Miller, Vice Chairman, Commission on Economic Development  
Mary C. Walker, City of Carson City; Douglas County; Lyon County  
Bob Shriver, Executive Director, Division of Economic Development

CHAIR MCGINNESS:

We will call this meeting to order. Senator Beers has a proposed amendment for Assembly Bill (A.B.) 489.

[ASSEMBLY BILL 489 \(2nd Reprint\)](#): Provides for partial abatement of ad valorem taxes imposed on property. (BDR 32-1383)

SENATOR BOB BEERS (Clark County Senatorial District No. 6):

This bill was originally sent over from the Assembly with language that capped nonowner-occupied property tax bills at a rate equal to the 10-year rolling average of property tax bill increases. Yesterday, you agreed to amend this part of the bill and replace it with an 8-percent cap. There are probably 14 or 15 counties, outside of Clark County, who have 10-year rolling averages that are actually less than the 8 percent. Your actions yesterday inadvertently raised caps on the majority of Nevada's counties.

This is probably a hypothetical exercise due to the majority of counties whose property values will not be raised 8 percent. There are some counties which will exceed the 10-year rolling average. For those individuals, you have increased the cap the Assembly had set down. Therefore, I am here, today, to propose you further amend this bill to change the language to be the smaller of 8 percent or the 10-year rolling average, to the extent that number does not fall below twice the Consumer Price Index (CPI) for the cap.

SENATOR RHOADS:

What about taking out the high year?

SENATOR BEERS:

That is fine with me. I believe many of the counties were overlooked when we increased their cap yesterday for nonowner-occupied property.

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SENATOR TIFFANY:

Senator Beers, did you look at the different counties and which ones would be adversely affected by the cap we adopted?

SENATOR BEERS:

I have those numbers, but I cannot find the paperwork right now.

CHAIR MCGINNESS:

Senator Townsend has numbers for most any scenario and how each county would be affected.

SENATOR BEERS:

I have those numbers now. This does not tell us what the projected growth rate is for each of these counties. For example, in Douglas County, their average 10-year growth rate is 8 percent. I suspect it will be greater than 8 percent next year. The proposed cap would make that county even, but it would not for some of the other counties. Washoe County has a 10-year average of 7.4 percent, which would be their cap under what I am proposing for next year. If we keep the proposal we passed this morning, their cap would be 8 percent.

SENATOR TIFFANY:

There are only two counties impacted you are aware of?

SENATOR BEERS:

No, I do not know what next year's projected growth rate is, from the sheet in front of me. The potential counties which may feel an impact would be Carson City, Douglas, Lander, Lyon and Nye Counties, with the possibility of Lincoln, Storey and Washoe Counties. This will affect individuals whose 10-year rolling average is smaller than their next year's growth, but less than 8 percent.

SENATOR TIFFANY:

Did anybody do numbers to see if this adjustment would have a fiscal impact on these counties?

SENATOR BEERS:

I have had some informal discussions with individuals who have concerns. In my mind, the remedy for that would be for us to set aside a fund administered by the Nevada Tax Commission, and available to address rural counties that end up harmed by this legislation.

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SENATOR TIFFANY:

I did not see that in your amendment. Do you think we should include that?

SENATOR BEERS:

We should leave that to the Finance Committee where it would be done anyway.

SENATOR RHOADS:

Does this amendment include taking out the high year?

SENATOR BEERS:

I have not seen that amendment. I amended in concept and have not seen it in copy, yet.

CHAIR MCGINNESS:

We are getting a copy made for you, Senator Beers, as well as copies for other interested parties here. Senator Beers, do you want to go through this amendment or would you like legal counsel to do it?

SENATOR BEERS:

I would prefer legal counsel to go over this with us.

BRENDA J. ERDOES (Legislative Counsel):

Please look at ([Exhibit C](#)), which is the proposed amendment to A.B. 489, the second reprint. Basically, this amends section 3, page 3. It replaces lines 36 and 37. This adds the concept of the separately established property or the provisions of subsection 1 of section 4 of this act to provide a greater abatement of the taxation. This change makes the rest of the system work with the change you are describing.

