

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION**

**Seventy-Fourth Session
May 3, 2007**

The Committee on Taxation was called to order by Chair Kathy McClain at 1:41 p.m., on Thursday, May 3, 2007, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Kathy McClain, Chair
Assemblyman David R. Parks, Vice Chair
Assemblywoman Francis Allen
Assemblyman Mo Denis
Assemblyman Tom Grady
Assemblyman William Horne
Assemblyman John W. Marvel
Assemblyman Harry Mortenson
Assemblyman James Ohrenschall
Assemblywoman Peggy Pierce
Assemblywoman Valerie E. Weber

COMMITTEE MEMBERS ABSENT:

Assemblyman Morse Arberry Jr. (Excused)

GUEST LEGISLATORS PRESENT:

Senator Mike McGinness, Central Nevada Senatorial District



STAFF MEMBERS PRESENT:

Michael Nakamoto, Deputy Fiscal Analyst
Mary Garcia, Committee Secretary
Gillis Colgan, Committee Assistant

OTHERS PRESENT:

Mary Walker, representing Carson City, Douglas County, Lyon County,
and Storey County
Robert Hadfield, Interim County Manager, Lyon County
John McCormick, Rural Courts Coordinator, Administrative Office of the
Courts, Supreme Court, Nevada
Norman Frey, Commissioner, Churchill County
De Vere Karlson, Chief Juvenile Probation Officer, Churchill County
Roger Sayre, Chief Juvenile Probation Officer, Lyon County
Brad Goetsch, Manager, Churchill County
Carole Vilardo, President, Nevada Taxpayers Association
Linda Ritter, City Manager, Carson City
Robert Crowell, representing Focus Property Group
Dino DiCianno, Executive Director, Department of Taxation

Chair McClain:

[Meeting called to order at 1:41 p.m. Roll called.] We have four bills on the agenda today. We will start with Senate Bill 74 (1st Reprint).

Senate Bill 74 (1st Reprint): Revises provisions governing expenditure of money in infrastructure fund of certain counties. (BDR 32-255)

Mary Walker, representing Carson City, Douglas County, Lyon County, and Storey County:

[Distributed an executive summary of the bill ([Exhibit C](#)) and read from that summary.] I also wanted to let you know that the Senate vote on this was 20 ayes and 1 nay. I am not sure why there was one opposing vote, but we were very pleased with the vote in the Senate.

Robert Hadfield, Interim County Manager, Lyon County:

I would say most of Nevada's rural counties are metaphorically in their teenage years, while our brethren have grown to adulthood with large populations and more concentrated areas. Rural Nevada now finds itself rapidly urbanizing in an era of suburban expansion on the fringes of the urban areas, and we find ourselves with needs beyond our ability to take care of with the historic revenue

sources in our small counties. Some of those counties only have one gas station that sometimes is not open. Paying for things within our large, dispersed areas and many miles of roads with little or no assessed valuation is not easy. However, we are improving our ability to generate sales tax with Super Wal-Marts springing up all over.

We simply want to have the same revenue-generating ability as our adult brethren but be able to use it for things we need more. Flood control is pretty important in an urban area like Clark County. In Lyon County we have rivers that sometimes flood, but we have farming areas and are able to adjust to those things. Now we need to come of age and develop such things as roads and public safety facilities to serve our rapidly urbanizing population within our ability to generate revenue.

We would very much appreciate your support. We think the expansion of revenue uses in this bill is good for all counties. Not everyone will take advantage of it, but over time I think it will serve as an outstanding vehicle to help local governments keep up with infrastructure needs throughout the State.

Chair McClain:

Can you tell me how many counties impose that \$0.0025 now?

Mary Walker:

Right now Washoe and Clark Counties do for sure because they have used it for their different types of projects. I believe Churchill County imposes it for their water facilities. I am not quite sure about the other ones. Carson City has imposed \$0.00125 toward cultural and historic uses for the V&T Railroad. Last session we had a bill that expanded this use for the V&T, so that was imposed partially by Carson City. What we are talking about here is not a new tax; it is an already existing tax. We just need to be able to use it for our needs.

Chair McClain:

Are you collecting it already but not using it, or do you have to do something to authorize collection?

