

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

**Seventy-Fourth Session  
June 1, 2007**

The Committee on Taxation was called to order by Chair Kathy McClain at 3:29 p.m., on Friday, June 1, 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/](http://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](mailto: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 Morse Arberry Jr.  
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

**STAFF MEMBERS PRESENT:**

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



**OTHERS PRESENT:**

Sam McMullen, representing Regional Emergency Medical Services Authority  
Karen Winchell, Management Analyst, Motor Carrier Division, Department of Motor Vehicles  
Jim Gubbels, Vice President, Regional Emergency Medical Services Authority  
Dino DiCianno, Executive Director, Department of Taxation  
Robin Keith, President, Nevada Rural Hospital Partners Foundation

**Chair McClain:**

[Meeting was called to order at 3:29 p.m. Roll was called.] We have one bill that came over from the Senate, so I will open the hearing on Senate Bill 501 (2nd Reprint).

**Senate Bill 501 (2nd Reprint): Makes various changes to provisions relating to taxation and nonprofit entities that provide emergency medical services. (BDR 32-1406)**

**Sam McMullen, representing Regional Emergency Medical Services Authority:**

Senate Bill 501 (2nd Reprint) would put this exclusively governmentally regulated and created franchise, operated through a nonprofit corporation, on the same footing as if they had started as a local government agency in terms of exemption from sales tax and registration taxes. The second provision in the bill relates to the Regional Emergency Medical Services Authority (REMSA) being able to purchase as a nonprofit without paying sales tax because a legal opinion has been issued that says if they lease something then the bank is actually the owner and REMSA loses their exemption for sales tax. That is the first portion of the bill.

Most importantly, the bill as it came out of the Senate Finance Committee was amended to have no impact and no effectiveness whatsoever until July 1, 2009, so we could use it as a planning vehicle to see what the impact might be and give everyone in the Legislature a chance to look at it. However, they always let us out of Senate Finance about the same time they let us out this year, and we get blocked because it is too late in the year to do it. It would be effective at the beginning of the next biennium, and this would allow us to at least present it correctly in the budget cycle.

**Assemblyman Marvel:**

How many other companies provide this service?

**Sam McMullen:**

In the area REMSA serves, it is the only one. In Washoe County, REMSA was established as a response to the ambulance wars where multiple ambulances would show up at calls. Local government took the service over and created a nonprofit, exclusive franchise. The Regional Emergency Medical Services Authority has been operating that way for more than a decade. They provide air ambulance service all the way out to the mining area of Elko, Eureka, and down south; they go as far as they can safely fly, refuel, and come back. They basically provide the sole air ambulance service in that greater part of the State. There are, of course, other ambulance companies in the State, but no one else falls under the definition of this bill as constructed by the Legislative Counsel Bureau (LCB). It only applies to this one quasi-governmental entity.

**Chair McClain:**

I would like Michael to give the Committee some historical background on how this bill started, its evolution, and its fiscal impact.

**Michael Nakamoto, Deputy Fiscal Analyst:**

When the bill was first introduced in the Senate Committee on Taxation, it contained exemptions from motor vehicle, aircraft, and jet fuel taxes, as well as an exemption from the sales tax for the sale or lease of ambulances. Section 9 of that version of the bill made that exemption retroactive to November 1, 2002. That portion was amended out of the bill by Senate Taxation, and the bill was rereferred to Senate Finance.

There was discussion in Senate Finance, when the bill was heard last week, regarding the potential effects. A question also arose about Section 8 of the first reprint, which addresses special license plates. The intent of this was to create a special license plate for ambulances. There were concerns because the section this was being placed into dealt with special license plates for antique fire trucks that could be taken out for exhibitions, parades, and the like. Senate Finance amended that portion out of the bill.

They also changed the effective date from July 1, 2007, to July 1, 2009, and added additional exemptions for the Governmental Services Tax (GST) and registration fees for the ambulances, as well as an exemption from the \$0.50 license plate fee that goes to the Fund for Prison Industries. That is what you now see as S.B. 501 (R2).

There would be no fiscal impact with the new effective date of July 1, 2009. The testimony given in Senate Finance regarding the effect going forward from that point specifically addressed the effect on the gas taxes as well as the sales tax. The information given at that hearing by Edgar Roberts from the

Department of Motor Vehicles (DMV) showed the effect for all the fuel taxes was approximately \$43,000 a year.

There was also a fiscal note from the Department of Taxation regarding the sales tax. That fiscal note would have changed from the original version of the bill to the first reprint based on removing the retroactive effect of the sales tax. However, that fiscal note from the Department of Taxation indicated the total effect of the state and local portions of all sales taxes, going forward into the future biennia, would be in the neighborhood of \$60,000 a year based on REMSA's lease of three helicopters. There was also an indication that the Department would incur implementation costs for changes to their computers of approximately \$70,000.

There was no discussion of the fiscal impact of the amendments made by Senate Finance, which added the GST and registration fees. Perhaps someone from the DMV is here and could address that.