Actually, the meat of this is in the next amendment down. That starts with amending section 4, page 5, by deleting lines 22 and 23. This morning we added the 8 percent in, and took out the rolling average and the CPI; we are now putting that back. The manner in which we are putting this back is to say they will use "A percentage of the amount determined pursuant to paragraph (a) which is equal to," and this is determining the percentage of the cap. It goes on to explain, "The lesser of" either the average percentage of change in assessed valuation in the past 10 years or 8 percent. That is the lesser of those two. The amendment then explains, "or twice the CPI, "whichever is greater." I do

believe this amendment includes all of the variables for the different counties. If you give us a little more time, we will improve on this amendment. The bottom line is the percentage cap applied which is the lesser of the 10-year average in assessed valuation or 8 percent, whichever is less, and then that amount is compared to twice the CPI, whichever is greater. The phrase "twice CPI" just provides a floor.

SENATOR BEERS:

This amendment is what the Assembly set up; it is capped at 8 percent.

SENATOR COFFIN:

I would like the dollar flow in front of me to see how it looks. I am also interested in knowing if it affects the distribution funds.

SENATOR TOWNSEND:

Senator Beers and I discussed this at some length. This amendment would deal with freezing Esmeralda, Eureka, Mineral and White Pine Counties at negative numbers and never allowing them to grow. This fixes that problem. If they were to have an economic upturn, they would be able to benefit from it, as opposed to being capped at the low.

In addressing Senator Coffin's question, there is an actual sheet which shows the minute difference that Senator Beers has put into amendment form. It is miniscule in the rural areas, but it does protect them for future growth opportunities.

CHAIR MCGINNESS:

Senator Beers, do you have anything more to add?

SENATOR BEERS:

No, that is all I wanted to present to the Committee.

SENATOR TOWNSEND:

Is there someone here from the Clark County School District? Mr. Chair, it has come to my attention they have some concerns they want to express relative to the bill in front of us, including the amendment and clarification Senator Beers has brought forward. The bill, as amended today with the proposal, may affect the Clark County School District's ability to do a rollover in its current funding process, with one bond coming out.

PAT ZAMORA (Clark County School District):

Currently, under A.B. 489 and the amendment passed on the Senate Floor, our concern is the growth rate for 2006. It could be less than the growth rate of the population increase plus inflation. That is what the school district has used to measure its capacity for the District's rollover bonds. It is not specific with any other amendment that was proposed.

SENATOR TOWNSEND:

That is the formula they have historically used and it is not mandated. Is that correct?

MR. ZAMORA:

That is correct, but in our presentations to the joint committees, it has always been our intention, at a minimum, to keep pace with the population growth plus inflation. Historically, the assessed-value growth has been above the formula, but that is what we use in estimating the capacity of the rollover bonds under the District's current 55-cent levy.

SENATOR BEERS:

I was under the impression the numbers you have discussed, so far, are dollars associated only with currently existing tax rolls, and newly developed property would be coming on at value. That would accommodate the growth percentages. Essentially, all we are capping here is the increase due to the inflation portion and that population growth, which is driving additional development. This would provide more revenue than the dollar figures we are talking about. Therefore, unless inflation were to jump above either 8 percent or the 10-year rolling average of property value increases in the next 2 years, which is unlikely, you cannot possibly fall under population growth plus inflation with any of the formulas discussed.

SENATOR TOWNSEND:

Senator Beers and I have discussed this, and we do agree. I wanted to make sure Mr. Zamora got the chance to voice his concern and get a response. If the Chair does not object, you can respond to what Senator Beers is saying, which is all new growth comes on at value. Does that deal with your concern on inflation?

MR. ZAMORA:

We are looking at just one year of growth, which would be 2006. My understanding is with new growth and a 3-percent cap and an additional 8-percent cap, the increase in Clark County for the school district is 7.2 percent. The July 1, 2003-to-July 2004 population increase was 5.84 percent. The CPI for the calendar year of 2004 was 2.33 percent. Those two years together average out at 8.31 percent. We are measuring the 8.31 percent against the 7.2 percent that we have seen as the increase for the school district in Clark County under the 3-percent cap and the 8-percent cap.

SENATOR TIFFANY:

A bond rollover is a bond that is already paid, but we are accustomed to paying that debt. Therefore, the bond itself is retired and paid, and you want to attach the same debt to the taxpayers to keep them paying. Is that correct?

MR. ZAMORA:

It is currently not the same debt, but it is what debt is affordable within the 55-cent levy.

SENATOR TIFFANY:

My understanding of a bond rollover is you get a \$50-million bond, pay it off and then you want to reinstate that bond tax on the same individuals who already paid the bond off. Is that correct?