Mary Walker:

We are not asking for any authorization to collect it because we already have the authority to impose it. All we are asking is to be able to use it for different things.

Chair McClain:

You are already imposing it, then?

Mary Walker:

Some are already imposing it and some are not. This just broadens the use of it.

Chair McClain:

Do you think all the counties will impose it then and use it for other facilities?

Mary Walker:

Some of the most critical needs in these smaller rural counties are jails and court facilities. You have heard of the White Pine court fiascos. Lyon County's jail facilities were built 30 or 40 years ago. I hope that this provides a mechanism to enable them to resolve those problems. Many of the rurals actually have a 6.5 percent sales tax. The urban counties are well over 7 percent. One of the reasons some of the rurals have not implemented this is they do not need it for water and sewer. There are utilities that have fees for water and sewer, so while it was needed for those things in the more urban communities, this never addressed the rural needs.

John McCormick, Rural Courts Coordinator, Administrative Office of the Courts, Supreme Court of Nevada:

[Distributed letters of support from District Judges David A. Huff and Leon Aberasturi ([Exhibit D](#)).] I am here today on behalf of the Judicial Council of the State of Nevada, which represents justices and judges from all levels of the judicial branch from all over the State, to express the Council's support for S.B. 74 (R1). The Council supported S.B. 74 (R1) in the Senate and continues to support it because allowing rural counties to use infrastructure fund dollars for public safety and judicial facilities provides an option for funding these much-needed projects. The Council recognizes the need in many rural counties for new secure court facilities and modern jails to replace antiquated facilities that are not capable of handling the current demands brought on by increasing growth rates.

Chair McClain:

Is there anyone else who wants to testify in support of S.B. 74 (R1)? Is there anyone in opposition? [There was no response.]

Assemblyman Parks:

Most counties have the option of an additional \$0.05 motor vehicle fuel tax to be used for transportation. Has that been fully considered? We are talking about street and road projects, and that is where that tax would go. Could you comment on that?

Mary Walker:

This does expand the use, and one of the areas is for our local roads. I do not have exact information for all 15 counties at this time, but I believe most of them are at the \$0.09 for Regional Transportation Commission (RTC) fuel tax. The rurals need the money not so much for new construction as for maintenance of their roads. That has been a difficult problem for them. If you will recall, a few years ago, when we had the Legislative Committee for Local Government Taxes and Finance established by Senate Bill No. 557 of the 71st Legislative Session (S.B. 557 Committee), we looked at gas taxes and their distribution. We held the rurals harmless in that distribution because we looked at it on the basis of mileage per road and population. Several of those smaller rural entities were actually frozen at the amount of revenue they were getting. Now, probably eight years later, they are still frozen at that level.

I would also like to mention that the smaller rurals frequently come in to request funding from the State; for example, White Pine came in about their courthouse and Lyon County had a bill regarding jails. This bill would enable them to have some resources to take care of these problems themselves without having to come to the State asking for grants.

Assemblyman Parks:

I believe there are still seven counties that are at the \$0.04 level versus the \$0.09 level.

Chair McClain:

Are there any other questions? [There was no response.] We have four bills to hear today. We will hear more bills next week and then have a work session on May 17. We will close the hearing on S.B. 74 (R1) and open the hearing on Senate Bill 146 (1st Reprint).

Senate Bill 146 (1st Reprint): Authorizes the boards of county commissioners of certain counties to levy an ad valorem tax to pay the costs of operating a regional facility for the detention of children. (BDR 31-937)

Senator Mike McGinness, Central Nevada Senatorial District:

I represent all of Churchill County, a portion of Lyon County, and five other parts of counties. Churchill and Lyon Counties came to this Legislature several years ago for approval to jointly establish a juvenile rehabilitation center. It was a unique cooperative agreement that allowed these two counties to provide rehabilitation services for juveniles. This bill is a piggyback to that to allow them to provide juvenile detention facilities in a way that neither one of them could accomplish alone.

