

**MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON TAXATION
AND THE
SENATE COMMITTEE ON TAXATION**

**Seventy-Fourth Session
February 13, 2007**

The Joint Assembly Committee on Taxation and the Senate Committee on Taxation was called to order by Chairwoman Kathy McClain at 1:36 p.m., on Tuesday, February 13, 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).

ASSEMBLY 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

SENATE COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chair
Senator Randolph J. Townsend, Vice Chair
Senator Dean A. Rhoads
Senator Mark E. Amodei
Senator Michael A. Schneider



COMMITTEE MEMBERS ABSENT:

Senator Terry Care (Excused)
Senator Bob Coffin (Excused)

STAFF MEMBERS PRESENT:

Russell J. Guindon, Senior Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Tina Calilung, Deputy Fiscal Analyst
Mary Garcia, Committee Secretary
Mary Lou Watson, Committee Secretary
Julie Birnberg, Committee Secretary
Gillis Colgan, Committee Assistant
Ricka Benum, Committee Manager

OTHERS PRESENT:

Dino DiCianno, Executive Director, Nevada Department of Taxation
Terry Rubald, Chief, Division of Assessment Standards
Thomas Jefferson, Private Citizen, Elko, Nevada

Chair McClain:

[Meeting was called to order. Roll was taken. Senator Care and Senator Coffin were excused.] Today, we are having a presentation from Dino DiCianno, Executive Director of the Department of Taxation. He is also going to cover the Nevada Tax Commission. Then we will hear public comment.

Dino DiCianno, Executive Director, Nevada Department of Taxation:

[Distributed handouts ([Exhibit C](#)), ([Exhibit D](#)), and ([Exhibit E](#)).] Tom Sheets, Chair of the Nevada Tax Commission was not able to attend today and sends his apologies. He has concerns with the Open Meeting Law and hopes those can be discussed and resolved during this session to everyone's satisfaction.

The handouts you received were the biennial report of the Department of Taxation and a PowerPoint relating to the Unified Tax System (UTS) project. I have a PowerPoint presentation for you this afternoon that will highlight some of those areas.

The first slide of the PowerPoint presentation [page 2 of ([Exhibit C](#))] outlines the Department's mission, philosophy, and goals. The Department's main goal is to

provide taxpayers service. That is the cornerstone, and everything centers on that.

The next slide [page 3 of ([Exhibit C](#))] shows our organizational structure. The Tax Commission is the head of the Department; it acts as the policy board for the Department of Taxation. We work hand-in-hand with the State Board of Equalization, which oversees the equalization of property values throughout the State. We also are advised by the Committee on Local Government Finance and the Appraiser Certification Board.

The Department consists of four major divisions: the Administrative Services/Fiscal Division; the Information Services Division; the Compliance Division, which covers revenue and audit; and the Division of Assessment Standards. With me today are Tom Summers, the Deputy Director at the Administrative Division; Terry Rubald, Chief of the Division of Assessment Standards; and Lynne Knack, the Administrative Services Officer.

As the Executive Director of the Department, I serve at the pleasure of the Governor, and I act as the chief administrative officer for the Department. The statutory authority is contained in Title 32 of the *Nevada Revised Statutes*. We currently have 323.51 full-time-equivalent employees at the Department. We also have three district offices and two field offices, one in Elko and one in Henderson. I would encourage you to visit our website for information I believe is crucial to everything we do.

Next [page 4 of ([Exhibit C](#))] are the objectives of the Department. The first is to ensure stable administration of tax statutes. The accomplishments we have had, given the changes that occurred in 2003 and 2005 with new and existing taxes, are as follows:

- In Fiscal Year (FY) 2005, we collected and distributed \$4.2 billion in revenue, \$1.7 billion of which was General Fund revenue.
- For FY 2006, it was \$4.7 billion, with \$1.9 billion going to the General Fund. As you can tell, with the growth in the State, we are approaching the \$5 billion mark, and the \$2 billion mark for the General Fund.
- We did implement, within a short time, the new taxes this Legislature adopted during 2003 and further amended during 2005.
- We also had to develop information technology in order to be able to handle those new taxes and any tax changes that came out of that period.
- With the Tax Commission, we were able to promulgate regulations to assist us in the administration of that.