MR. ZAMORA:

The plan is to take the \$2.54 or whatever the amount is on that individual property, along with the inflation factor, spend it and whatever you would get on any new construction coming in on the roll.

SENATOR TIFFANY:

I thought it was taking the existing indebtedness and saying we are going to spend this again. It did not say anything about spending it again plus inflation or spending it for something else. We have the tax space already paying that. I do not understand where you are trying to build in growth and other factors on that when you can only spend \$2.30. Am I missing something here?

SENATOR BEERS:

Mr. Zamora should be comparing the 2.33-percent inflation factor to the 7.2-percent blended rate between the 8 percent and the 3 percent. The new growth is not part of that 7.33 percent.

Your property tax has an associated cash flow. The cash flow in Clark County is growing ever larger, not just for the new people moving in, building homes to live in and businesses to run, but also, for the inflation value of the property as it goes up. When you finally pay off a bond, you assess the affordable debt compared to cash flow at that time, and then reassess current cash flow, assuming the voters go for the rollover and current affordable debt. I am not sure where we are going, but the blended rate that makes sense here is that 7.2 percent or so, which is between the 8 percent and the 3 percent. You would then add on the effect of growth in new property not being capped.

SENATOR TIFFANY:

I am just questioning the formula you are using to get the bond rollover.

MS. ERDOES:

I believe the statute rate, once approved, can continue to be used. When you apply that rate to the new property, the assessed valuation goes up and you build in CPI or whatever you want there. That will still be part of this plan. It may end up being reduced a little bit, depending on the numbers. That reduction would be a little less money, perhaps, but it is not certain until the numbers come in. There are a couple of mechanisms in the bill to handle the bonded indebtedness contract if it was threatened.

SENATOR BEERS:

Although we are dealing with this problem today, we are looking forward to the next fiscal year as we do this. Property values have been rapidly outstripping inflation in Las Vegas for several years. What we are talking about is capping their growth rate at two times population growth plus inflation on top of the three-four-or five-time increase they have seen over the last two years.

MR. ZAMORA:

We have been using the 7.2-percent figure for the Clark County School District, and it may be an incorrect assumption, but we did include new growth coming on the tax roll.



SENATOR COFFIN:

Senator Beers, what is the fiscal cost to the small counties if we do not enact this amendment, at this moment, and go on with what we are already doing? Is it just a potential, unrealized?

SENATOR BEERS:

If you make no amendment at this point, there would be no fiscal impact from 30 minutes ago. To make this amendment, in the numbers Senator Townsend and I looked at earlier today, there would be a potential, slight fiscal impact in several counties. This is based on speculating the kind of growth they would see in their property value next year, exclusive of growth due to their population. Rather than increase this cap in 15 or 16 counties, it would make more sense to leave the cap the way the Assembly had it, and if there is a harmful fiscal impact of this change we are doing right now we can set aside a fund through our budgeting process. That fund can be held in contingency and awarded to harmed counties as they actually experience harm. I do not know what that number would be, but we are moving quickly at this point.

SENATOR COFFIN:

I am worried about moving too quickly.

SENATOR BEERS:

We have a lot of pressure on us, right now, to get this done. We have two more months to run these numbers, forecast the fiscal impact and set aside a fund. It will probably be well under \$2.5 million.

SENATOR COFFIN:

My position has always been if we had to take quick action, we would do that and then buy our way out of the difficulties that might follow. I envisioned this exact same thing. We should send our bill to the Assembly, as it is, and let them give some testimony before they decide whether to concur or not concur. We can then let the conference committee hear the testimony.

SENATOR BEERS:

For the counties with the raised cap, this would set them back to where the Assembly passed these numbers out.

SENATOR COFFIN:

Regardless of how it works, I am reluctant to support any changes in the bill we passed until we see what the Assembly is going to do. We know they will send it back to us.

SENATOR TOWNSEND:

Senator Beers is absolutely correct. This amendment returns the tax to the original intent of the Assembly for those 16 counties. It does provide the relief four or five of the counties need and would keep those counties from a negative growth factor during this period of time. That is what this provides, and it allows them to grow. This bill would be back to its original form with this amendment. Plus, this is a circuit breaker we use at times to protect the counties who had the long-term negative growth and now have a chance to come back into a growth period. Most of those counties, if not all of them, are in Senator Rhoads' district, and they have the potential to grow again and become positive again. This legislation needs to be intact to allow them this growth; otherwise, they are capped below growth.

