

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION
Seventy-Fourth Session
February 6, 2007**

The Committee on Taxation was called to order by Chair Kathy McClain at 1:36 p.m., on Tuesday, February 6, 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:

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

STAFF MEMBERS PRESENT:

Russell J. Guindon, Senior Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Marge Griffin, Committee Manager
Mary Garcia, Committee Secretary
Gillis Colgan, Committee Assistant

Chair McClain:

[Meeting called to order at 1:36 p.m. She introduced herself and welcomed everyone to the meeting.] This Committee's jurisdiction covers all the chapters



of Title 32 [of the *Nevada Revised Statutes*] except Chapter 371, which concerns the Local Government Services Tax and is under the jurisdiction of the Assembly Committee on Transportation.

[Introduced members of the Committee and the Committee staff. Roll was called.] Today Michael Nakamoto is going to give us an overview of the Committee Standing Rules and other matters pertaining to taxes in Nevada. I don't expect a lot of bills this session, so we will use the time as an opportunity to educate the public as well as the Committee on revenue generation in general in the State of Nevada.

Thursday's meeting will be a joint meeting with the Assembly Committee on Transportation for a presentation from the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-range Projects. They have recommendations that include some very "taxing" issues.

Next week we will be meeting jointly with the Senate Committee on Taxation for a presentation from the Department of Taxation. With that, I will let Michael talk.

Michael Nakamoto, Deputy Fiscal Analyst, Legislative Counsel Bureau:

First, I am going to go through the standing rules ([Exhibit C](#)). They are fairly straightforward. The only thing I would point out as a difference between these and what you might see in another committee would be Rule 15, which is the order of presenting testimony. Unless the Chair determines otherwise, the primary sponsor of the measure will testify first, followed by the lead opponent. The remaining testimony will alternate between proponents and opponents on the measure until all testimony has been taken.

ASSEMBLYMAN MARVEL MOVED TO ADOPT THE COMMITTEE
STANDING RULES.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Horne was not present for
the vote.)

Michael Nakamoto:

The next part of my presentation is the Committee Brief ([Exhibit D](#)), which concerns action taken by the Legislature during the 73rd Session. Page 2 lists the committee work during the 2003 and 2005 Sessions. Because there was no Assembly Committee on Taxation during the 2005 Session, I looked at the work of the Assembly Committee on Growth and Infrastructure, which was

primarily tasked with the work on taxation. There were a total of 24 measures referred to the Committee on Growth and Infrastructure during the 2005 Session. Out of those, 18 were approved or reported out of the committee and 15 were filed with the Secretary of State or reported to the Governor.

For more historical perspective on what the current Assembly Committee on Taxation could be expected to do, I also provided the activity of the 2003 Assembly Committee on Taxation. A total of 47 measures were referred to the Taxation Committee during the 2003 Session, and 31 were reported to the Governor or filed with the Secretary of State. That was a heavy tax year.

Page 3 [of ([Exhibit D](#))] has the significant tax policy enacted by the 2005 Legislature. Without going into everything the Legislature did during the 2005 Session, there were two fundamental aspects regarding taxation. First was the approval of property tax abatements in Assembly Bill (A.B.) No. 489 of the 73rd Legislative Session and Senate Bill (S.B.) No. 509 of the 73rd Legislative Session. That legislation provided a partial abatement on all real property in Nevada such that single-family, owner-occupied, as well as qualifying rental properties, had an abatement of no more than 3 percent above the prior year's tax bill. All other properties would go up by an amount, determined by a formula, from 8 percent at the greater end to twice the growth of the Consumer Price Index at the lesser end. Those rates will vary by county.

Second was the tax issues primarily dealing with changes resulting from legislation passed during the 2003 Session and the 20th Special Session. The Revenue Plan Fact Sheet ([Exhibit E](#)) covers the highlights of the 2003 tax changes. Page 4 shows what kinds of taxes were enacted, such as a modified business tax on financial institutions and general businesses, a business license fee, a statewide real property transfer tax, a change to the casino entertainment tax that applied to entertainment inside and outside casinos, and increases in taxes on cigarettes, liquor, gross revenues, and Secretary of State fees. Some of these may become issues during this session as modifications or changes may be proposed.