Our second goal or objective is to improve compliance through education, information, and enforcement. I wear the Taxpayer Bill of Rights like a badge because that is what we do. In light of that, we had to put in place what I refer to as the "ask the advisors" program. We provide classes in the north and in the south to businesses and other taxpayers to assist them in understanding what their responsibilities are as far as the reporting, the collection of the tax, and the remittance of that tax.

We make every attempt to educate businesses about the various taxes this Legislature has adopted. We make industry-specific presentations, and we request feedback about how well we do that. The feedback has basically been very favorable. We do not always reach all the businesses or all the different taxpayers, and that is unfortunate. We try to put out as much information as we possibly can on our website, through Tax Notes, and in other media. We have also elicited the services of the Nevada Taxpayers Association, the Nevada Manufacturers Association, and the Retail Association of Nevada to assist us in getting that information out to their constituents.

The Department's third goal [page 6 of ([Exhibit C](#))] is to cooperate with other agencies and entities to better serve the taxpayers. We realized early on with the new taxes that we had to develop partnerships with the constitutional officers and their offices, as well as other state agencies. We work with the State Treasurer, the Attorney General's Office, the State Controller's Office, and, with respect to the new business tax adopted in 2003, with the Employment Security Division (ESD) and the Department of Employment, Training, and Rehabilitation (DETR). We also work hand-in-hand with the Department of Motor Vehicles (DMV) because they also act as a collection unit for sales tax on automobiles they register.

We try to form partnerships with many outside entities, such as the Taxpayers Association, the Retail Association, et cetera. We also try to work with the different chambers of commerce to assist us in getting the word out.

We have recently worked with Clark County, and are now working with Washoe County, to develop one-stop-shop kiosks for business license registration. The problem for some businesses is that they must have their state business licenses in order for the counties to issue them their local licenses. We would rather have that happen all at once. I believe that program has been very successful.

The fourth goal is to provide improved and more efficient services. We need to educate and empower our employees to be able to provide that service. We

have struggled in the collection and enforcement of some of the new taxes, but it is important to understand what happened to our caseload during that time period—it increased nearly 250 percent between 2000 and 2006.

In an attempt to educate our employees, we try to cross-train our auditors, our revenue officers, our tax examiners, and the support staff in addition to the development of the new UTS computer system. We have also put an intranet in place to allow better communication between the different offices and divisions within the Department.

The fifth goal [page 8 of ([Exhibit C](#))] is to ensure the fair and equitable treatment of taxpayers. The Taxpayer's Bill of Rights is a top priority. We also have developed a better audit selection program based on indicators of noncompliance. We schedule pre- and post-meetings to review procedures, findings, and decisions for all Nevada Tax Commission meetings.

I try to reinforce my review on issues and appeals before the Tax Commission. I require that management staff at the Department schedule either weekly or biweekly staff meetings at the district level in order to communicate Tax Commission policies. It is crucial that we be consistent across the State in the application of the policies and regulations the Tax Commission adopts. With your assistance in 2003, we were able to establish an independent administrative hearing officer section, where we have attorneys that are separate from the Department, for adjudicating appeals by taxpayers.

Our sixth goal [page 9 of ([Exhibit C](#))] is to enhance workforce proficiency through training and communication. We had to implement the new taxes in a very short period of time. We believed we were short on resources, so we asked for 99 positions to assist us in that process. Even with those new positions you afforded us, we probably went through 150 employees during that time period because people who did not feel comfortable doing the job went elsewhere and because of the flow of advancements.

It was very difficult for us to provide promotions or incentives for our employees. It was difficult to be creative and provide motivation for exceptional performance in administering those taxes. We have tried to develop a team concept in dealing with the different mandates and to try to cross-communicate between those teams regarding their functional responsibilities.

The seventh and final goal [page 10 of ([Exhibit C](#))] is to improve tax administration through the use of new technologies. We are thankful that this Legislature did support us in providing the money to develop the new Unified

Tax System. The Automated Collection Enforcement System (ACES) was no longer capable of handling even the existing taxes, much less the new taxes adopted in 2003.

We do have a project team on the floor. In discussions with Mr. Stockwell, the director of the Department of Information Technology (DoIT) for this budget period, I am looking at revamping the Information Services Division by making it a division separate and apart from the Administrative Services Division. We are requesting a new deputy director of Information Services. We would have a cooperative agreement with Mr. Stockwell and DoIT to man some of the positions we are asking for.

We will definitely need that technical expertise to move forward with the project once Accenture, the company under contract to design and implement UTS, leaves. A necessary part of that is the production support. It would be suicide on my part to come before you and ask for \$40 million to develop a new computer system for the Department and not provide for production support. This system needs to be viable now and ten years in the future.

We have also participated in the State Information Technology Strategic Planning Committee to develop the Enterprise E-Payment initiative. The one thing I hear constantly from businesses and other taxpayers is, "When are you going to allow us to file and pay electronically?" It is time to come into the 21st century, and we are working through those issues.

I would like to go over a few highlights of the legislative enactments that have had a significant impact on our actions at the agency on a day-to-day basis [page 11 of ([Exhibit C](#))]. The new taxes related to S.B. No. 8 of the 20th Special Session and A.B. No. 4 of the 20th Special Session were the Modified Business Tax, the new Business License Tax, and the Live Entertainment Tax. A.B. No. 553 of the 72nd Legislative Session provided funding to implement those new taxes, not through the old ACES system, but under a new computer system, UTS. In addition, A.B. No. 489 of the 73rd Legislative Session and S.B. No. 509 of the 73rd Legislative Session have had significant impact in our dealings with the Tax Commission and the Committee on Local Government Finance with respect to local property tax abatements.

We also still support, as does the Governor, the Streamlined Sales and Use Tax Simplification Agreement (SST) through A.B. No. 514 of the 72nd Legislative Session and S.B. No. 515 of the 73rd Legislative Session. Currently, Nevada is an associate member of the Streamlined Governing Board. I will be submitting

further modifications to our sales tax statutes to conform to that agreement during this session.

The next slide [page 12 of ([Exhibit C](#))] is an organizational chart of the Department showing Administrative Services, Information Technology, and the Division of Assessment Standards. If our budget request is approved, we will remove the Information Services Section as a separate division that would answer to a deputy director and, eventually, to the executive director.

The next chart [page 13 of ([Exhibit C](#))] highlights the Compliance Division, which deals with audits and revenue collections. Under the Deputy Executive Director for Compliance, it shows the tax manager positions in Reno, Carson City, and Las Vegas. The chart shows how many positions of what type there are under each of those individuals.

At the time of the approval of 99 new employees, we had 224.51 full-time equivalents. We now have 323.51 full-time-equivalent employees and 14 intermittent positions statewide. This slide [page 14 of ([Exhibit C](#))] breaks those positions down by division—Executive, Administrative; Information Technology; Audit; Out-of-State Auditors; and DOAS, which includes Local Government Finance and Real Property Transfer Tax.

Next [page 15 of ([Exhibit C](#))] is a summary of the Governor's recommended budget for the Department of Taxation for FY 2008 and FY 2009. It also shows what the actual FY 2006 and FY 2007 budget approval amounts were for the Department. For FY 2006 it was \$36.9 million, and for FY 2007 it was \$33.4 million. Based on the Governor's recommended budget for FY 2008, we are asking for \$34.6 million and \$34.3 million for FY 2009.

The next slide [page 16 of ([Exhibit C](#))] shows the certified population. The State Demographer is an employee of the Department of Taxation. However, the State Demographer is housed at the University of Nevada, Reno, in the Small Business Development Center. He conducts, on an annual basis, estimates of the population that are utilized for distribution purposes and for the numbers associated with judicial townships.

As of July 1, 2005, the population estimate for the State of Nevada was 2,518,869, which was used for distribution purposes for FY 2006–2007. We have transmitted the new population estimates as of July 1, 2006, to the Governor for his certification. He has not certified them as of yet, but the estimate for the State of Nevada for July 1, 2006, is 2,623,050 individuals.

This next slide [page 17 of ([Exhibit C](#))] shows the impact of the tax changes of 2003 and 2005 on the Department. It compares the number of active accounts registered based upon the major categories, which are Sales and Use Tax, Business Tax, Business License Fee, and the Modified Business Tax. We went from roughly 136,000 accounts on June 30, 2001, to 463,000 accounts on June 30, 2006. I cannot emphasize enough the tremendous impact this has had on the work flow at the Department.

Within the 463,000 active accounts at the Department, there is a constant churn that happens on a daily basis. We have to deal with new businesses that come in and old businesses that go out. With old businesses going out, there may be issues concerning collection. There could be refund requests for outstanding monies that are due them.

This slide [page 17 of ([Exhibit C](#))] shows only our active accounts. The Department also has to deal with the inactive accounts that occur. We probably have 15,000 inactive accounts that are either subject to collection or under some judicial review. They may well be in bankruptcy. We still have to deal with those on a continuing basis.

This slide [page 17 of ([Exhibit C](#))] does not indicate the number of additional accounts that we have with respect to excise taxes—the Insurance Premium Tax, the Short-term Lessor Tax, the Live Entertainment Tax, Liquor Tax, or Tobacco Tax. Those accounts amount to approximately 3,237 accounts.

The next slide [page 18 of ([Exhibit C](#))] briefly highlights the revenue collection from over 17 different taxes and fees. If you remove the excise tax, the old Business Tax and business fee, and the change to the Bank Excise Tax that occurred in 2005, there is significant growth in each and every one of these taxes between FY 2005 and FY 2006. The revenue indicated for FY 2006 is \$4.7 billion. For FY 2007, I anticipate that will reach or exceed \$5 billion.

Next [page 19 of ([Exhibit C](#))] is a pie chart illustrating those revenues. It is obvious that Sales and Use Tax is the largest portion of that tax revenue—approximately 78 percent. Another large segment is the Insurance Premium Tax.

The next slide [page 20 of ([Exhibit C](#))] attempts to highlight the components of the Sales and Use Tax rates and what makes up those rates. The minimum statewide tax rate is 6.5 percent. It is made up of the General Fund portion, the Local School Support Tax, the Basic City-County Relief Tax (BCCRT), and the

Supplemental City-County Relief Tax (SCCRT). Next to that is the description of where those taxes go.

The next slides [pages 21 and 22 of ([Exhibit C](#))] show the option taxes for public mass transportation; public swimming pool (with voter approval), which was removed last year; and extraordinary maintenance, repair, and improvement of school facilities, which was imposed by White Pine County. Then there are special acts, which are up to 0.25 percent. They include the Local Government Tax Act for Washoe and Churchill Counties; the Tricounty Railway Commission, which is the V&T, for Carson City, Lyon, and Storey Counties; the Washoe Railroad Grade Project; and the Clark County Sales and Use Act of 2005, which was for police officers. Then there are miscellaneous amendments to that tax rate, which are the Douglas County Sales Tax Ordinance of 1999 and the Carson City Open Space Tax.

The next slide [page 23 of ([Exhibit C](#))] shows the total overall Sales and Use Tax rate by county. Elko County is at 6.5 percent, while Clark County is higher at 7.75 percent.

The next slide [page 24 of ([Exhibit C](#))] shows taxable sales broken down by county. This establishes the base for the revenues that the rate is applied to. As you can tell, FY 2006-to-date taxable sales were \$48.4 billion, as compared to FY 2005, which was \$44.2 billion—approximately a 9 percent change. This was reported by 54,796 businesses.

The next slides [pages 25 and 26 of ([Exhibit C](#))] show distributions of the revenues indicated before. The growth from \$4.2 billion in FY 2005 to \$4.7 billion in FY 2006 was nearly 11 percent. The majority of distributions, about 57 percent, goes to local governments. Approximately 41 percent goes to the State General Fund. The remainder of the distributions goes to the State Distributive School Fund and other distributions related to the alcohol and drug abuse program, administrative fees collected from local governments, the Tire Tax that goes to the Environmental Protection Agency (EPA), and the Lodging Tax for the promotion of tourism. Due to recent changes in the Estate Tax, that is almost down to nothing. There is also the State Debt Service Fund based on collections for property taxes.

The next slide [page 27 of ([Exhibit C](#))] highlights the consolidated tax distribution summary by county for FY 2005–2006. This is the BCCRT, SCCRT, Cigarette Tax, Liquor Tax, Real Property Transfer Tax, and the Governmental Services Tax.

The revenue collected for each tax, the BCCRT, SCCRT, Cigarette, and Liquor Taxes, is transferred monthly to the Consolidated Tax Account by the Department of Taxation and distributed according to specific statutes. Every county assessor deposits revenue from the Real Property Transfer Tax in the Consolidated Tax Account at least quarterly. Each county's revenue from the Governmental Services Tax is transferred monthly into the Consolidated Tax Account and distributed quarterly.

The next slide [page 28 of ([Exhibit C](#))] highlights the project schedule of the new Unified Tax System as of January 1, 2007. There were four distinct phases of the UTS, and each one of them had a project timeline for going live. As we got into the project, and as we were starting to learn more about how the system was going to assist us in the business process, we realized that at certain points within each phase, we had to extend the timeline out in order to be comfortable with the deliverables that Accenture was providing. We did change Phase I, Phase II, and Phase III. There were no additional charges associated with those changes.

We are currently in Phase III and Phase IV. They will go live at the end of June 2007. Then there is a warranty period, which we have contractually obligated Accenture to provide for us, of one full year after all four phases go live.

The next slide [page 29 of ([Exhibit C](#))] shows the types of taxes and processes that went live during each phase. Phase I and Phase II are live now. With those phases active, the UTS includes Sales and Use Tax, the Business License Fees, the Modified Business Tax, and the Modified Business Tax on Financial Institutions, and it provides for online registration and electronic payment of all of those taxes.

We are currently working on Phase III and Phase IV, which will wrap up the compliance functionality of the prior taxes and institutes the additional taxes we are required to administer: the Insurance Premium Tax, the Cigarette Tax, the Other Tobacco Products Tax, the Live Entertainment Tax, the Short-term Lessor Tax, the Bank Excise Tax, the Alcoholic Beverage Tax, the Tire Surcharge Fee, and Convention [business license fees pursuant to former NRS 364A.152].

Phase IV is the audit functionality, serving as a workbench for us to process our audits and to keep track of what we are doing. It will also provide me with an executive dashboard as to what is occurring within the Department, including all the different collections, audits, and anything else that may have occurred with respect to the administration of those taxes.

The next slide [page 30 of ([Exhibit C](#))] outlines the spending plan the Legislature approved for us. The total project cost was \$40.5 million.

The next slide [page 31 of ([Exhibit C](#))] gives a cost comparison for UTS. The spending plan, beginning in FY 2005 and going through FY 2009, was for \$40.5 million. The actual expenditures to date are \$26.8 million. The difference of almost \$14 million has not been expended. We have gone through two phases and are currently working through Phase III and Phase IV, and we have expended only 66.27 percent of the amount you allotted.

Let us compare that project appropriation to the actual and projected expenditures at the end of the project. What was appropriated was \$39.5 million. Our actual expenditures have been \$26.9 million, and the projected expenditures that are part of our budget and continuing cost amount to \$7.9 million. We anticipate that we will be under budget approximately \$4.7 million at the end of the project. We are only going to expend 88.22 percent of the spending plan you approved for us. I am proud of that, proud of what the staff has done, and proud of what Accenture has done toward getting this project on board, online, and on time.

The next slide [page 32 of ([Exhibit C](#))] shows the total assessed value, both locally and centrally assessed, by property type from FY 1997 through FY 2006. There is no question that the growth of this State has driven the valuations within Nevada. Percentage increases of 10–20 percent are significant. Values were growing at such tremendous rates that this Legislature felt it had to provide some property tax relief.

Assemblyman Marvel:

Has DoIT completed your Disaster Recovery Plan? They were lagging for quite a while. I think it is critical that we get that in place.

Dino DiCianno:

Right. In my discussions with Mr. Stockwell, that was a priority; it has been completed.

Senator Rhoads:

Could you tell us the economic health of White Pine County and if there are any other counties in trouble?

Dino DiCianno:

We took over the finances of White Pine County. Fortunately for us, the foresight of the Committee on Local Government Finance, the plan the Tax Commission put together, and the economic well-being of the county at the time we were there assisted us in getting to the point where White Pine County has a positive net cash flow.

We did approach the Committee on Local Government Finance last month to consider the possibility of downgrading the "severe financial emergency" to "technical assistance." They did not feel comfortable at that time, and for good reasons. Those reasons were the reliance of White Pine County with respect to net proceeds and the Payment in Lieu of Taxes (PILT) payments, which were significant factors in the cash flows for that county. They have asked us to review those from a five-year perspective, and to also review the Sales Tax receipts to see whether that is going to continue.

If we do remove ourselves, based on the Tax Commission plan, the tax revenue enhancements that have been put in place would come off. The Committee on Local Government Finance was concerned that if we downgraded the county from "severe financial emergency" to "technical assistance" and those enhancements came off, the county would have to rely solely on existing sales tax receipts, net proceeds receipts, and the PILT payment.

The last thing I want to have happen is for us to prematurely remove ourselves. We built a solid foundation, but I do not want to see us have to come back one or two years down the road because we left prematurely.

Chair McClain:

Would you please explain "Payment in Lieu of Taxes" to the Committee?

Dino DiCianno:

Those are payments that come from the federal government in lieu of property taxes on lands owned by some agency of the federal government. There is a formula that determines how those revenues are distributed to the different counties.

Chair McClain:

That means the federal government can play with what it wants to give you each year. They appropriate so much, but then they only fund it at a fraction of what they say it is worth. It is an "up in the air" payment from year to year.

Assemblyman Marvel:

ACES did not have the capability of writing off bad debts. Do you have that capability now?

Dino DiCianno:

Yes, we do. Also, the Tax Commission has the authority to write off specific uncollectible debts. It also, based on your approval of a bill during the last session, is allowed to accept offers in compromise on outstanding debts. That has been helpful to us because it gives the taxpayer another opportunity to come forward and pay any outstanding liabilities he may owe.

We also have a contract with an outside collection agency that we transfer stale accounts to after we have exhausted every available remedy to collect those debts.

Assemblyman Marvel:

An issue came out in an audit about the premium tax on annuities. Have you been able to rectify that with the Insurance Division?

Dino DiCianno:

The Legislative Counsel Bureau (LCB) did conduct an audit on the Department of Taxation this year and found a number of deficiencies within the Department regarding the Insurance Premium Tax. They had indicated there was a collection loss of approximately \$17 million.

I have had conversations with Alice Molasky, the Insurance Commissioner, and I will meet with her again to discuss the possibility of establishing a program by which the Insurance Division will conduct the insurance audits. Clearly, our audit staff does not have the expertise to collect those kinds of taxes.

It was also my understanding, based upon when the transfer occurred—I believe it was in 1993 that the Legislature transferred the reporting, collecting, and distribution responsibilities to the Department—that there were certain agreements as to who was going to do what. At that time, I understood that the Insurance Division was going to conduct the audits. We failed to follow up on that and we did not pursue that as judiciously as we should have. We are trying to get back on track.

Assemblyman Marvel:

Is any of that collectible now, or has the statute of limitations run out?

Dino DiCianno:

I believe the statute of limitations has run out on some of it. I will check whether if we can issue billings to collect on the remainder.

Assemblywoman Weber:

What is the frequency of the PILT? Is that a yearly payment?

Terry Rubald, Chief, Division of Assessment Standards:

Yes, the PILT payment, at least the one in White Pine County, is paid once a year.

Assemblywoman Weber:

Does that money from the federal government to the State of Nevada go individually to the counties, or does it go to a central repository and then get redistributed?

Terry Rubald:

I believe it is redistributed.

Assemblywoman Weber:

The subject of PILT is fascinating. I would like to find out what the curve for PILT looks like over time, if we are getting less and less for the public management of our lands.

Terry Rubald:

My understanding is that it is going down. The counties have made a big effort to go back to Congress and make sure the PILT payments are supported in Washington.

Dino DiCianno:

Madame Chair, if you would like, we could put some material together for you concerning the PILT process.

Chair McClain:

That would be great. It is county specific, is it not?

Dino DiCianno:

Yes, it is. Moving ahead, we are tracking about 150 bill draft requests (BDRs) for this session. Three of them are our own—the three we got approval for from the Tax Commission. Two of them are housekeeping: one standardizes the provisions governing the rate of interest paid on tax refunds and credits; the second one adds a penalty for failure to pay state business license fees for

exhibitors, which was an oversight during the 2005 Legislative Session. The big one would modify existing provisions within the Sales and Use Tax statute to continue our compliance with the Sales and Use Tax Agreement. That is significant to us.

With respect to White Pine County, in addition to what Senator Rhoads had asked, I have met with White Pine County Commission Chairman Brent Eldridge, Assemblyman Goicoechea, and other White Pine County commissioners. It is time for the Department to start removing itself gradually from the financial oversight of that county.

I would like to approach the Tax Commission to ask whether we can start removing some of the revenue enhancements. Let us give the taxpayers in White Pine County a break. It appears their financial stability is on track. We have a financial advisor on board there. It is time for us to let White Pine County do what it needs to do to conduct its business. I would present that to both the Committee on Local Government Finance and the Tax Commission to make sure they feel comfortable doing that.

With respect to Chairman Sheets and his concerns, the Tax Commission was sued by the Attorney General's Office over an Open Meeting Law violation. This past year, the Commission has done everything possible to comply with the Open Meeting Law. It wants to do the right thing.

The Commission promulgated a regulation to address not only the provisions of the Open Meeting Law, but also to protect what is, in current statute, taxpayer proprietary information. Chairman Sheets has asked if there is any possibility for legislation that would assist the Commission in this endeavor, as far as looking to how the Ethics Commission conducts its meetings and its business, and as far as preserving confidentiality while adhering to the Open Meeting Law. That is his biggest concern.

In December, the Nevada Supreme Court issued a decision concerning the Incline Village property valuation. The Supreme Court was specific in rendering the methodologies being used by the Washoe County Assessor unconstitutional. This has changed things not only for the Department but also for the county assessors.

There will be a State Board of Equalization meeting on February 15, 2007, to discuss the ramifications of that Supreme Court decision. Chairman Sheets has asked me to put together a joint meeting with the State Board of Equalization on March 6, 2007, also to discuss the ramifications of that decision.

This is significant, as the Tax Commission is the regulatory arm for the Department, and they promulgate the regulations utilized by the assessors in valuing property. At the same time, the State Board of Equalization adjudicates cases to bring within equalization properties not only within the county, but statewide.

It is unfortunate that Judge Hardesty felt the Tax Commission was derelict. In the 25 years I have worked for the Department and for the Tax Commission, I have never found them to be derelict. They have taken yeoman's work with respect to the new taxes. They have always tried to do the right thing, and they are going to do the right thing.

Assemblyman Marvel:

What is this going to do to the ratio study? Do you still use it?

Dino DiCianno:

From the Department's standpoint, I need to rethink what the Division of Assessment Standards does. What the appraisers or the individuals within the Division of Assessment Standards should be doing is similar to what your LCB audit staff does, in that it conducts performance audits on the work practices and the applications of the Commission's regulations in each individual county.

This is not going to happen overnight. The Chair has asked me to present a white paper to the Commission on March 5 about how I am going to affect all of this. The Division of Assessment Standards cannot do all 17 counties on an annual basis; that is an impossible task. Given the size of Clark County and Washoe County, they would probably have to be done separately, although we could probably combine some of the smaller counties and review their practices.

As part of that performance audit, we would sit down with the individual county assessors, provide them with those findings, and give them an opportunity to respond to those findings. If there is agreement on some of the issues, fine, but if issues still remain, we would report that back to the Tax Commission for them to determine whether the county assessor is in compliance.

With respect to the land factor study and the ratio study, those days are over. The studies are a smaller function of what the Division of Assessment Standards should do. What they should do is conduct performance audits on the work practices of the different county assessors and report that back to the Tax Commission.

Assemblyman Marvel:

The way that ruling went, it throws the ratio study out.

Dino DiCianno:

Yes, the Supreme Court decision did that, although there is still a need to do some of that analysis. However, it should not be the driving issue for the Division of Assessment Standards.

Chair McClain:

Someone had a question earlier about whether there were any other counties that might be on the verge of having the same trouble as White Pine County.

Terry Rubald:

We are keeping a close watch, particularly on school districts. One or two jurisdictions may be on the verge of trouble, although they have not met the criteria for Severe Financial Emergency at this time. There is no doubt that some jurisdictions are stressed. We are working closely with the Department of Education and the school districts to maintain their financial health.

Chair McClain:

What are some underlying causes of the stress?

Terry Rubald:

Part of it might be the dependency on property tax and some of the implications of that. They are just on the bubble. We are not sure they have crossed over into bad health yet.

Senator Townsend:

I appeared before the Tax Commission in 2003 for the purpose of clarifying a number of things in the big tax bill. Subsequently, when that lawsuit of 2005 was brought by the Attorney General, I worked with them to come to a satisfactory resolution. Every individual with whom I worked, whether from the Tax Commission or the Department of Taxation, always went the extra mile to try to help those of us who do not do that full time. They handle themselves in an exceptionally professional manner, and the taxpayer who appears before the Commission or works with the Department, is getting an honest, thoughtful, and fair application.

Having worked with those folks and seen the quality of the work they provide in an exceptionally short period of time, I can say they deserve a huge amount of credit. I have been honored to have worked with them, and that should be on the record.

Chair McClain:

Thank you, Senator Townsend. We all share your sentiments. Are there any other questions? [There was no response.]

We have one person signed in for public comment. Are there any others who want to be recognized under public comment? [There was no response.] Then we will hear from Thomas Jefferson.

Thomas Jefferson, Private Citizen, Elko, Nevada:

[Distributed two handouts ([Exhibit F](#)) and ([Exhibit G](#)).] Mr. DiCianno showed on his chart that he had over 400,000 accounts where not too long ago he had 186,000 accounts. I would like to reduce that down to about 100 accounts. It would greatly reduce the load on his Department and on the taxpayers.

I took this plan ([Exhibit F](#)) from a legislator in Montana, Naomi Powell. [Mr. Jefferson read from his prepared statement ([Exhibit F](#)), which he noted he had written in 2002, so the revenues from the plan now would be much greater.]

Think of the 400,000 figure Mr. DiCianno just gave for the number of his accounts. This plan would knock that number down to possibly 100 cities and counties in the State. For those of you who are interested, this ([Exhibit G](#)) is a one-page comment written for the *New American* magazine by Roger Koopman. It is a critique on the Montana bill. It gives a lot of insight into what he thought about it.

Chair McClain:

Are there any questions? [There was no response.] If you want to leave some copies of that with the secretary . . .

Thomas Jefferson:

Yes, I will. Thank you very much.

Chair McClain:

If there is no other public comment, we have concluded our business for the day. We are adjourned [at 2:48 p.m.]

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Kathy McClain, Chair

DATE: _____

Senator Mike McGinness, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Taxation/Senate Committee on Taxation

Date: February 13, 2007

Time of Meeting: 1:36 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Dino DiCianno / Nevada Department of Taxation	PowerPoint presentation: Overview of the Department of Taxation
	D	Dino DiCianno / Nevada Department of Taxation	PowerPoint presentation: Unified Tax System Project Overview
	E	Dino DiCianno / Nevada Department of Taxation	Nevada Department of Taxation Biennial Report
	F	Thomas Jefferson / Private Citizen, Elko, Nevada	Prepared testimony: A Tax on All Financial Transactions
	G	Thomas Jefferson / Private Citizen, Elko Nevada	Article: <i>Tying the Taxing Hands</i> , by Roger Koopman, published in the <i>New American</i> magazine