SENATOR COFFIN:

Would we have a problem constitutionally? We already have difficulty with the bill we passed. I am sure that is going to be litigated, anyway. Does this amendment cause an additional wrinkle in order to cover up what we did by putting another piece of dirt on the bill and adding to the complications?

Ms. ERDOES:

This layer of complexity does not add or detract anything from the constitutionality of this bill. The constitutional defense of this bill is the same with this additional factor or without it. We are still building the same case, explaining how this is uniform and equal, and adding one other factor, which in my opinion, does not change that defense.

CHAIR MCGINNESS:

Thank you, Senator Beers. Is there anything else?

SENATOR BEERS:

No, Mr. Chair, I am done testifying on this amendment.

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CHAIR MCGINNESS:

Is there any other testimony regarding this proposed amendment? Any proposed Committee action?

SENATOR TIFFANY MOVED TO AMEND AND DO PASS A.B. 489 WITH SENATOR BEERS' AMENDMENT.

SENATOR RHOADS SECONDED THE MOTION.

SENATOR CARE:

I am going to oppose the motion because I made the statement yesterday, things are moving very quickly. I like to sit down and read these things in totality and look at the numbers, if they are available. I do not know where I am headed on the Floor with this amendment. For that reason, this afternoon, I am going to oppose it.

THE MOTION CARRIED. (SENATORS COFFIN AND CARE VOTED NO.)

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CHAIR MCGINNESS:

Senator Townsend has requested those numbers, and we should have those before this meeting is over or by the time we are on the Senate Floor. Ms. Erdoes, thank you for your assistance. We will now open the meeting on Senate Bill (S.B.) 218.

**SENATE BILL 218**: Revises provisions relating to licensing and taxing of certain persons by local governments. (BDR 20-789)

SENATOR DINA TITUS (Clark County Senatorial District No. 7):

I am here to testify on S.B. 218. This bill simply clarifies that professionals, who are employees of a firm or a business, cannot be required by local government to obtain a business license and pay a business license fee. This seems obvious, given the purpose of the business license scheme is to permit local governments to license businesses, not employees. However, some local governments have taken to requiring professional employees, for example, engineers who work for an engineering firm, to obtain individual business licenses even though they are

employees and the company they work for buys the business license as a company.

This bill would prohibit the practice, and in doing so, it conforms to local government treatment of professional employees as the Department of Taxation does in its practice of issuing State business license fees. I think all the details have been worked out with the local governments, and I will leave it to them to give you any further information.

RUSSELL ROWE (American Council of Engineering Companies of Nevada):  
We are the requestors of this legislation and thank Senator Titus for sponsoring this bill for us. We have worked closely with the local governments and have worked out language in this bill they crafted to meet their needs as well as our needs.

CHAIR MCGINNESS:  
How did the local governments find and contact these individuals they want to have licensed? Are they sending the notices to their homes stating they know that individual is an engineer and needs to be licensed?

MR. ROWE:  
The way it works is any professional who is required by local government to get a license will have to file a business license application just like any business has to approach the local government and file for a license. It is not up to the local governments to track these individuals who are engaged in a business to file their applications. It is incumbent upon the business themselves. The same is true in the case with professionals who are employed. This bill clarifies the fact that since they are employees, they are not required to get a business license.

CHAIR MCGINNESS:  
I have a son-in-law who is a mechanical engineer and works for International Game Technology. I was wondering how they would find him unless the company he works for sent out a list of all of their hired engineers.

SENATOR TITUS:  
Your son-in-law would have to apply for a professional license as a mechanical engineer, and once he does that, he would also have to get a business license, which would vary from place to place. Some employers require the license and

some do not. This bill makes it clear the engineer would not need a license if he is not operating his own business but is employed by another business.

SENATOR RHOADS:

What kind of fiscal impact would this bill have? Are we looking at thousands of people or hundreds of people?

KIMBERLY McDONALD, (City of North Las Vegas):

To my knowledge, in our business-license division, we impose a fee of \$100 to the applicant every 6 months, so that is \$200 per year. Currently, we have approximately 500 individuals we have imposed that fee on, and at \$200 per person, it amounts to \$100,000. We impose this fee on engineers, attorneys, real estate agents, brokers and doctors.

SENATOR CARE:

We may be talking about quite a few people in this bill. Attorneys are supposed to have this business license, under the current law.

SENATOR TITUS:

Mr. Chair, I would point out there are no local governments here to protest this bill. Apparently, they can live without the revenue.

MR. ROWE:

The way the language was crafted, the intention is to take the burden of the fee off every employee, whether they are an attorney, engineer or any other type of professional. If the local government structures their fees, as many already do, based upon number of employees or number of professionals, they are free to do that. This is taking an administrative burden off of the businesses themselves. It actually benefits local governments because they now do not have to process 50 applications for a firm of 50 engineers or 50 attorneys. Now, they would just have to process one application and structure the fee as they choose. This bill does not limit that.

SENATOR TITUS:

They would really not be losing any revenue.

SENATOR TIFFANY:

Ms. McDonald, do you know if there are two fees associated? In other words, is there a fee to be licensed as a professional and then another fee to be licensed as a business person?

Ms. McDONALD:

There is just one fee imposed to be licensed as a professional. I would also like to state we have worked with Mr. Rowe and Senator Titus on this bill in order to enact an administrative change by ordinance. As Senator Titus has stated, we would not be losing any revenue.

SENATOR TIFFANY:

If you are a sole proprietor or contractor, you still have to pay the fee. If you work for someone else, will you extract that fee through the company?

Ms. McDONALD:

That is correct. The fee would then be imposed on the company or firm that would be the applicant.

SENATOR LEE:

The county has now decided for every license you have for construction of a building, they are going to tack a fee on for each of those specialties. It seems as though some companies would be paying another \$1,500 to \$4,000 a year in fees, just because they have other specialties within their organization. Is the City of North Las Vegas moving to this also? I see this as a vehicle to work with that issue.

Ms. McDONALD:

I do not have that information, but I would be happy to gather that for the Committee.

SENATOR LEE:

Mr. Rowe, I would like to sit and talk with you to make sure this is the proper procedure.

SENATOR COFFIN:

You might have some individuals not wanting to pay the fee, based on some of the language in this bill. Is that possible? A professional is defined as a person who holds a license, certificate, registration or authorization issued by

a regulatory body. That is the wording in the generalized statement on what is defined as a regulatory body. If you have a bachelor's or higher degree, you would be considered a professional, and that fits a lot of people. The plain language says, they "shall not require a person to obtain a license or pay a license tax."

MR. ROWE:

The third element of that definition involves a professional "as an employee." If they are just a professional practicing on their own, they have to get a license because they are a business. Essentially, if you are getting a W-2 form, you are an employee, and just like anyone else, professional or not, you do not need to get a business license. We are treating professionals who are employees just as we would anyone else who is an employee and gets a W-2 at the end of the year.

This bill does not speak to whether or not it is based on a one-shot fee or a fee based on the number of professionals a business has working for them. It leaves it up to the local jurisdiction to decide how it wants to structure its business-license fees.

SENATOR COFFIN:

I am currently licensed as a broker or an agent, but I am not actively selling insurance. Would I be required to have the local business license, even though I am not actively selling at this point in time?

SENATOR TITUS:

This bill would not affect that situation. Whatever the local entities do right now would still be policy. This would only affect you if you went to work for an insurance company and became an employee.

CHAIR MCGINNESS:

Are there any other questions from the Committee? Mr. Rowe, I would appreciate it if you will get together with Senator Lee and address his concerns. Is there anyone else to testify on S.B. 218?

CAROLE VILARDO (Nevada Taxpayers Association):

I am speaking in support of S.B. 218. Maybe I can shed a little light on this bill. There has not been that much of a change since I was in business for myself, and we were trying to rework some of the licensing provisions. Clark County

and one other county, perhaps Washoe County, operate with this type of licensing. Every county or jurisdiction in this State does not require business licenses. Some treat them as occupancy permits. Carson City had a formula based on the number of square feet, the number of hours you were open or what hours you were open and the number of employees, in total. There seemed to be more of a phenomenon in Clark County, relative to how the names were obtained. Members of the Retired Senior Volunteer Program were hired to go through the phone book to acquire names. Some changes were made in obtaining the local business license and showing proof of all other State licensing. Interagency agreements made it easier to find out who was supposed to be licensed. It is just a function of the way the local government chooses to write a license. Senate Bill 218 clarifies the licensing and will make it a lot easier for these individuals or the very few jurisdictions that treat them like this. I urge you to pass this bill and clean up these problems.