This bill would allow the commissions of both Churchill and Lyon Counties to make the decision to impose up to \$0.08 in property tax outside the \$3.64 cap. It will be a tough decision for those commissions, but a decision they have agreed to shoulder. One of the amendments made in the Senate was a requirement for a notification on the tax bill that would give taxpayers a more detailed look at exactly where this money is going.

Mary Walker, representing Carson City, Douglas County, Lyon County, and Storey County:

[Distributed an executive summary of S.B. 146 (R1) ([Exhibit E](#)) and a brief on the bill ([Exhibit F](#)). She read from ([Exhibit E](#)).] We also have a sister bill, Senate Bill 406, which is a request for funding of \$4.6 million to actually build the facility. It will be heard on Monday, May 7, in the Senate Finance Committee. With the State's limited funds, we know that we may get full funding for the building of the facility. If we do not get it funded, or if it is partially funded, at least it will be only a one-time expense. We will do everything we can to come up with the additional funding to pay for building the facility ourselves, even though it will be extremely difficult. The key here, though, is having the funding for operational costs every year, and that is why this bill is extremely important to us.

The vote in the Senate was 11 to 10—an extremely close call. The vote was nonpartisan, with 8 Republicans and 3 Democrats in favor of the bill. We are proud of the fact that this was the only bill of its kind to pass the first house deadline.

Section 4 of your handout (page 10 of [Exhibit F](#)) gives some numbers. I would like to go through those numbers with you and quickly explain why we need this bill. Prior to 2003, the elected officials of local governments—the counties, cities, and districts—were able to enact and increase their property tax rate. They had had that ability since Nevada was established 140-150 years ago.

Since the enactment of A.B. No. 489 of the 73rd Legislative Session, even though we still have the ability to increase our rate, it no longer generates the same revenue as before because the tax bill can only go up 3 percent. A \$1,000 tax bill on a home this year can only go up by 3 percent to \$1,030 next year. If a county or a district or a city increases its tax rate, it will not generate appreciably more money because the tax bill is capped at \$1,030. Because of A.B. No. 489 of the 73rd Legislative Session, the only meaningful increase we can get from a tax rate change is through new construction.

For example, Section 4 (page 10 of [Exhibit F](#)) shows the assessed value in Lyon and Churchill Counties. The second column of numbers shows how much

revenue would be derived from a \$0.01 increase if outside the A.B. No. 489 of the 73rd Legislative Session limitation, which would be \$191,224. That was what we would have been able to derive prior to 2005. On the far right is what we would get now, which is \$13,792. In Lyon County we used to be able to derive upward of \$136,000; now it is a little less than \$12,000. Churchill County used to be able to derive a little less than \$55,000; now, with the abatement, it is about \$1,900. As construction slows, that will decrease even further.

This bill takes the taxes outside the abatement with the enactment of the county commission. We have put an amendment into the bill. The second page of Section 4 (page 11 of [Exhibit F](#)) shows an actual tax bill. In the middle of that page is a handwritten notation that this tax was imposed for regional juvenile services. That is what we would put on the actual tax bill so there would be full disclosure to the taxpayers that the county is imposing a tax rate outside the abatement. We are staying within the \$3.64 tax cap, but we are requesting to go outside the abatement. If it were not for a critical public safety problem with our children, their families, and their communities, we would not be asking for this. You will hear testimony from our juvenile probation officers about how dangerous the situation actually is.

Assemblyman Marvel:

How much money will this generate if they impose the full \$0.08 in both counties?

Mary Walker:

The operational cost of the facility is \$1 million a year. Lyon County needs to enact almost \$0.05 to pay for their portion. If Churchill County were to levy enough to cover their whole amount it would come to a little over \$0.06. We asked for \$0.08 because over time there will be further operational costs. That \$0.08 will generate the \$1 million we need for the annual ongoing operational costs.

Assemblyman Marvel:

I am in favor of the bill because I have seen what happened in the three counties I used to represent. We saved the State of Nevada a tremendous amount by building that detention facility in Winnemucca.

Chair McClain:

What bill did you say was in Senate Finance?

Mary Walker:

That was Senate Bill 406.

Assemblyman Parks:

Section 2 of the handout (page 6 of [Exhibit F](#)) says that each county will build its own facility. I had understood you were looking at building a joint facility. Is it a joint facility or separate facilities? Also, do you have a location in mind?

