

**MINUTES OF THE  
SENATE COMMITTEE ON TAXATION**

**Seventy-fourth Session  
March 15, 2007**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 2:07 p.m. on Thursday, March 15, 2007, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

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

**GUEST LEGISLATORS PRESENT:**

Senator Dina Titus, Clark County Senatorial District No. 7

**STAFF MEMBERS PRESENT:**

Tina Calilung, Deputy Fiscal Analyst  
Russell J. Guindon, Senior Deputy Fiscal Analyst  
Erin Miller, Committee Secretary

**OTHERS PRESENT:**

Fred L. Hillerby, Nevada Optometric Association  
Albert Dufur, O.D.  
Carole A. Vilardo, Nevada Taxpayers Association  
Dino DiCianno, Executive Director, Department of Taxation  
Jeanette K. Belz, Nevada Ophthalmological Society

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Roger K. Maillard, State of Nevada Employees Association, American Federation of State, County and Municipal Employees Local #4041  
Barry Gold, American Association of Retired Persons Nevada  
Gaye Johnston  
Danny Coyle, State of Nevada Employees Association, American Federation of State, County and Municipal Employees Local #4041  
William J. Birkmann, Nevada Alliance for Retired Americans  
Martin Bibb, Retired Public Employees of Nevada  
Doug Sonnemann, Assessor, Douglas County  
Carol Sala, Administrator, Aging Services Division, Department of Health and Human Services  
Earleen Heinz, Supervisor, Senior Tax Program, Aging Services Division, Department of Health and Human Services

CHAIR MCGINNESS:

We will open the hearing on Senate Bill (S.B.) 152.

**SENATE BILL 152**: Proposes to exempt sales of certain ophthalmic or ocular devices or appliances from sales and use taxes and analogous taxes. (BDR 32-939)

FRED L. HILLERBY (Nevada Optometric Association):

In 1955, the public passed the Sales and Use Tax Act. At that time, eyeglasses were not considered exempt from that tax. In later years, we were able to exempt, from other parts of the Sales and Use Tax, eyeglasses, contact lenses and low-vision devices. In 2004, a complicated ballot issue called Question No. 8 asked whether eyeglasses, among other things, should be exempt from the Sales and Use Tax. The question got a lot of no votes because it talked about taxes. We ask this Committee put the question on the 2008 ballot more specific to this type of medical device. It is a public policy decision as a referendum of the initial 1955 Act. We are not a wealthy association. We cannot afford a big campaign as we would like. We are talking about strategies such as informing our patients about this question, talking to editorial boards and writing campaigns.

ALBERT DUFUR, O.D.:

The impact this tax has on our practice can be significant—between \$10,000 and \$17,000 per year, per office. These costs are passed along to the patients, and they ultimately suffer from the increase in taxes. Optometric offices are

small business organizations that work off a small profit margin. Our staff members may also suffer because in order to continue with our small profit margins, we are forced to cut staff hours or lay off employees.

SENATOR CARE:

What was the final vote tabulation on Question No. 8?

MR. HILLERBY:

I do not know the answer. By educating our patients, we might have made the difference.

SENATOR CARE:

What gives me pause is the notion the Legislature might be saying the voters did not get it, let them do it again. We all question why voters vote the way they do. Who can decipher that. I do not want to be in the position of saying the voters did not understand Question No. 8. Some voters may say they understood it well.

MR. HILLERBY:

I cannot argue that could be a perception. I hope giving the voters a chance to make that decision again will not offend them. When the law changed as a result of Question No. 8, it was made clear we were not the tax collector, so we do not charge sales tax on those items; we pay it when we buy the items. When that sales tax goes away, it can lower the cost of eyeglasses and low-vision devices in Clark County by as much as 7.75 percent.

CHAIR MCGINNESS:

What range of "ophthalmic or ocular devices or appliances" are we looking at?

MR. HILLERBY:

It is eyeglasses, contact lenses and low-vision devices ranging from very small devices for people who cannot see at all to telescope-looking devices so people can see far away. We are talking about those devices that require a prescription.

CHAIR MCGINNESS:

They can implant lens in your eye. Is that taxed now and would it be exempt?

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DR. DUFUR

That product is out of my scope of practice.

SENATOR TOWNSEND:

Did I hear you say that if S.B. 152 passes and goes on the ballot, you would attempt to garner the support necessary to pass it?

MR. HILLERBY:

We do not have the resources to run a big media campaign, but we would focus on our patients and work with editorial staff to gain support.

SENATOR TOWNSEND:

I bring this up because I was active in the coordination and effort to pass Question No. 8, and it cost a great deal of money. No one was advertising the opposition standpoint. I am not against passing the bill, but you need to think it through.

MR. HILLERBY:

We do not fully understand, but we do know the complexity of Question No. 8. We hope to keep it more focused and inform the public so it is not a wasted effort.

CHAIR MCGINNESS:

Have you taken a look at the fiscal note?

MR. HILLERBY:

I have not. If I remember correctly, it came to \$18 million for the coming biennium. I alluded earlier to a fiscal note on the bill; we are just one part of the medical profession that deals with this tax.

SENATOR SCHNEIDER:

Would Molteno valves implanted in the eye be covered?

MR. HILLERBY:

I do not have the answer, but I can get you the answer.

CAROLE A. VILARDO (Nevada Taxpayers Association):

I am neutral on the issue but raise a couple points. Senator Care asked about Question No. 8, which was one of the most confusing ballot questions before

the Nevada Taxpayers Association from callers. Because Question No. 8 had six different exemptions, the explanation and pro-con arguments were confusing for an individual voter to decide what they liked. Southern Nevada voters who called us were upset they could not vote on the individual questions.

Since this is not a tax session and we are not raising taxes, we have more exemption bills than I can remember. Where possible, I would like to ask the Chair to workshop these bills at the same time so you look at total impact. An Assembly joint resolution directs the Legislature in sales tax and property tax issues to see if the exemption serves a public good and determine effects of the loss of revenue.

SENATOR COFFIN:

This morning we heard heartbreaking testimony in the Finance Committee about services to the blind and victims of ocular disease. The reason these budgets are being cut is because of lower than expected revenue. The irony in trying to do good for somebody by creating an exemption—cut your tax revenues—is the impact to the expenditure side. If people who testify for S.B. 152 look at the budgets for the blind, their choice is: Lay off staff or cut services. Senator Raggio told us to expect a reduction in the revenue forecast.

SENATOR CARE:

The staff has a tabulation of votes on Question No. 8, and it was 37 percent in favor and 62 percent opposed. It may be that a number of people liked the exemption for one and not the other. If we were to do this, can we see all proposed exemptions on a single ballot question? A ballot question for each one is not practical. Many people came to me about Question No. 8, and I had a difficult time relaying to the voters what the question really meant.

CHAIR MCGINNESS:

This Committee had the decision to make each exemption a separate question or put all exemptions together into one ballot question. We chose to put them all in one question.

DINO DICIANNO (Executive Director, Department of Taxation):

Prior to Question No. 8, these types of sales were exempt from the local portion of the tax, but they still paid the 2-percent portion. When the voters voted no, the entire exemption went away so they pay the 2 percent and the local

portion. That is why you see revenue loss at the local portion as shown on the fiscal note, and that is why it is significant.

CHAIR MCGINNESS:

If the bill passes and the voters approve it on the ballot, would the exemption take effect again?

MR. DICIANNO:

Yes. Concerning certain implants, it depends whether it replaces a body part. If it replaces a body part, it is similar to a prosthetic and exempt. This ballot measure would not exempt magnifying glasses sold in stores. Any ophthalmic or ocular device prescribed by a physician would be exempt if the voters approve it.

JEANETTE K. BELZ (Nevada Ophthalmological Society):

We are in favor of S.B. 152 and understand there is a fiscal note. The complications of Question No. 8 were a reason it did not pass. People coming in to ophthalmologists' offices were supportive of Question No. 8 but confused about the measure as a whole. When the surgical centers implant devices and other such things, they do not charge sales tax because it is a medical use.

CHAIR MCGINNESS:

We will close the hearing on S.B. 152 and open the hearing on S.B. 179.

**SENATE BILL 179**: Revises provisions governing refunds of accrued property taxes to senior citizens. (BDR 38-1326)

SENATOR DINA TITUS (Clark County Senatorial District No. 7):

The bill before you is not anything new. All Senators cosponsored and voted for the bill last session. One piece got out of the Assembly, which is why I am here today. This bill brings qualifications for property tax relief for seniors in line with contemporary financial conditions. It expands eligibility for a property tax rebate so more seniors qualify, and it increases the amount of the potential rebate. Over the years as taxes and assessed values have increased, neither eligibility requirements have changed nor the rebate amount for which a person might qualify.

The home value allowed a claimant was the piece of the bill that passed last session, increasing valuation from \$87,500 to \$200,000 because nobody

owned a house worth \$87,000 anymore. Allowable household income adjusts automatically based on an inflationary formula in the statute and is currently about \$24,500. This bill increases allowable liquid assets for a claimant and spouse from \$150,000 to \$205,000 and raises the maximum rebate amount from \$500 to \$1,000 depending on the amount of tax owed. I urge your support of this needed, long overdue update to provide greater relief for more deserving seniors.

CHAIR MCGINNESS:

Senator Coffin spoke earlier about opportunities to support services for the blind; then we heard about allowances for ophthalmic devices so seniors pay fewer taxes, which affects our ability to fund those services. The fiscal note for this bill is \$3 million or so. How do you balance that?

SENATOR TITUS:

The fiscal note is an estimate of how many people apply and qualify for the property tax rebate. We are not asking for new benefits—we are asking to make existing benefits more reasonable. If you consider a provision that allows needy seniors to get a rebate, make it a reasonable one or get rid of it because it is not serving the purpose. This Legislature does not want to get rid of it because seniors who pay taxes and live with fixed incomes deserve a tax break.

This bill does not involve sales tax, it involves property tax. With the growth anticipated in Nevada, I am not sure you will see any loss in property tax revenue due to the addition of property to the tax rolls.

CHAIR MCGINNESS:

Are people not using the program because the discount is too small?

SENATOR TITUS:

That is right.

SENATOR CARE:

The figures I obtained recently indicate Clark County gave a tax break to golf courses last session that is costing in excess of \$4 million annually. According to the fiscal note, this costs less than what we gave the golf courses.

SENATOR TITUS:

Who deserves it more: needy seniors or golf courses?

ROGER K. MAILLARD (State of Nevada Employees Association, American Federation of State, County and Municipal Employees Local #4041):

I am in favor of S.B. 179. I spoke in favor of it two years ago. I represent seniors who receive a Public Employees' Retirement System (PERS) pension check. A number of people in my chapter live on the fringes. The PERS is a good system, but average income for our members is less than \$24,000. They would benefit from this bill.

BARRY GOLD (American Association of Retired Persons Nevada):

I have submitted written testimony for the record ([Exhibit C](#)). The American Association of Retired Persons (AARP) Nevada supports S.B. 179. This program enables seniors to stay in their homes. Increasing the liquid assets and maximum refund of a senior and spouse are critical in keeping the intent of the program. The effects of inflation are especially detrimental to those on a fixed income. Eighty-five percent of AARP Nevada members surveyed in 2006 indicated they had concerns about staying in their own home.

GAYE JOHNSTON:

I am a retiree from Churchill County here in support of S.B. 179. I help retirees who cannot afford professionals with paperwork and other things. Many are on the edge of eligibility for certain financial assistance such as property tax exemptions. Raising the level of assets and income will enable many of them to live independently.

DANNY COYLE (State of Nevada Employees Association, American Federation of State, County and Municipal Employees Local #4041):

We strongly support S.B. 179. I have provided written testimony ([Exhibit D](#)). Many members retired at a time when their PERS benefits were below the average benefit level while their assets appreciated greatly due to inflation. Many members do not receive social security and rely solely on their retirement benefit from PERS. By raising the refund and liquid asset cap, S.B. 179 would help alleviate financial hardships borne by many members.

WILLIAM J. BIRKMANN (Nevada Alliance for Retired Americans):

I would ask your support of S.B. 179 for the reasons already mentioned.

MARTIN BIBB (Retired Public Employees of Nevada):

We add our voice with those others in support of S.B. 179.



DOUG SONNEMANN (Assessor, Douglas County):

As part of this program, we receive and process the applications before they are sent to the Aging Services Division. We are supportive of this bill. The \$500 limit has not increased in 10 years. Taxes have gone up significantly in that time; this offsets some inflation these people have in their tax bill but not in their income. I talked to a woman yesterday who lives off of her liquid assets and a small social security benefit. If she depletes liquid assets to get down to the \$150,000 limit, that creates other problems. This is not an exemption program, you fund it separately. The current limit is \$26,714.

CHAIR MCGINNESS:

Once that dollar amount is reached, there is more eligibility?

MR. SONNEMANN:

That is correct. Another Assembly bill is looking to increase other limits. The assessed value limit is \$200,000, and the taxable value is almost \$600,000. Therefore, a house is not valued at the \$200,000 market but a \$600,000 market.

MS. VILARDO:

We supported the bill last session, and we support S.B. 179 this session. It is not an exemption bill. This bill requires an appropriation. There is no loss of revenue to local government from property tax; it is strictly a function of an appropriation. Numbers in the statute need an update to reflect the current economy.

CAROL SALA (Administrator, Aging Services Division, Department of Health and Human Services):

I am here today to provide information on S.B. 179, and I have submitted written testimony ([Exhibit E](#)). The Senior Citizen's Property Tax Assistance Program provides relief to eligible seniors who are carrying an excessive, residential property tax burden in relation to their income. The Program includes seniors who pay a disproportionate share of their income through rent payments for landlord property taxes. We have done an analysis of both sections: the section that raises the refund and the section that raises the liquid asset limit. These changes impact refunds paid to seniors beginning in 2009 due to how the application period and refunds fall. It increases the cost to the Program about \$1.4 million. If this change comes about, it would continue into future biennia. Additionally, the senior tax computer program would require an update and

testing by a Department of Information Technology programmer in fiscal year (FY) 2008 so FY 2009 refunds reflect the proposed changes. We estimate programmer and database administration costs at \$4,114.

EARLEEN HEINZ (Supervisor, Senior Tax Program, Aging Services Division, Department of Health and Human Services):

The seniors file their applications February 1 through April 30. Applications are sent to the county assessor's office for initial processing and forwarded to the Aging Services Division. We complete the processing and refunds are sent out starting in August.

CHAIR MCGINNESS:

The process starts with the county assessor then?

MS. HEINZ:

We send them the preprinted forms.

CHAIR MCGINNESS:

If I was to apply, I start with the assessor's office rather than your agency?

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MS. HEINZ:  
That is correct.

CHAIR MCGINNESS:  
If there is no further business, this meeting is adjourned at 2:54 p.m.

RESPECTFULLY SUBMITTED:

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Erin Miller,  
Committee Secretary

APPROVED BY:

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Senator Mike McGinness, Chair

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