CHAIR MCGINNESS:

Are there any other questions? Does anybody else want to testify on S.B. 218? We will close the hearing on S.B. 218 and open the hearing on Senate Bill 307.

**SENATE BILL 307**: Requires local assessment of unscheduled air transport companies that only use certain small planes. (BDR 32-1289)

CHAIR MCGINNESS:

I introduced this bill on behalf of a gentleman who called me after the last Session and asked me to introduce it. He is a constituent of Assemblywoman Bonnie Parnell.

His problem is he has a small aircraft and was delivering parts to mines out in central Nevada. I understand he had to figure how many hours he was over each county and then pay his gas taxes accordingly. He stated it took longer to fill out the paperwork than to deliver the part to the mines.

CHARLES CHINNOCK (Executive Director, Department of Taxation):

A few sessions ago, there was a provision in the centrally assessed statute which added unscheduled airlines. At one time, the Department only valued scheduled airlines like Delta Air Lines and American Airlines. There are quite a few small airlines and small operations that might be considered traveling interstate or intercounty, and the provision was added to include these small airlines. There was always some confusion because it is much easier to value



many of the small operators at the local level. One of the concerns and confusions that came about was if the individual owning the aircraft or several aircraft claimed it was inter county or interstate and wanted to consider an interstate commerce valuation with respect to their operation.

Then, we got into the issue of allocating that value between one jurisdiction and another, and that is why the unscheduled airlines were added to the statutory provision. We have had the Attorney General's advice that the local jurisdictions can still value those airlines when they are discovered. Those aircraft could get into an issue where they could go ahead and make an allocation using their own statistics. We can simplify those statistics, even though we might send an unscheduled airline what we would, typically, send a scheduled airline. If they do not have the information, then they do not have it. We use what we can gather and what the owner is able to provide us.

With passage of this bill, in assisting the local county assessors, we could write some very simple regulations that would allow them to do an allocation of value between one or two counties.

CHAIR MCGINNESS:

Do you think by narrowing it down to aircraft with a weight of less than 12,500 pounds, we are getting down to pretty small aircraft?

MR. CHINNOCK:

We are, but many of the small, unscheduled airlines we are talking about are those types of aircraft. The only thing this would not cover might be one or two companies with helicopters, and they are not fixed-wing aircraft, but again, that does not pose a problem from our standpoint.

CHAIR MCGINNESS:

You are not in opposition of this bill?

MR. CHINNOCK:

No, we are not. We have always had some problems with respect to the unscheduled airlines because it is hard to discover them. I am not sure the kind of carrier and operator you are talking about was envisioned by the unscheduled airlines. A lot of people try to take advantage of that, so we are not in opposition to this bill.

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CHAIR MCGINNESS:

Is there anyone else who wants to testify on S.B. 307? We will close the hearing on S.B. 307 and open the hearing on Senate Bill 321.

**SENATE BILL 321**: Requires Department of Taxation to administer exemption for sales to nonprofit organizations to include motor vehicles transferred to nonprofit organizations. (BDR 32-1253)

CHAIR MCGINNESS:

This is Senator Raggio's bill. We will hold this bill until he can be here to testify on this bill. We are going to reopen the hearing on S.B. 307, so Ms. Parnell can testify before the Committee.

ASSEMBLYWOMAN BONNIE PARNELL (Assembly District No. 40):

Chair McGinness, the gentleman who called you last Session and asked for this bill could not be present today to testify. He has been concerned about this issue for approximately six years. When he brought it to my attention, I felt it was a bit silly to have to calculate how many flight minutes he had over each rural county and divvy that up. I want to thank you publicly for taking this bill for my constituent. As you have heard from the testimony, everybody seems to be in agreement to try to fix this.

CHAIR MCGINNESS:

He called me right after the last Session, admonishing me because we had not fixed this issue. Hopefully, we can do that this time.

SENATOR COFFIN:

Is there a way for the local governments to collect these taxes on landing fees? Could they then forward the money to the State, instead of the owner of the aircraft calculating and paying these taxes directly to the State?

CHAIR MCGINNESS:

Mr. Chinnock stated they could help the local assessors write the regulations. There are landing fees at the Carson City Airport, and if you rent a tie-down, you pay the fees, but you do not pay every time you land your plane.

SENATOR COFFIN:

If you are in business with this plane, do you think they could charge these fees?