Mary Walker:

One of the alternatives was for each county to build its own facility. After looking at this for years, what they are looking at today is a joint facility at Silver Springs. The location would be in conjunction with the Western Nevada Regional Youth Center (WNRYS) facility so they can use joint kitchen and other facilities. That is why the cost of this is only \$4.6 million, because the common areas will be with the WNRYS facility.

Assemblyman Parks:

Is that what we call the Ramsey Weeks Cutoff? [Ms. Walker confirmed that.]

Robert Hadfield, Interim County Manager, Lyon County:

[Distributed and read from a letter from Phyllis Hunewill, Chair of the Lyon County Board of Commissioners ([Exhibit G](#)).] As I stated on the earlier bill, we find ourselves in a unique situation that nobody could predict. We are growing. We were a lazy rural community. If you go through Fernley now there is not much farm land left; Mason and Smith Valleys are still primarily agricultural but Dayton Valley and Fernley are simply suburbs of the metropolitan U.S. Highway 395 (US-395) corridor.

As a rural county we were conservative and did not use our tax rate because we did not have the need. We were able to make arrangements with adjoining counties to secure juvenile detention beds and able to pay the daily rate they charged for them. Right now those beds are not available because the urban counties are now filling them. We find ourselves becoming an urban county and having the tax rate capability, but not being able to generate the money other counties were able to generate with the same tax rate in order to take care of our problems.

One message has come forth over the last decade as I have appeared before this Legislature: take care of your own problems, cooperate with one another, and enter into regional agreements. The WNRYS is a perfect example of that kind of creation as a treatment facility. We are seeking the ability to do the same thing.

We want to take care of our responsibilities. We do not want to pass them on to the State. We want to be able to generate the money locally to take care of our youth, to deal with their problems, and to develop the resources within our

communities to address their needs. As you know, the urban communities are stressed over resources, but we are not going to find the professional help we need in small areas like Yerington.

We have already developed a model with the WNRYS facility showing we can make this work. We want to be good to our constituents by providing good governance and not by simply passing our problems on to the State. We understand this is a difficult situation for you in the Legislature. None of us like to be here in this situation.

I urge you to understand that we are not being given the same opportunity to tax under the cap and generate the same money that the urban areas had for addressing the same problems. They used those monies to do exactly what we want to do. We have looked at everything and tried everything. You have a budget shortfall; we have a budget shortfall, we are laying people off July 1, but this juvenile facility is a critical community priority.

We are proud that Churchill County has joined with us in this effort; it is a model of the kind of behavior Nevada should support and encourage. Give us the responsibility and the ability to take care of our problems. We urge you to listen carefully to the juvenile experts. They will tell you what really happens as a result of our inability to meet the needs of our county. Ten years ago we did not know we would have these needs. We did not increase property taxes because we did not have these problems and we did not need to do it.

Chair McClain:

Does A.B. No. 489 of the 73rd Legislative Session not allow you to go to a vote of the people in the county in order to go outside that abatement cap? Have you tried that?

Mary Walker:

You are right; A.B. No. 489 of the 73rd Legislative Session does allow us to do that. This problem has occurred only recently because of the rapid growth we have experienced. Taking this to a vote of the people would hold us up two years before we could enact something. We would have to take it to the voters in 2008, and it would not be able to go into effect until July 2009.

We want the ability and self sufficiency to be able to take care of these problems. This is a critical problem and we cannot wait a couple of years, as you will hear from our juvenile probation officers. Someone is going to be hurt; people are getting hurt. If this were not a matter of public safety we would not be here.

Robert Hadfield:

This is an equity issue. The people who have these facilities now and have the tax rate to cover operating costs are under the \$3.64 cap. They were not required to go to the voters to get approval to raise taxes to the \$3.64 tax cap, so they could afford to take care of their problems.

We are not asking for anything that most all of the urban communities do not already have. They were able to take the responsibility and get those things done. We just got stuck having to play by different rules, and we do not have the flexibility or the options for revenue that the urban areas have. We are playing the same game but with a different set of rules, and we will never catch up.