**Karen Winchell, Management Analyst, Motor Carrier Division, Department of Motor Vehicles:**

I read the amended version of the bill and did a quick calculation based on an average cost. We received information from REMSA saying they currently had 30 ambulances. Their basic average cost of registration and GST totals \$177.00, multiplied by the 30 ambulances, comes to an additional \$5,310.00. Since the implementation date is not until July 1, 2009, those costs would be reflected in future biennia as well as the cost we had calculated for the fuel taxes.

**Assemblyman Horne:**

I know this will not be effective until 2009, but will it be retroactive once it goes into effect?

**Sam McMullen:**

Absolutely not.

**Chair McClain:**

The exemptions themselves would become effective July 1 of 2009. My only problem with this is forward-dating things. This is the second bill we have gotten from the Senate in the last few hours that becomes effective in 2009. We are binding future Legislatures to something we do not know about. I do not have a problem with REMSA's need, and I think it is a good idea to treat them like any other quasi-governmental agency. However, we either grant this to them or we do not. We do not say they can have it sometime down the road.

We will probably debate that. I do not want to move this bill today because everybody ought to have a few minutes to think about this. I am going to watch to make sure we do not get a lot more of these bills with effective dates of July 2009. We will take some testimony today, but then we will recess and finish with this behind the bar when we are all comfortable with it one way or the other.

**Sam McMullen:**

The programming fiscal note actually shows what the programming cost would be if they programmed this by itself with no other programming features required for this session. They put that singular amount in every fiscal note. However, they do a batch programming change at the end of the session that includes all the programming that has to be done, which minimizes the cost.

The lease cost, if they went to the third helicopter, would be approximately \$22,000 a year per helicopter. If they bought it directly, they would not have paid that anyway. We appreciate being able to present a policy issue. You can discuss the financial impact next session. If the Chairman of the Assembly Committee on Ways and Means, who is on this Committee, says next time that the State does not have the money for this, that would be part of the debate and this bill could be revised before it ever took effect.

The last few years we have been prevented from having a policy debate on this because there was never the money for it. I apologize for the way this came to you, but that was the Senate's response to another tough issue this year. We appreciate that, but we would really like for you to address the policy issue of whether this entity should be treated this way.

**Chair McClain:**

Thank you. I do not think we have a problem with the bill per se, but more with the particular policy of forward-dating things. I do not want to set the precedent that just because we cannot fund something this year we will pass the policy and let the next Legislature worry about it.

**Karen Winchell:**

There are currently no exemptions for the payment of motor, aviation, or jet fuel taxes except for Nevada's active duty military. The State, counties, and municipalities all pay motor, aviation, and jet fuel taxes. A concern of the DMV is that opening the exemption to a nonprofit ambulance service may lead to further requests for exemptions, which would reduce the amount of tax remitted to the highway fund, Nevada's counties, and county airports.

**Chair McClain:**

Government agencies are not exempt from any fuel taxes?

**Karen Winchell:**

No, they are only exempt from special fuel or diesel taxes. They are not exempt from motor, aviation, or jet fuel taxes. They pay gas tax.

**Chair McClain:**

Why did they do this on the Senate side then?

**Sam McMullen:**

We thought that was drafted by LCB for parity with government entities. Actually, those taxes are about \$1,000 a year, while diesel fuel tax is approximately \$35,000–\$37,000 because of their ambulances. All we ask for is parity. We are not asking for any advantage, so I apologize if that was drafted incorrectly.

**Karen Winchell:**

The total on the fiscal note for future biennia is approximately \$7,500 for the motor fuel taxes, based on the information we received from REMSA. By far the largest fuel tax exemption would be for the diesel fuel, which is \$78,000 in future biennia.

**Assemblyman Horne:**

Regarding the leasing, I want to make sure we do not have two entities such as REMSA and maybe the hospital both claiming the helicopters on lease.

**Jim Gubbels, Vice President, Regional Emergency Medical Services Authority:**

The lease is actually with the bank. The reason we did this for the lease was so we could get lower interest rates, thus keeping our overall costs down. However, we are in a catch-22 situation, as we did not realize until three years later that we would be taxed because this was a lease versus a purchase.

**Assemblyman Horne:**

I want to make it clear I do not want both the bank and REMSA claiming the lease. They are still going to have the note on it because they still have the lease.

**Sam McMullen:**

The exact language is on page 3 of the bill, but basically if a nonprofit corporation buys equipment in the State of Nevada, they are allowed by this section not to pay the sales tax. On line 31, the existing law states that a

nonprofit, whether by sale or lease, regardless of whether title passes, would already be exempt.

Because this was done through a capital lease through a bank there was a wrinkle in the legal opinion after the fact. These people are forced to choose between saving money through different interest rates as opposed to a tax exemption. I would like to make it clear that only a nonprofit corporation would ever be allowed to ask for that exemption. What is happening now is that extra sales tax is being paid because of the way they chose to conduct the transaction. Normally, if they had bought it directly, there would not have been any sales tax. There is no advantage to, or difference in, treatment of the bank whatsoever. It would only apply to the nonprofit organization as the lessee.