CHAIR MCGINNESS:

Possibly, if you are in business with your aircraft, they could charge the fees. I would think the only way they could capture these fees is if they rent a hangar at the airport.

SENATOR COFFIN:

One other issue with this bill is where it states "pounds." We run into a problem with the tare, which might be less than 12,500, but the loaded weight might be above the 12,500 limit. Should we put language in the bill stating loaded weight or tare?

CHAIR MCGINNESS:

We will make a note and ask staff to look at that. Are there any other questions? Thank you for the information on this bill, Ms. Parnell. We will close the hearing again on S.B. 307 and open the hearing on Senate Bill 339.

**SENATE BILL 339**: Makes various changes concerning partial abatement of certain taxes for new or expanded businesses. (BDR 32-845)

LEROY GOODMAN (Commission on Economic Development; Board of Commissioners, Lyon County):

This bill does a couple things concerning the Commission on Economic Development in the rural counties. It does two things specifically; for counties with a population of fewer than 100,000, it allows the usage of property tax abatement for businesses whose hourly wages are at least 100 percent of the average, statewide hourly wage or the average, countywide hourly wage, whichever is less. Currently, the statewide average wage is mandatory. Ten of the counties in this State do not meet those requirements.

The other thing this bill does is prohibit the Commission on Economic Development from considering an application for a partial abatement unless the Commission receives letters of acknowledgement requesting for the abatement from any affected county, school district, city or unincorporated town. I can use Lyon County as an example, or Pershing County might be a better example. Things in Pershing County, Lovelock, do not look good. If we had a company come in, right now, and ask to put 40 jobs in Pershing County at an average wage of \$14.50 per hour, we could not honor the request for property tax abatement, even if the county commission and the people of that county desperately wanted it to provide more jobs for their county. We could not do

that, right now. Under this consideration, we would have the ability to do the statewide average or the average county hourly wage, whichever is less. Of course, that is with the concurrence of the county, the school district, the city or the unincorporated town, whichever is affected. That is what this bill does.

BERLYN MILLER (Vice Chairman, Commission on Economic Development):

I am here to support Commissioner Goodman on this bill. We have always looked at the statewide average. I never gave it much thought until Commissioner Goodman brought this subject up. I did not realize there was such a variance across the State. The current, statewide average wage is \$16.49, and from county to county, it varies from a low of \$13.16 to \$29.68. It varies more than the average statewide wage. It varies \$16.52 from the lowest to the highest county. Therefore, it is quite appropriate we look at allowing this to be determined county by county or statewide, whichever is lower. This will give us the opportunity to better serve the citizens of each of the counties in giving these abatements.

MARY C. WALKER (City of Carson City; Douglas County; Lyon County):

We stand in support of S.B. 339. Mr. Goodman did bring this forward to us, we took a look at it and realized the ten smaller rural counties are not able to use this property tax abatement for economic development. This is simply because their average, rural county wage is less than the statewide wage. This is a wonderful opportunity for the rural counties.

SENATOR CARE:

Do you have any real examples whereby somebody has said, "We are not going to take advantage of this situation? We would love to, but we cannot do it because we have to use the State average wage."

MR. GOODMAN:

Currently, in Humboldt County, we have a travel-trailer manufacturing company with interest in moving to that area. If they apply for this, they do not meet the statewide average wage of \$16.49. Humboldt County desperately wants this company to move into the area because it would mean 120 new jobs in Winnemucca, which is important in order to diversify their economy and break away from the mining companies' grip. We cannot allow it because it is mandatory in the regulations, right now, they meet the statewide hourly wage. We cannot weigh that as a Commission. If that company backs out of moving into Winnemucca, I do not want to be there when they have to tell the City of

Winnemucca no because of this regulation. We could help them if we had the average county hourly wage in place there, which would be less. That company would be able to meet the criteria without a problem.

The other thing to remember is we stress benefits for these companies from the Commission level. They really need to have eye, dental, prescription drug and health care. We push those issues with these new companies. We would not do an abatement or deferral without the county, city or school district approval. They need to let us know they are in favor of this, and if they are not, the vote would be no. This bill would at least give them the opportunity to say whether or not they want the new companies moving into their counties due to the need for new jobs. A job paying \$14.50 per hour in Winnemucca is probably a little different than a job in Reno paying the same amount. The smaller communities could use an increase in jobs not related to mining. This would give the rural communities more stability.

SENATOR LEE:

If you want to increase your countywide hourly wage, would it not be better to make it a dollar or two over the countywide hourly wage? We are giving abatement for the difference in wages, but I would like to see us pull the quality of life in an upward direction for those individuals by increasing the county wage level.

MR. GOODMAN:

That is a good point, Senator Lee, but what we are doing here is giving the county, city or school district the opportunity to say yes or no. In every instance we have seen so far, we have not seen an hourly wage under the county average. It has always been considerably above. Lyon County is the \$13.16-average wage on the scale, and yet, we are really growing in the Fernley and Dayton areas. We have 11.1-percent assessed value growth and 8.6-percent population growth; whether we like it or not, we are the fastest-growing county in the State. Lyon County has the opportunity to have jobs at \$14.50 per hour, with benefits, which are pretty good-paying jobs for our county, and this will raise the lower rate. If we put \$1.50 over the county average on the base and a company wants to move in and pay \$14.50, they would not qualify, because the average would be \$14.66. We would lose those jobs to another county.

These companies move into this area because they like the incentives, and it works for them. Right now, we have to tell them if they cannot pay \$16.49 per hour, they cannot move into our counties. We need to leave the county whole in this case, and let them be the deciding factor. If the county does not like the pay scale the company offers, it can say no to the company.

MR. MILLER:

As a Commission we also look at other details of each company. We look at them individually and determine how they would affect that particular county or location. We will not give benefits to a company that does not have good health-care insurance, educational opportunities for employees and job training. We look at all of these issues to make sure it is a good investment on the part of the county and State. We will not consider any company that would not improve the area where they want to do business.

BOB SHRIVER (Executive Director, Division of Economic Development):

I would like to put into your file the listing of the average wage by industry and by county, ([Exhibit D](#)). We are currently about a year behind on this average. We are on 2003, right now. By the way, that \$29.68 average wage on [Exhibit D](#) is in Eureka County. That will give you a good variance. On the example of Humboldt County that Commissioner Goodman mentioned, I want to let you know they are only off the statewide average wage by about 25 cents or 30 cents. Adding another dollar to that amount would actually make them go above the statewide average wage.

I agree, the ultimate goal is to build wealth and prosperity in these communities, and you do that by raising the average wage. We can track and show you, with few exceptions, this is what is happening in the counties. The example of that new company coming into Humboldt County shows as that company matures in Nevada, the wage rate will continue to rise. They have to meet the marketplace, and they are going after the best possible employee, as well. Keep in mind, as we stated, this is the salary-only criteria. We also require the benefits on top of the competitive wages. Those of you in business know, right now, the benefits amount to a fairly healthy amount of money.

SENATOR LEE:

With what abatements do you entice the new companies?

MR. GOODMAN:

If the company meets the minimum number of jobs, the minimum capital investment and hourly wage, they qualify for up to 50-percent property tax abatement for up to 10 years. We have issued less. We have had some who got 50-percent abatements for 5 years or 25-percent abatements for 10 years. Now keep in mind, that is basically county and school district money. They also qualify for the State sales and use tax deferral of 2 percent. In Humboldt County, it would be 4.5 percent, because their sales-tax rate is 6.5 percent. That is the incentive on the equipment. The local entities have to buy into all of these incentives because it is their money we are dealing with.

CHAIR MCGINNESS:

I told Mr. Goodman before that I believe Storey County had some development that did not turn out as beneficial for them as they thought. That is why we added those entities affected into the bill—the county commissions, the city councils, town boards and school districts—and made sure they signed off on each one of these projects, so the Commission on Economic Development did not approve these abatements on the property taxes and have a big impact on schools, et cetera.

MR. MILLER:

To give you a good example of what goes on with these companies and the abatements, I will use Mr. Goodman's manufacturing company. This company would be automatically exempt from the sales tax in most of our surrounding states. They would not have to fill out an application or anything because they are a manufacturing operation, and moving into that state, they would be exempt. At least, in Nevada, they must go through the process and meet the qualifications.

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CHAIR MCGINNESS:

We will close the hearing on S.B. 339. Senator Raggio has asked to reschedule Senate Bill 321, so we will. We are adjourned at 3:08 p.m.

RESPECTFULLY SUBMITTED:

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Tanya Morrison,  
Committee Secretary

APPROVED BY:

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Senator Mike McGinness, Chair

DATE: \_\_\_\_\_