We do not have the same opportunities and abilities that they have simply because they urbanized faster than we did. Because people moved to Clark and Washoe Counties before they moved to Lyon County, those counties had the ability to come up with the revenue to fund a facility like this when they needed it and to make their residents pay for it. Now we are stuck in a mess where we cannot do it, and our tax rates are lower.

Norman Frey, Commissioner, Churchill County:

Today you will hear some of the problems our juvenile probation officers (JPOs) in Churchill and Lyon County deal with on a regular basis. The present lack of adequate detention facilities places JPOs, their families, and the general public in danger.

On September 7, 2006, the Churchill County Board of Commissioners took action to approve the measure that eventually became S.B. 146 (R1). We requested it because we have an obligation to society to protect our young offenders and the public from those who become violent. We also have the support of the Nevada Association of Counties (NACO) for this bill because it does apply to all counties with populations under 100,000. We seek the ability to optionally impose the rate upon ourselves, so the county commissions of the respective counties will take the heat.

We have a track record with the WNRYS of cooperating with Lyon County and working with our neighbors, not only on this issue but on many issues. Working together toward regional solutions is healthy. The WNRYS cannot fill the need that this facility would fill, which is juvenile detention. The job of WNRYS is the treatment of drug and alcohol problems.

In the absence of the tax override to support increased juvenile detention operations, we will continue to struggle with the increasing need for juvenile

services that our community demands and requires. As a result, we will continue to be faced with the dangers posed to our employees, the public, and the juveniles who come into the system in ever-increasing numbers. We are out of beds in this part of the State and it is not fair to our clientele and our public to have to transport long distances. It is not fair to the families. I urge your support of S.B. 146 (R1) to allow the ability to optionally tax ourselves to deal with this issue.

De Vere Karlson, Chief Juvenile Probation Officer, Churchill County:

As you have been made aware, neither Churchill County nor Lyon County, which jointly comprise the Third Judicial District, has a juvenile detention facility. We must contract with detention facilities in outlying counties to house our youth. Both counties contract with Douglas County juvenile probation and Carson City juvenile probation. However, these facilities cannot guarantee they will always have space because they do not. We also have no guarantee that they will accept our youths because they have the right of refusal, which they have exercised in the past.

Both facilities do their absolute best to accommodate us, but the facts are this: There are a limited number of beds, and the needs for those beds are greater. What was once an occasional panic situation when space was not available has become a daily fear. Churchill and Lyon Counties are not heading toward a crisis; we are in the midst of one. For Churchill County alone, in 2006 there were 33 instances where detention space was not available. In 2007 to date, we have had 18 instances, and we had another one today.

Included in your packets ([Exhibit F](#)) are stories of only a few of the instances that occurred over the past years when detention space was not available. [Read from Section 9 of (pages 16-19 of [Exhibit F](#)).]

On March 5 the worst possible event involving one of our youths occurred in Churchill County. A 17-year-old female whom I have known since she was 7 years old, and whose family I and most members of my Department have worked with over the past ten years, allegedly shot and killed her stepmother. As I arrived on the scene, the District Attorney took me aside and asked me where I would put this young lady if she were not charged with murder. I had no idea. Several hours later the young lady was booked in Churchill County Jail for murder, thus removing me from that situation. I never want to receive another phone call that one of my youths has killed somebody.

Every day Officer Sayre and I have to face the prospect of having to release youths back into home situations where we know they are not safe, and where we know they are most likely going to continue to violate and to use drugs.

We have not had time to intervene, to offer them services, or to give them time to reflect on their behavior in a realistic manner. Churchill and Lyon Counties desperately need the ability to detain youths who meet the criteria. This is an issue of public safety and an issue of doing what is best for our youth.

Assemblyman Grady:

My son is a JPO in Humboldt County, and I represent areas of both Churchill and Lyon Counties. When you cannot find a bed, you and your personnel sit in your office with these juveniles because you have nowhere else to go with them.

De Vere Karlson:

When that occurs we have a couple of options. Based on the seriousness of the situation, sometimes my officers do have to sit in the office and observe the juveniles. At times we can release them with electronic monitoring. That way we know where they are, but we do not know what they are doing. We can only hope nothing occurs, and that is a major concern.