**Assemblyman Denis:**

So what we are looking at is a policy discussion that we could have next session also, but then we could also include the fiscal aspect. What is the benefit to doing this now as opposed to next session? What would happen if we did it next time and there was no money again?

**Sam McMullen:**

The reason Senate Finance chose to do it this way—this has happened to us a number of times and is awkward—is that usually this comes in so late in the session that budget issues have already been negotiated. A budget augmentation must then be requested in order to pass a bill like this. We are asking for the ability to be included in planning for the next budget in a way that defines just what the impact would be. If someone wants to take this out or make adjustments at that time because this is inappropriate or because there are inadequate funds, that will be the prerogative of the Legislature. We have run into the problem numerous times of being trapped at the end of the session.

**Assemblyman Marvel:**

The one value I can see of putting this in now is that this would not be counted as revenue. It would not be seen as money that was there to be spent.

**Assemblyman Grady:**

Going back to the fuel tax, I believe for aviation it is \$0.02, but there is also a county portion that can go up to \$0.08. Do you know what portion of that is Washoe County's?

**Sam McMullen:**

That is a difficult question to answer. It was interesting, in the fiscal notes, that all of these counties said there would be no impact at the local level. I think it is de minimis and, in their opinion, could easily be accommodated.

**Assemblyman Grady:**

I do not know if Washoe County even charges that. If they do not, no other county should be affected because it is a county option.

**Karen Winchell:**

I believe you are speaking of jet fuel tax. The county airports that would be affected are in Washoe and Douglas Counties. That is specified in the fiscal note we submitted.

**Dino DiCianno, Executive Director, Department of Taxation:**

In the original bill, the retroactivity was the reason for our programming change and the reason for those costs being reported. Since that retroactivity has been removed, we already have the current functionality to be able to do this because what already exists in the statutes is for nonprofits that purchase vehicles. This bill puts medical equipment for REMSA in those same provisions.

The distinction here, and the reason a nonprofit would have to pay a use tax, is if a nonprofit normally purchased any kind of tangible personal property, and if they had an exemption certificate from us, they would be exempt. They would take title, possession, and use of the property. Under a lease, though, they do not take title; the lessor or bank holds the title. The lessee has either to pay the use tax on the purchase price up front or pay it over the period of the lease.

**Chair McClain:**

Are we all okay with that? I am just a little leery about this July 2009 date. What is the total fiscal impact of this? Why did they not let the effective date be this year?

**Dino DiCianno:**

I was not at that hearing so I really cannot respond.

**Chair McClain:**

This just does not sound like that much money.

**Dino DiCianno:**

I do not know why they did what they did.

**Chair McClain:**

I am going to hold this. We still have about 80 hours left, and we need to think about this to make sure we do not get any more of these from the Senate with effective dates of 2009. This is the second one today.



**Robin Keith, President, Nevada Rural Hospital Partners Foundation:**

We want to weigh in as supporting this bill. There is actually one other ambulance service in the State that I believe will be affected by this, and that is the hospital-owned ambulance service in Fallon that serves all of Churchill County. The hospital in Fallon is a charitable organization pursuant to Internal Revenue Code (IRC) 501(c)(3). They own the ambulance service, which is licensed under Chapter 450B of NRS. That facility's ambulance service serves an enormous geographic area, and it is a very costly service to operate. They lose about \$450,000 a year providing this service to the community. However, they do it because the community needs the service, and because if they did not do it, the responsibility for this would fall on a county that would not readily be able to provide this service.

**Chair McClain:**

That ambulance service in Fallon is already exempt, though, is it not?

**Robin Keith:**

No, they are not. The hospital, which is a charitable 501(c)(3) organization, owns them, but the ambulances are licensed under . . .

**Chair McClain:**

How many ambulances do they have?

**Robin Keith:**

I do not know, but I think it is three or four. The taxes this bill addresses cost them approximately \$1,500 a year. It is not a huge amount, but every bit helps, especially in the face of such a large loss.

**Chair McClain:**

Are there any other questions or comments?

**Sam McMullen:**

I just want to reiterate that this is not revenue that would be counted on, so if you find out you need this revenue next session, it will be extra revenue paid, but you would not have it for planning purposes.

**Chair McClain:**

I want to give the Committee a little time to digest this, so I will close the hearing on S.B. 501(R2). We are recessed [at 3:58 p.m.].

[Called meeting back to order at 4:42 p.m., June 4, 2007, behind the bar of the Assembly.] Thank you all for being here. We are not going to move on S.B. 501 (R2). This meeting is adjourned [at 4:43 p.m.].

RESPECTFULLY SUBMITTED:

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Mary Garcia  
Committee Secretary

APPROVED BY:

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Assemblywoman Kathy McClain, Chair

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

**EXHIBITS**

**Committee Name:** Committee on Taxation

**Date:** June 1, 2007

**Time of Meeting:** 3:29 p.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster