

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

**Seventy-Fourth Session
February 22, 2007**

The Committee on Taxation was called to order by Chair Kathy McClain at 1:35 p.m., on Thursday, February 22, 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 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:

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



OTHERS PRESENT:

Michael Pennington, Public Policy Director, Reno-Sparks Chamber of Commerce
John Sande, representing Nevada Bankers Association
Bob Crowell, representing Nevada Association of Mortgage Professionals
Bill Uffelman, President and CEO, Nevada Bankers Association
Carole Vilaro, President, Nevada Taxpayers Association
Tracey Woods, Vice President of Government Affairs, Retail Association of Nevada
Steve Robinson, Deputy Chief of Staff, Officer of the Governor, State of Nevada
Terry Graves, representing Henderson Chamber of Commerce, Nevada
Wayne Frediani, Executive Director, Nevada Franchised Auto Dealers Association, Inc.
Ray Bacon, Executive Director, Nevada Manufacturers Association
Bill Martin, President and CEO, Nevada State Bank
Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada
Terry Hickman, President, Nevada State Education Association

Chair McClain:

[Meeting was called to order at 1:35 p.m. Roll was called. All were present.]
Today we have one bill on the agenda, Assembly Bill 82.

Assembly Bill 82: Revises provisions governing taxes imposed on financial institutions. (BDR 32-15)

Chair McClain:

I would like to ask Assemblyman Marvel to tell us about this bill.

Assemblyman John Marvel, District No. 32:

A.B. 82 was introduced to restore equity in the business and taxation community for the State of Nevada. According to figures from the Economic Forum, this bill would have a very small impact—only about 6.64 percent—on the State General Fund.

We all remember what happened during the Special Sessions of 2003. We agonized, and it got to the point where we had to do something. The reason I voted for Senate Bill No. 8 of the 20th Special Session was because we had all the school funding tied up in it. I did not like the taxation part of it then, and I made my misgivings known. I requested A.B. 82 to try to restore equity to financial institutions in Nevada. This money would be much better spent if the

financial institutions could make it available to the general public in the form of loans or contributions rather than it going for taxes.

Michael Pennington, Public Policy Director, Reno-Sparks Chamber of Commerce:

The Reno-Sparks Chamber of Commerce wishes to express its support for A.B. 82. We hope you will give it positive consideration. The Chamber has had a longstanding policy that we have shared with previous legislatures. We believe industries and businesses should not be singled out. We hope you would consider bringing parity by reducing the Modified Business Tax on Financial Institutions to the same level as the tax on other businesses and removing the Bank Branch Tax.

John Sande, representing Nevada Bankers Association:

I am the chairman of the board of a small community bank in Nevada. It is a great place to do business. I am here because 2003 was a very ugly session. Many things happened at the end, and this is an attempt to, as the Legislative Counsel Digest says, "make financial institutions subject to the same payroll tax as other businesses" by eliminating the additional branch tax and also reducing the payroll tax. We are very supportive of this legislation, and I think the Legislature would agree that all businesses should be treated the same.

Chair McClain:

A majority of the members were here in 2003, and no one is going to argue about how contentious that session and the special sessions were. I want to get everyone's take on this.

Bob Crowell, representing Nevada Association of Mortgage Professionals:

By eliminating Chapter 363A of *Nevada Revised Statutes* (NRS), the tax on financial institutions, A.B. 82 would include repealing the tax that is currently applied to mortgage brokers and mortgage agents. Mortgage agents and mortgage brokers are regulated under Title 54, Chapter 645B of NRS. We are not technically covered in Title 55 or Title 56 of NRS, which cover the financial institutions, and I suspect there is a history of how the mortgage brokers and mortgage agents were brought in with the financial institutions in 2003. In 2003, the mortgage brokers were changed from being regulated in the Financial Institutions Division to the Mortgage Lending Division. They were taken out of that title and put into Title 54 of NRS.