A.B. No. 554 of the 73rd Legislative Session made various changes governing taxation, primarily the live entertainment tax and the sales and use tax. The major parts of this legislation were the codification of definitions of events or activities based on regulations put forth by the Nevada Tax Commission and the Nevada Gaming Commission.

The enabling legislation, S.B. No. 8 of the 20th Special Session, tasked these bodies to create definitions of "entertainment." These definitions were then codified by A.B. No. 554 of the 73rd Legislative Session, which also added

exemptions for live entertainment incidental to amusement rides, motion simulators, et cetera.

Another major exemption in this bill, effective July 1, 2007, was for race events that are part of the National Association for Stock Car Auto Racing (NASCAR) Nextel Cup Series. Other changes contained in the bill included the reduction on maximum occupancy from 300 to 200 such that the live entertainment tax now applies to most events where the maximum occupancy is 200 or greater.

A.B. No. 554 of the 73rd Legislative Session also included provisions governing sales tax. The bill originally extended the exemption for a trade-in allowance on a motor vehicle on the local portion of the sales tax and on farm equipment from December 31, 2005, to December 31, 2006. It also provided for a ballot question, which appeared as Question 8 on the 2006 general election ballot, to make that exemption permanent. That was approved, so the exemptions for all State and local rates on the trade-in value of vehicles and farm equipment became effective on January 1, 2007.

S.B. No. 3 of the 22nd Special Session made policy changes to S.B. No. 8 of the 20th Special Session. There were provisions affecting the business license fee (BLF), most notably requiring that a business or natural person must provide a service or engage in a trade for profit to be required to obtain a business license. The bill also provided an exemption for a person who derives rental income from four or less dwelling units.

Additionally, S.B. No. 3 of the 22nd Special Session made modifications to the modified business tax (MBT) requiring that an entity must be conducting an activity for profit to be subject to the MBT. It also modified the branch bank excise tax such that instead of one branch per bank throughout the state being exempt from the tax, it is now one branch per county. The branch bank excise tax was one of the taxes Governor Gibbons, in his State of the State Address, proposed eliminating, so that may be considered by this Committee during this Legislative Session.

S.B. No. 3 of the 22nd Special Session also clarified that the definition of "maximum occupancy" for the live entertainment tax actually refers to maximum occupancy and not maximum seating capacity.

S.B. No. 357 of the 73rd Legislative Session created the Advisory Committee on Problem Gambling and required a portion of the quarterly restricted and non-restricted license fees on slot machines to be deposited into the Revolving Account to Support Programs for the Prevention and Treatment of Problem Gambling at the rate of \$1 per machine per quarter in FY 2006 and \$2 per

machine per quarter in FY 2007. S.B. No. 357 of the 73rd Legislative Session is scheduled to expire on June 30, 2007. This is also part of the Executive Budget, in that the Governor is proposing extending this beyond that sunset of June 30, 2007.

S.B. No. 391 of the 73rd Legislative Session replaced language based on the North American Industrial Classification System with language dealing with the regulations at State and federal levels defining what is a financial institution under the modified business tax on financial institutions. The major change was that collection agencies and pawn shops, which had previously been defined as financial institutions, were reclassified as general businesses.

S.B. No. 523 of the 73rd Legislative Session reduced the MBT on general businesses from 0.65 percent to 0.63 percent effective July 1, 2005. When the original legislation—S.B. No. 8 of the 20th Special Session—was passed, the tax was set at 0.7 percent. This is also scheduled to sunset on June 30, 2007, and the rate will revert back to 0.65 percent. However, Governor Gibbons has proposed, as part of the Executive Budget, that the MBT on general businesses be further reduced to 0.62 percent. That is also something that may be considered by this Committee.

I will not go over the rest of the summary of the legislation because a lot of it deals with technical changes and local revenues. If anybody has any questions, they are welcome to address them.

Page 21 [of ([Exhibit D](#))] deals with the jurisdiction of the Committee. As the Chair noted, 27 of the 28 chapters of Title 32 of the NRS are within the purview of this Committee, and I have them listed on page 21 [of ([Exhibit D](#))]. They include anything from the general provisions of the Department of Taxation through sales tax and various license taxes and fuel taxes. As was already noted, the only section of Title 32 not within the purview of this Committee is the Government Services Tax, which will be handled through the Assembly Committee on Transportation.

There is a table of potential Bill Draft Requests (BDRs) or BDRs that have been filed with the Legal Division and which are related to Title 32. There are some that will not come to this Committee, as they deal with the Government Services Tax, but there are proposals dealing with property tax, the MBT, sales tax, business license fees, other tobacco tax, the consolidated tax distribution, the real property transfer tax, et cetera.

The last two pages are a directory of the Assembly and Senate Committees on Taxation. Page 27 [of ([Exhibit D](#))] is a directory of key contacts dealing with tax-related issues both at the State and local levels.

The next part of my presentation is on the Revenue Reference Manual ([Exhibit F](#)), an overview of the tax system in Nevada produced by the Fiscal Analysis Division of the Legislative Counsel Bureau immediately prior to each legislative session. It contains information on General Fund appropriations for the 2005/2007 biennium, as well as the General Fund forecasts for the 2007/2009 biennium. It also contains collections, by revenue source, for the 2003–2006 fiscal years.

Beginning on page 17 is a summary of various taxes that are collected at the State level, from sales taxes to gaming, property, excise, fuel and motor vehicle taxes, and other taxes and fees, such as the insurance premium tax, the modified business tax, and the business license fee.

Beginning on page 71 is an overview of tax legislation history, from the 1979 Legislative Session through the 2005 Legislative Session. On page 88 is a separate write-up regarding the property tax abatements that were approved as a result of A.B. No. 489 of the 73rd Legislative Session and S.B. No. 509 of the 73rd Legislative Session.

There is also information regarding publications developed by the Department of Taxation, as well as information on tax exemptions for the sales tax, property tax, government services tax, and the real property transfer tax. The last sections deal with local government finance issues, education funding, and the process by which the Fiscal Analysis Division requests fiscal notes from State and local agencies on legislation that may or may not have a fiscal impact.

Chair McClain:

Has everyone had a chance to look at the Revenue Reference Manual ([Exhibit F](#))? Are there any questions? [There was no response.]

We are going to be hearing from the Blue Ribbon Task Force dealing with transportation projects on Thursday. While our focus is the State's role in transportation projects and the funding of them, we also have constituents who are sitting in traffic in Las Vegas gridlock. We have people trying to get from Highway 395 to I-80 in Reno in gridlock.

I would like to be able to ask some of the other entities, such as local governments, to give us presentations on funding sources and how they prioritize the local infrastructure needs of their communities. I would like to be

able to get presentations from Washoe County, Clark County, and maybe the Douglas County/Carson City area, which also has growing needs. Maybe we can give the public a view of the big picture, and we can look at all the options that might be available to us.

We are being told by the Blue Ribbon Task Force that we need to raise taxes, but the Governor does not want to. I am not sure there is any appetite at all for raising taxes this year. If you have any comments or any ideas about how we could get this discussion going and get an overview of transportation needs in Nevada, whether rural Nevada or Clark County, I would appreciate the feedback.

Are there any comments or concerns from Committee members? Do we have any public comment? We are adjourned [at 2:06 p.m.].

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assembly Member Kathy McClain, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: February 6, 2007

Time of Meeting: 1:30 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest List
	C	Michael Nakamoto / LCB Fiscal Analysis Division	Committee Standing Rules
	D	Michael Nakamoto / LCB Fiscal Analysis Division	Committee Brief
	E	Michael Nakamoto / LCB Fiscal Analysis Division	Revenue Plan Fact Sheet
	F	Michael Nakamoto / LCB Fiscal Analysis Division	Revenue Reference Manual