Roger Sayre, Chief Juvenile Probation Officer, Lyon County:

I can only tell you that for every story she has told you about Churchill County we have one in Lyon County. We also have far greater distances to travel. We have Fernley, Dayton, Silver Springs, Yerington, and Smith Valley. I have driven up to Stateline in the middle of winter in the snow with a juvenile in the back of the car. I have driven to the Leighton Hall juvenile justice complex in Winnemucca myself before I became the chief. You do not understand how scary it is, and it is getting worse. We are getting overflow from the urban areas moving into Lyon County. All three of our judges are in total support of S.B. 146 (R1) because the situation is critical. We have to do something before all of us are affected.

Brad Goetsch, Manager, Churchill County:

I worry about these JPOs when they sit in an office with a violent youth. This is an office not with a bed, or something between them and the youth. It just has a desk, a chair, and a trash can. They take turns sitting in shifts with the youth for 24 or 36 hours or longer. One of the things Ms. Karlson did not relate to you is that if we are lucky enough to find a bed, the JPO then gets in a car in the middle of the night in a snowstorm, or any other time, and drives the youth 100-150 miles to Winnemucca or up into the mountains—wherever we can find a bed available. I worry about both my officers and these youths when they are on the road. The youths could have been somewhere safe 15 miles from home, but now they are somewhere far from their families and from the JPOs in charge of their cases. It is a difficult situation.

This is not just an issue for Lyon and Churchill Counties. This is a regional northern Nevada issue. In past years when our populations were smaller, this worked pretty well. Carson, Churchill, Douglas, Humboldt, Lyon, Mineral, Pershing, and Washoe Counties were able to cooperate. We would call each other and trade beds wherever there was room, and we could make it work. Now each one of these entities fully utilizes its own facility and calls the other ones looking for beds. This system simply no longer works.

Churchill County was conservative and reserved the tax rate that was mentioned earlier. We are well under the \$3.64 cap, but we were caught by the abatement when it came in 2005 and were not able to take advantage of that potential increase. The unintended consequence of A.B. No. 489 of the 73rd Legislative Session was the punishment of cities and counties that had been conservative and had not reached that cap. Increases within the abatement, as you heard earlier, do very little for us. If we increase a penny or two, it may raise \$10,000 or \$20,000 in Churchill County, but that is not the effect we need.

The question was asked if we could go to the voters. Unfortunately, we cannot go to the voters until 2008. If the measure passed in 2008, we would then have to go through the engineering, contracting, and construction, and it would be 2010 or 2011 before this facility could be operational. If we did not run our campaign well and the public did not understand and pass the measure the first time, we would have to go back a second time. In that event it could be 2015 before this facility would be operational. The people beside me here would have to continue holding these youths in their offices from now until 2015, and that is not a good resolution.

If you support us in this we could potentially have an operational facility by the end of 2008. We have already begun talking about plans and working on this. We could have resolution fairly rapidly if you were to enable our officials to take this responsibility themselves.

We do have a record of cooperation with the WNRYS facility. It is a model treatment facility, and it will be a model of how Lyon and Churchill Counties cooperate. We have used that facility to help youths from other regions and counties as well. We plan on reducing the cost of our facility by using some of the WNRYS facilities to support this facility. The proposed facility would enable Lyon and Churchill Counties to immediately address our needs.

I do not believe we are asking the Legislature to impose a tax. We are simply asking that you allow us to have that responsibility. Allow our elected officials to make that decision, and the responsibility will lie with them. The proposed

money is inside the cap and outside the abatement passed in 2005. We are asking for enabling legislation so we can cooperate and address the needs that exist today.

Chair McClain:

Do we have anyone else who wants to testify on S.B. 146 (R1)?

John McCormick, Rural Courts Coordinator, Administrative Office of the Courts, Supreme Court, Nevada:

I am here to express the continuing support of the Judicial Council of the State of Nevada for S.B. 146 (R1). The Council believes this measure will provide an opportunity for rural counties to operate sorely needed juvenile detention facilities to meet the increasing caseloads, reduce burdensome travel distances to existing facilities, and provide more equal access to justice for residents of Nevada's rural communities. The Council has long been aware of the need for a greater number of juvenile detention facilities in the rural counties and we continue to support anything the Legislature and the counties can do toward getting those additional detention facilities.

Carole Vilardo, President, Nevada Taxpayers Association:

I am speaking in opposition to the fact that we are working piecemeal to address an issue when there is a policy decision that needs to be made. This is the second time you have had a bill before you for an isolated, specific instance. I can appreciate the problem of Churchill and Lyon Counties. The Churchill Juvenile Probation Department actually received the Cashman Good Government Award two years ago because of their innovative programs, so I do not question whether they have a need or whether they operate efficiently.

We need a permanent solution, possibly something as simple as saying counties that are at the cap or that have public safety or public health problems will be allowed to calculate what they need on an annual basis. With a three-fourths vote of the county commission or a unanimous vote, and after two public hearings, they may approve this for a one-year period. They will specify exactly what the funds will be used for, and then calculate the need the following year. That is what was done three or four years ago, prior to the abatement, when the regional facility was allowed to create the money for operating China Springs, which the State built. Those entities had no money so there were very specific conditions.

You have a requirement for any exclusion or levy that has to go outside the abatement to be voter approved. I have spoken to some of the entities about why they are not doing that. Some of these entities are already at the

\$3.64 cap and they cannot do it. Another problem with some of them is that the issue may not be one the general voting public will relate to.

This should be a policy decision. I absolutely oppose this piecemeal approach because everyone gets treated differently and there is no consistency. However, if it is your will to do something, then look at where the biggest need would be, do it annually, and have it for a set amount of money. That would remove my opposition and would not be piecemeal. You would have something in place that could be used for a number of reasons by a number of entities.

Chair McClain:

Are there any questions? [There was no response.] We will certainly take that into consideration. Specialty legislation is always a problem because it usually causes more problems than it was originally intended to solve. Maybe we can find some common ground. Does anyone else wish to testify on S.B. 146 (R1)? [There was no response.] I will close the hearing on S.B. 146 (R1) and open the hearing on Senate Bill 147.

Senate Bill 147: Revises provisions governing the use in certain counties of taxes on motor vehicle fuel. (BDR 32-938)

Mary Walker, representing Carson City, Douglas County, Lyon County, and Storey County:

[Distributed an executive summary of S.B. 147 ([Exhibit H](#)) and read from that executive summary.] This did pass on the Senate side with 21 ayes and no nays.

Chair McClain:

I was just discussing the growth of Lyon County. They are going to be in the same situation as Carson City after the next census.

Linda Ritter, City Manager, Carson City:

As Mary indicated, we will approach build-out. We will be the first county to actually reach maximum population, which we estimate to be about 75,000. We just went through a master planning process to confirm that, and we are planning all of our infrastructure around that number.

Right now we are at the full \$0.09 RTC tax. Of that, \$0.05 has been allocated for the Carson Freeway. When the Carson Freeway reaches Fairview Drive and bypasses our downtown area, we will have the option of taking over Carson Street. That is scheduled to happen in either 2008 or 2009. With taking over Carson Street comes a huge maintenance responsibility. We really do need to be able to allocate some of those RTC tax revenues for maintaining

that street because we will have more streets than we can maintain. We would like to have that flexibility. I am not saying all of the \$0.09 would go for maintenance right away because we do still have a couple of road projects, but we would like to have that flexibility for the future.

Chair McClain:

Do you know why Carson City was originally included with the two big counties for construction only?

Mary Walker:

This actually happened in the mid 1990s under the S.B. 557 Committee. At that point the \$0.09 RTC funding could only be used for new construction. The smaller rural counties came to us and said they did not need it for new construction; they needed it for existing roads. We changed the law for counties with populations of 50,000 and under to accommodate them. Carson City gives the majority of that money to the Nevada Department of Transportation (NDOT) to fund the freeway. Carson City did not see they would need that for a long period of time for maintenance because they really needed it for the freeway bypass. Now, 10 or 12 years later, Carson City is reaching build-out and needs the money for maintenance. That is why we are requesting this now.

Robert Hadfield, Interim County Manager, Lyon County:

Lyon County supports this measure. Unlike Carson City, which has a small area compared to Lyon County, we have a much different mix of roads. We have hundreds of miles of gravel road; we have paved roads and roads that are somewhere in between. As the Chair noted a moment ago, with our growth we expect to be in a situation similar to Carson City's very soon unless this law changes. We support these efforts and think it this a good opportunity. We do levy the entire \$0.09, but we do not have very many gas stations.

Chair McClain:

Does anyone else care to testify on S.B. 147? [There was no response.] I will close the hearing on S.B. 147 and open the hearing on Senate Bill 154 (1st Reprint).

Senate Bill 154 (1st Reprint): Clarifies certain provisions governing taxes on transfers of real property. (BDR 32-712)

Robert Crowell, representing Focus Property Group:

You will note the bill is in its first reprint; it was amended on the Senate side. Prior to its amendment it had a fiscal note of about \$50 million. With the amendment, that fiscal note is completely gone. Now we are left with language in Section 1 that has no fiscal impact. The original fiscal note, referring to Section 1 of the bill, said:

The proposed language clarifies that the mere change in identity applies to any business entity. The fiscal impact should be minimal because the previous language did not prevent the exemption from being applied to other types of businesses. The change does not represent an expansion of the exemption but clarifies that business entities other than corporations may claim it.

That is exactly what S.B. 154 (R1) does. It merely allows related business entities, whether they are corporations or not, and where there is a transfer of 100 percent ownership, to be exempt from the transfer tax. The reason for that is the existing language, which has been interpreted to be more expansive than just relating to corporations and their parents and subsidiaries. After this legislation was originally enacted, the Legislature saw fit to adopt other business entities such as limited liability companies (LLCs) and limited liability partnerships (LLPs). This bill would now make it clear that any business entity, whether it is a corporation, LLC, or LLP, can take advantage of this particular provision of the exemption. I believe that is consistent with what the Department of Taxation has previously construed. In a very real sense this is clarification.

Chair McClain:

So this basically changes the word "corporation" to "business entity" to match other statutes where we fixed that last time? [Mr. Crowell verified that.]

Assemblyman Parks:

When we heard this bill in prior sessions, there was quite a bit of discussion because approximately 13 different factors were taken into consideration. One thing we discussed was the issue brought up by Mr. Crowell. This looks like the simplest way to resolve the issue, so I think it is the right thing to do.

Chair McClain:

Does anyone wish to make a motion?

Assemblyman Grady:

Should we get Mr. DiCianno to say, for the record, that there is no fiscal impact?

Chair McClain:

That is probably not a bad idea.

Dino DiCianno, Executive Director, Department of Taxation:

I do agree with Mr. Crowell's testimony that there is no fiscal impact. The amendment to the bill eliminated the fiscal note.

ASSEMBLYMAN PARKS MOVED TO DO PASS SENATE BILL 154
(1ST REPRINT).

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMEN ARBERRY, DENIS, AND
HORNE WERE ABSENT FOR THE VOTE.)

Chair McClain:

That is all we have for today. Does anyone want to add any public comment?
[There was no response.] We will have four bills for meeting next Thursday.
We are adjourned [at 2:52 p.m.].

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Kathy McClain, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: May 3, 2007

Time of Meeting: 1:41 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
<u>S.B. 74</u> <u>(R1)</u>	C	Mary Walker / Carson City, Douglas County, Lyon County, and Storey County	Executive summary of the bill
<u>S.B. 146</u> <u>(R1)</u>	D	John McCormick / Administrative Office of the Courts, Supreme Court of Nevada	Letters in support from two district judges
<u>S.B. 146</u> <u>(R1)</u>	E	Mary Walker / Carson City, Douglas County, Lyon County, and Storey County	Executive summary of the bill
<u>S.B. 146</u> <u>(R1)</u>	F	Mary Walker / Carson City, Douglas County, Lyon County, and Storey County	Bill brief
<u>S.B. 146</u> <u>(R1)</u>	G	Robert Hadfield / Lyon County	Letter from Board of County Commissioners
<u>S.B. 147</u>	H	Mary Walker / Carson City, Douglas County, Lyon County, and Storey County	Executive summary of the bill