It is clear that the tax on financial institutions does include mortgage brokers and agents regulated under NRS 645B. We have asked Mr. Parks to have another bill drafted for us that would specifically address the needs of mortgage brokers and agents with respect to this tax. That bill has not yet come out, but if you pass this bill, it would obviate the need for that one.

We are here to let you know we are interested in this, and we would ask your indulgence in reducing the payroll tax on us from the current 2 percent to the standard payroll tax applicable to other businesses and occupations that are regulated under Title 54 of NRS. Most of the mortgage brokers are small-business owners. They are labor intensive, not unlike many law firms.

I have not been able to find out the dollar amount of the revenue impact for mortgage brokers and agents alone. However, we would ask to be allowed to give further analysis into what that amount would be, should you see fit to take us out of the financial institutions tax. I have heard that if you had reduced the tax on mortgage brokers from 2 percent to 0.65 percent in 2005, the revenue effect to the General Fund would have been in the neighborhood of \$3 million. I have also been advised that there has been a downturn in home sales and the need for mortgage brokers and mortgage agents. Therefore, the revenue associated with that segment of our business may be considerably less than it was in 2005.

Chair McClain:

We do not have that number broken down specifically, but we do have a fiscal note showing about \$44 million over the next biennium, which includes everyone covered by this bill. Also, Mr. Parks has verified that he has a bill draft request (BDR) in for that purpose.

Bill Uffelman, President and CEO, Nevada Bankers Association:

In 2003, when the Legislature enacted Senate Bill No. 8 of the 20th Special Session, it included a \$7,000-per-branch excise tax on banks. In addition, it imposed a 2 percent payroll tax on financial institutions, more than three times the rate paid by other employers in Nevada. At that time, the Legislature and Governor agreed that new revenues were essential for Nevada's future. Based on actual General Fund revenues in subsequent years and revenue forecasts for this year and the coming biennium, Nevada bankers are asking that you adjust the assumptions that were made in 2003.

In each full fiscal year since 2004, the Modified Business Tax on Financial Institutions has exceeded \$21 million. That includes banks, mortgage brokers, et cetera. It is estimated to exceed \$27 million in Fiscal Year (FY) 2008 and \$29 million in FY 2009. At current rates, with financial institution payrolls ranging between \$1.2 and \$1.4 billion a year, financial institutions are paying almost 9 percent of all payroll taxes in Nevada.

Bank Branch Tax revenues have been approximately \$3 million each full fiscal year since 2004, despite the change in 2005 when the Legislature modified the

tax to exempt one branch per bank per county. Because new branches have opened, collections are expected to continue at more than \$2.9 million per fiscal year. To put the Bank Branch Tax in perspective, the total tax collected is less than 0.1 percent of total General Fund revenues per fiscal year.

These taxes have different effects on Nevada banks. For at least one of the smaller banks, their tax bill is 9 percent of net income. Their Bank Branch Tax bill is almost 7 percent of net income. This is in the face of competition from credit unions that do not pay the financial institution payroll tax or the branch excise tax.

In a recent acquisition, another bank paid \$150,000 in financial institution payroll taxes, not for work performed, but because the Internal Revenue Service (IRS) rules classify as W-2 gross wages the \$1.4 million paid to employees because of change-of-control provisions in their employment contracts and \$6.1 million in employee stock options that were exercised by employees of the acquired bank.

Based on the fiscal note, if A.B. 82 is enacted total General Fund revenues for the next biennium will be reduced by approximately \$44 million, or less than 0.7 percent. This is \$22 million that would be available each year for making educational and charitable contributions, lending to Nevada citizens and businesses, and paying dividends to investors to help continue our State's growth and prosperity.

Chair McClain:

Were your projections over the next biennium \$27 million and \$29 million?

Bill Uffelman:

It is \$44 million for the biennium.

Chair McClain:

That is our fiscal note.

Bill Uffelman:

In 2005, the Bank Branch Tax was \$3,840,000. In 2006, because of the change where you exempted one branch per bank per county, it dropped to \$2,819,000. Now, because people have opened additional branches, it is back up to \$2,905,000 and projected to go to \$2,940,000 and \$2,975,000.

Assemblyman Marvel:

The figures I have are what Michael Nakamoto from our Fiscal staff put together for me.

Chair McClain:

In your second paragraph, you say the payroll tax is estimated to exceed \$27 million and \$29 million. That is what I was referring to.

Bill Uffelman:

The Bank Branch Tax is the \$2.9 million. The Modified Business Tax on Financial Institutions (MBTFI), according to information from the Economic Forum, actually was \$22,491,000 in 2006. Revenue for 2007 is projected at \$24,712,000; 2008 is projected at \$27,075,000; and 2009 is projected at \$29,642,000.

Carole Vilardo, President, Nevada Taxpayers Association:

I am supporting A.B. 82. If you look at the policy issue, industry-specific taxes, as we said in 2003 and 2005, are a matter of equity. They send a bad message on economic development. Once you single out an industry—say businesses involved with nanotechnology—there is always the feeling among other industries that once you have done it to one industry, you will do it to another.

More importantly, the Bank Branch Tax has been a problem from the first, especially in the rural counties and for the expansion of some of those branches. Because of their size, some of the rural counties should have a couple of locations. However, as a bank making a business decision, I would not do it because of the cost to me as a small, rural bank. A bank is better off putting in an Automatic Teller Machine (ATM).

I urge you to reconsider that Bank Branch Tax as it exceeds the corresponding Franchise Tax in other states. Please eliminate it this Session. I realize there are fiscal impacts, and I see opponents of this bill here who want money available to spend. Obviously, the second component of this bill, removing the MBTFI, has a fiscal impact on the banks. For the sake of equity and fairness, at the very least you should look at phasing out that tax by reducing that rate until it is equal to the tax on all other businesses in the State. It is truly an equity issue, and I would ask you to consider it in that light.

Assemblyman Horne:

No one I talked to could give me a clear explanation of what we should do about the \$44 million loss of revenue if this bill were to pass. You just made a suggestion to phase it out over a period of time. Do you think that will compensate for that loss of revenue? If so, could you clarify how that would work?

Carole Vilardo:

Yes, I do think that. The Economic Forum's revenue projections for the period following September 11, 2001 were down for the major revenue sources, but actually the revenue for that period exceeded that of the previous year. It just did not come up to the Economic Forum's projections prior to September 11, 2001.

By not doing the full amount right from the start, you have the ability to drop the rate proportionately. Looking at the consistent projected increases from the Economic Forum, you can benchmark your reductions so as not to suffer a loss of revenue. If the average increases from the Economic Forum that were borne out were 7 percent overall on General Fund revenue, then you could look at a 7 percent reduction in the first year and project out. You would take the dollar amounts you needed, then figure out the percentage reduction that would move you toward the point where the banks were paying the same MBT as everybody else. That way you would not have a revenue loss.

Assemblyman Horne:

Would we have to start that reduction this biennium? We already have a dollar amount that we are working with. It seems we would not be able to start that reduction for another two years.

Carole Vilardo:

In all probability, it might be difficult to start it for the first year of the biennium, but you could start it for the second year. If it were the will of this Committee, you could look at whether it could be started in this first year of the biennium, based on whatever changes existed in the Economic Forum projections as of May 1. That will tell you what they are looking at and how they have adjusted projections. Language could be written to accomplish that.

Chair McClain:

What is the difference between the targeted industries of gaming and banking?

Carole Vilardo:

There is no difference. We are not supporting increases in the gaming tax. I am not foolish enough to think you are going to get rid of the gaming tax. I am trying to speak to you from a policy position and not a political position. The problem with the gaming tax at this point is that it has been in place for so long and is such a substantial part of the budget that nobody is going to suggest repealing it, not even the gaming industry. But is it administered in a way that reflects the current economy and the way gaming does business? Absolutely not, and I can give you plenty of examples. Does the gaming industry want it looked at? No.

Chair McClain:

I understand that you do an excellent job on tax policy. The point I wanted to make was that banks are not singled out. They are not the only targeted industry.

Carole Vilardo:

I stand corrected: Gaming was singled out way back. In the 2003 Session, the banks were singled out.

Assemblyman Grady:

The total taxes are 0.1 percent. The Economic Forum projections have gone up more than that each year, have they not? [Ms. Vilardo verified that.] The difference between the two industries we are talking about here is that banking is like our everyday industries, where gaming is a privileged industry. I think they recognize they are a privileged industry that has been very good to the State of Nevada. That is one of the big differences between gaming and banking. They are like apples and oranges.

Tracey Woods, Vice President of Government Affairs, Retail Association of Nevada:

The Retail Association supports A.B. 82. It is our position that the general business community, when taxed, should be taxed in the same manner. We do not support tax laws that single out a nonprivileged industry for tax rates that are different from those paid by others.

Chair McClain:

Do we have anyone else who wishes to speak in support of this bill?

Steve Robinson, Deputy Chief of Staff, Officer of the Governor, State of Nevada:

We want to lend our support to the legislation. We feel it is a matter of equity that was built into the budget.

Terry Graves, representing Henderson Chamber of Commerce:

The Henderson Chamber of Commerce has a very active legislative committee. For the four years since these taxes were enacted, they have been sore points in our discussions. We do not like to see industries taxed separately. Also of great concern to us are those businesses that got caught in the net that were not really part of the banking industry. As Bob Crowell pointed out, that continues to be problematic for us. We support this legislation.

Wayne Frediani, Executive Director, Nevada Franchised Auto Dealers Association, Inc.:

We are in support of this bill. These taxes were wrong tax policy in 2003, and they should be repealed. It is poor tax policy to single out an individual industry. Our industry would not want it any more than the banking industry wants it.

Ray Bacon, Executive Director, Nevada Manufacturers Association:

There is one additional issue of equity that has not been mentioned, and it is a sensitive issue with us. The manufacturing industry is increasingly faced with global competition. Anything can be made anywhere in the world, so we are more sensitive to global competition than most industries. With what can be done with online banking and electronic transactions, banking is following the same path. A tax has been placed on Nevada banks which may place them at a slight competitive disadvantage in the global economic picture. That should be considered at some point in time.

Assemblyman Mortenson:

Regarding your statement about putting our banks at a disadvantage, I understood back when we passed those taxes that in every state surrounding our State the taxes on banks were higher than what we imposed. Is your statement accurate that those taxes place our banks at a disadvantage? I believe banks in California, Arizona, Utah, Idaho, and so on pay more. Can you verify that?

Assemblyman Marvel:

That is a question I asked back in 2003. It was not only banks that were paying more; other industries were paying the same franchise tax. Banks were not singled out in these other states.

Assemblyman Mortenson:

I thought you said Nevada banks are at a disadvantage compared to banks in surrounding states. Maybe I misinterpreted your comment.

Ray Bacon:

The implication I was trying to convey is that banks no longer compete strictly against banks in this State. They compete against banks in other states. The business structure in every state is different, and there clearly are higher tax structures in most surrounding states, particularly in California. Nobody is going to dance around that issue, but we are one of the few states, if not the only state, that has imposed a separate tax on our banking structure. As such, that gives our banks a slight disadvantage compared to other financial institutions. I do not know how much of a disadvantage that is in current economic times, but

we know there is money out there, so our banks are facing competition from around the entire country with people who have money to loan.

Assemblyman Mortenson:

Again, you have confirmed that banks in this State are taxed at a lower rate than in any surrounding state.

Ray Bacon:

I do not know that as a fact, sir.

Assemblyman Parks:

Two sessions ago, I was the chair of Taxation, and I do know that this tax did not originate from legislators. It came from the business community as a whole. It was a recommendation that was made as a way to reach the amount of revenue we sought.

Four years ago I provided a chart showing the taxes banks paid in adjoining states. I had done extensive analysis on what banks paid in other states across the country. The banking industry pays some significant taxes in individual states. California was just mentioned as having very high taxes. We were often told that if we were to impose some taxes, banks would pack up and move to South Dakota, which seems to have some rather favorable laws relating to bank activity.

Assemblywoman Pierce:

I was here on this Committee in 2003. I remember hours of testimony about how all of you were going to go away if we passed these taxes. I got hundreds of emails from every imaginable business saying you were all going to leave, but you know what? I am still shopping here. I can still find stores and banks. None of the threats made to this Committee in 2003 have come to fruition.

Did we fix our education system? No, we made some baby steps. There are still children in this State with no health insurance. On every list we want to be at the top of, we are on the bottom, and on every list where we want to be on the bottom, we are at the top. When I look at this State and ask myself what needs to be fixed, bankers never come to mind.

I am continually reading in the business section of the newspaper that Nevada has an incredibly favorable tax atmosphere for business. In 2003, I listened to threats for hours, but nothing I have read says that anyone has left. When people come to me now and say they are going overseas if we do not do a certain thing, that businesses will leave if we do not do something about taxes, there is no deafer ear than mine.

Assemblyman Marvel:

In 2003 we were all over the map with taxes. I do not know how we ever came to the \$7,000 Branch Tax or the 2 percent Payroll Tax. I do not think there was any rationale for either one of them.

Chair McClain:

I was also on the Taxation Committee in 2003. I tend to agree with some of the statements that have been made, but that was a very contentious summer. Some of your business colleagues may have made recommendations that were not in your best interest. However, the banking industry seemed to find the final result acceptable.

Assemblyman Marvel:

Anything was better than that proposed 14 percent.

Chair McClain:

That is my point. Everyone was so opposed to the franchise fee that they were willing to accept anything.

John Sande:

The 2003 Session was the ugliest I have ever seen. I love Nevada, as do the banks that do business here. We are not saying we are dying because of these taxes, but they are unfair because other businesses pay at a lower rate.

Why are banks worse than other businesses? I am very proud of being affiliated with the Banking Association and with various banks all these years. In the surrounding states, businesses pay an income tax, and all businesses pay the same, including banks. Whatever the needs of the State, we are willing to contribute. All we ask is to be treated the same as other businesses. I cannot see why any legislator would say that is not right, and we are willing to work with the Committee to get to that point.

Bill Martin, President and CEO, Nevada State Bank:

In response to the question of whether banking and gaming are alike in that they should be singled out for taxation, gaming came in as a privileged industry 50 or 60 years ago and was privileged to be granted a gaming license when virtually no other state would grant that. Banking is not a privileged industry.

Mr. Parks was correct that a dollar amount had come down from the Governor, and the Legislature was trying to get banking to bring them to that number no matter what. The proposal first started as a 14 percent franchise tax, and it was stated that almost every state had a franchise tax. Under the National Bank Act, certain national banks are exempt from certain taxes. Instead of

charging a corporate income tax, states charge a franchise tax on banks. In almost every state, the corporate income tax is identical to the franchise tax, so the banks are paying a corporate income tax, but they call it something else.

There was much confusion about that in 2003 with the 14 percent franchise tax. Faced with that franchise tax, we ran toward anything. I do not remember this suggestion coming from the business community. I think I know how it came about, and I think somebody did present it to try to get resolution. I was here day after day, and I was not part of that final resolution.

Ms. Pierce, I testified at several hearings. If you heard bankers say they were going to leave the State, I did not hear that. Bankers are here. "Nevada" is in my name: Nevada State Bank. I am not going to become "Nevada State Bank of South Dakota." I would never threaten that. The issue is quite simply why should we not pay the same tax as everybody else.

Before the 2003 Session, I gave a speech in Carson City. During the question-and-answer session, I was asked what I thought about taxes, gaming taxes, and business taxes. I said I thought it was time for business to step forward and pay its fair share of taxes because we could not rely on gaming to continue to carry the State as it had for many years. That was a very unpopular thing for me to say because there had been no taxes.

I have never said I would not pay a tax. I have never tried to avoid a tax. All I ask for is equality among all. I would like to see a wrong righted.

Chair McClain:

I agree that we need to look forward. Do you have any suggestions for replacing these lost funds?

Assemblyman Marvel:

We are capped, anyway.

Bill Uffelman:

Mr. Marvel has stated the case that you are capped on revenue. On the issue of phasing the taxes out, if the Bank Branch Tax, which amounts to \$2.9 million a year, evaporated on July 1, 2007, the loss to the total State budget would be miniscule. You have the fall projection and some notion of the number you were working against. Let us presume you would be squeezing that cap. If the payroll tax reduction was effective July 1 of 2009, it would be \$22 million less a year than you are looking at today.

However, I would argue that between now and 2009, this State's economy will advance beyond that \$22 million. The reduction in revenue would have no impact on this biennium. By the next biennium, the economy will have advanced that \$22 million a year, and you will not even notice you have restored parity among businesses.

Chair McClain:

Are there any other questions? [There was no response.] We have a couple of people who would like to voice some concerns about this bill.

Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada:

I was here in 2003. It was the first session I was involved in the tax debate. For many years I went to meetings of the Assembly Committee on Ways and Means and the Senate Finance Committee. We were always told, "There is not enough money. I am sorry; it is a good cause." Children's health, homelessness—whatever we asked about, there was not enough money. So we got engaged in the tax debate. I did a tax study. I came to the Assembly and Senate Taxation Committees, and I have a different perspective of the 2003 Session.

I say the result of that session was a great work because there were compromises made and money was raised for our State that allowed us to help people and to broaden our educational base. We were able to begin a full-day kindergarten trial program. We were allowed to do innovative things for a change. We raised the number of children who were able to get assistance through our Nevada Check Up program. So many things were enhanced.

However, we did not solve the problems of this State. On Tuesday, we heard an elaborate presentation on homelessness. I will contend that we have not even touched the needs of this State. We heard that rural Nevada in particular is affected by the homeless population.

I have heard many times that this bill is to help rural Nevada and our smaller banks, and I empathize with them. However, I think we all have to contribute to this State. Many businesses made sacrifices that session. They all agreed to the proposal, and I think it would be very bad if we let one industry change its commitment.

We are opposing this bill. In the state of Nevada \$44 million for human services and education makes a difference in a lot of people's lives.

I see in a statement from the Nevada Bankers Association that \$22 million would be available each year for educational and charitable contributions, lending, and paying dividends. I have yet to see that kind of money coming to charitable causes from the banks in our community. Some of them do a good job, but that is an awful lot of money, and we have not seen that kind of money coming to charitable causes. I hope you will not pass this bill.

Terry Hickman, Executive Director, Nevada State Education Association:

The Nevada State Education Association (NSEA) is strongly opposed to A.B. 82 and the loss of \$44 million to the General Fund. We oppose the reduction of the payroll tax, and we oppose the elimination of the excise tax, because we oppose the loss of \$44 million that probably will not be seen again. Tax policy should be broad, but the real issue is the loss of the \$44 million and its impact on the budget.

Assembly Concurrent Resolution No. 10 of the 73rd Legislative Session, the adequacy study that was funded by this Legislature, found that our students need over \$1 billion in order to meet the standards of the No Child Left Behind Act of 2001(NCLB) in 2013 and 2014. The superintendents also, through their Investing in Nevada's Education, Students and Teachers (iNVEST) program, stated clearly that our children need around \$1 billion. They delineated what programs were needed for our children to find success in public education.

The following programs have been proposed to be cut or eliminated:

- The one-fifth incentive— \$60 million eliminated.
- A.B. No. 580 of the 73rd Legislative Session enhanced compensation— \$10 million eliminated.
- Disruptive pupils— \$1 million eliminated.
- Prekindergarten language learners, once \$175,000, eliminated.
- S.B. No. 404 of the 73rd Legislative Session, innovative and remediation programs, reduced by over \$20 million.

The NSEA strongly opposes A.B. 82 and the loss of \$44 million to the General Fund. It is time to invest in public education and not take away the resources that we as a state and our students need as recommended by the adequacy study in A.C.R. No. 10 of the 73rd Legislative Session and by the iNVEST program.

Chair McClain:

Is there anyone else who wants to contribute to this discussion? Are there any questions or comments?

Assemblywoman Weber:

If that \$44 million did show up in the budget even if A.B. 82 passed, would you support this bill?

Terry Hickman:

I would have to reserve comment until I saw where the \$44 million was coming from.

Assemblyman Ohrenschall:

Mr. Uffelman, I remember one argument made in 2003 was that the Legislature wanted to tax businesses that take their profits out of state. Do you feel that many of the financial institutions covered by the tax you are seeking to repeal keep their profits in state or take them out of state?

Bill Uffelman:

The state-chartered banks in Nevada, roughly one-third of our membership, keep much of their profits in the State. Payments paid to shareholders who live outside of Nevada go out of state. Large national banks, such as Wells Fargo, transfer profits to corporate headquarters, but they still pay salaries here in Nevada and dividends are paid to Nevada shareholders.

I do not know where the State's Public Employees Retirement Fund has its investments. I do not know where some unions have their investments. Banking is good business, so many people, through mutual funds, 401(k)s, et cetera, have invested in these banks whether they are national banks or regional banks such as Nevada State Bank. To that extent, there are many Nevadans who benefit from being shareholders in those companies.

At the same time, there are many employees who benefit. The payroll of the financial institutions is in excess of \$1.2 billion. Banks also typically provide health benefits to their employees. Within the last couple of years, banks paid salaries averaging in excess of \$42,000 a person. Banks are good places to work. Most of them have air conditioning, employees work inside, and they are relatively safe places to be.

There is a sense that because a bank is a national bank all the profit is getting sent somewhere else, but it is not. Substantial sums are returned here. I will pull for the Committee from the Federal Deposit Insurance Corporation (FDIC) the Community Reinvestment Act, which is what the banks put back into the local community in the way of charitable contributions and funds for affordable housing—banks are providing low-interest loans and management guidance to those organizations. Virtually every officer of a bank is serving on charitable

boards and advisory boards to various groups to help them make their communities better.

The Nevada Bankers Association pays for, out of our dues revenue, a program called "Banking Is," which is available to every teacher in the State of Nevada. It is aimed at grades 11 and 12 to help students to get an education in banking, credit, and the like. In late April, we will host Teach Children to Save Day, which is a day set aside for bankers to go into schools and other places to educate children about banking. In the fall we have a program, "Get Smart About Credit," that targets high school and college students and their families. I cannot tell you where the money goes, but I can tell you there is a substantial sum that remains in Nevada through a whole variety of mechanisms.

Saying, "We are going to harm that bank because it is a national bank and corporate headquarters is in Timbuktu," is misguided. I can tell you there was a national bank that planned to move its headquarters here but made a decision, because of 2003, that its headquarters was not going to be here because of what they perceived as a dislike for banks. They did not flee the State; their banks are still here, but corporate headquarters did not come here with its associated jobs, a card processing center, and other banking activities that are subject to the 2 percent tax. A couple of call centers are not here because of the perception that tax policy in Nevada is not fair and balanced. Somewhere in 2003 that "fair and balanced" went out of the vernacular.

Assemblyman Ohrenschall:

What a business does with its profits is its own concern, and whether tax policy should be disparate based on how a company reinvests in the State is a political question. Would you say the banks and financial institutions covered by these taxes reinvest as much in the Nevada economy as other businesses? Would you make the argument that we should have different tax rates based on how much of a company's profit stays in the State?

Bill Uffelman:

If a manufacturing plant in this State is owned by a corporation from somewhere else, they are paying wages here, as well as other things. Again, it goes back to them paying wages and buying merchandise, paying sales tax and building buildings, hiring construction workers, architects, engineers, lawyers, et cetera. There is a substantial investment in this State.

One of the bankers here just opened a bank down the street in October. A substantial number of his investors live locally. The sums he paid to buy the signs for the front of the building and the wood paneling to put in it were all local investments. It is like any other business. You live and work in a place,

and you tend to be very involved. Banking is a relationship business. The reality is that these are human beings who are here. They have employees here with families. They are part of the community.

Assemblyman Ohrenschall:

Do you know if any other state has imposed a similar tax that penalizes financial institutions, or is Nevada unique?

Bill Uffelman:

Nevada is unique in this tax structure. As Mr. Martin mentioned, because of the National Bank Act, if you are going to tax banks, you tax them with a franchise tax. In states that have corporate income taxes, the banks pay a franchise tax that is the same rate as the corporate income tax.

California has an extra franchise tax on banks, but that franchise tax then exempts the banks from a lot of local taxes. My understanding is that having a statewide number to avoid the hassle of all the different local rates was deemed a good thing at the time it was done. In all other states, though, the taxes paid are at the same rate as all other employers are paying.

Assemblywoman Pierce:

You said something about unions. Where unions invest their money is entirely a matter of public record. If you want to know about a particular union, I will get that information for you.

Bill Uffelman:

There is a union that has a bank called the Amalgamated Bank. We worked with them two years ago to allow them to enter this State in a grand fashion.

Assemblyman Parks:

As this is a tax you do not like, and after hearing the testimony from PLAN and NSEA, is there something we could talk about that might be an alternative to the existing tax structure? I do not need an answer at this point in time.

Chair McClain:

We will close the hearing on A.B. 82. The next item on the agenda is possible Committee BDR introductions, but I have none yet. We have a few in the hopper. We have some special joint hearings set up with the Assembly Committee on Transportation. We want to look at local infrastructure funding and priorities in conjunction with looking at the \$3.8 billion shortfall in highway funds. I want to have these hearings so the public understands that even if we find \$3.8 billion for highway Super Projects, it is not going to do a thing for you if you are stuck in traffic at Eastern Avenue and Flamingo Road.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau:

As Chair McClain noted, we will be having joint meetings with the Assembly Committee on Transportation over the next couple of weeks to hear presentations from local governments regarding infrastructure issues. Before we get to those, we will be meeting next Tuesday, February 27, to hear Assembly Bill 110, which deals with certain property tax exemptions. That is the only bill we will be hearing then.

Our next joint meeting will be next Thursday here in Room 4100. We will be hearing from southern entities: Clark County, the Clark County Regional Transportation Commission, the Flood Control District, as well as the cities of Henderson, Las Vegas, and North Las Vegas. The following Tuesday, March 6, we will be hearing from certain northern Nevada governments: Washoe County, the Washoe County Regional Transportation Commission, the cities of Reno and Sparks, as well as Douglas County and Carson City.

We will be having a third joint meeting a week from that day, March 13, when we will have presentations from the Nevada League of Cities, the Nevada Association of Counties, and the Las Vegas Water District. We broke the presentations up by region so we could get input from those with common

interests within each region. The presentations will cover infrastructure issues and how to fund them.

Chair McClain:

Are there any questions or public comments? [There was no response.] We are adjourned [at 2:46 p.m.]

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Kathy McClain, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: February 22, 2007

Time of Meeting: 1:30 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest List