

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION**

**Seventy-fourth Session
February 6, 2007**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 1:33 p.m. on Tuesday, February 6, 2007, in Room 2135 of the Legislative Building, Carson City, 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 Michael A. Schneider
Senator Terry Care

COMMITTEE MEMBERS ABSENT:

Senator Bob Coffin (excused)

STAFF MEMBERS PRESENT:

Tina Calilung, Deputy Fiscal Analyst
Julie Birnberg, Committee Secretary

CHAIR MCGINNESS:

We will call this meeting of Senate Taxation to order.

TINA CALILUNG, Deputy Fiscal Analyst:

While reading from my notes ([Exhibit C](#)), I will discuss two documents, the Revenue Reference Manual ([Exhibit D](#), original is on file in the Research Library) and the Senate Committee on Taxation Policy Brief ([Exhibit E](#), original is on file in the Research Library). The Senate Committee on Taxation Policy Brief was provided to the Committee prior to session.

The Revenue Reference Manual contains eight sections. Section I contains appropriations and revenue charts. On page 5 is the Economic Forum forecast for General Fund revenue sources for 2007-2009 biennium. These are official

forecasts approved by the State of Nevada Economic Forum at their November 30, 2006, meeting. Section II contains tax revenue summaries. This section provides discussion of tax rates, bases, and collection and distribution of revenues. The references for each tax are provided with collections for the last two fiscal years.

Section III contains tax legislation history from 1979 to 2005. Under 2005 legislation, there is discussion of property tax abatements and two major state revenue bills. Section IV contains general tax information including a glossary of terms and a list of Department of Taxation publications. Section VI and VII contain local government finance issues and education funding. Section VIII explains the fiscal note process.

In 2005, 68 measures were referred to the Senate Committee on Taxation. Of the 68 measures, 53 were approved or reported out of the Committee. The tax policy agenda provided property tax relief and focused on changes to the tax plan approved during the 2003 Session.

Reports stated property owners could face increases in property values and taxes. The 2005 legislation was approved for partial abatement of property taxes in a given year. Assembly Bill No. 489 of the 73rd Session and S.B. No. 509 of the 73rd Session established provisions for partial abatement of property taxes and distributing tax revenues to local government entities after abatements. Partial abatement of property taxes was granted to single-family, owner-occupied residences. Taxes cannot increase more than 3 percent over the previous year's levee. The same 3-percent cap was provided to owners of residential rental dwellings qualifying as low-income housing under the standards established by the United States Department of Housing and Urban Development (HUD). To qualify for this abatement, the rent must not exceed fair market rent for the county in which the rental is located. Fair market rentals are published by HUD with particularity to each county. This abatement does not apply to hotels, motels or other forms of transient lodging.

Alternative partial abatement granted for other properties cannot grow more than either the 10-year average growth in assessed value in a county, 8 percent or twice the percent change in the Consumer Price Index. Partial abatements, whether they are the 3-percent cap or the alternative, do not apply to the property value the first year on the tax roll. Nor do they apply to the land for which the authorized use has changed. New property can qualify for partial abatement in their second year on the tax roll.

Changes to the 2003 tax plan include creation of new taxes such as the Modified Business Tax (MBT), live entertainment tax (LET), Business License Fee and Real Property Transfer Tax. The tax package provided for increases in Nevada Gaming Commission percentage fees, cigarette tax and liquor tax. Additional references are included in the Revenue Plan Fact Sheet ([Exhibit F](#)).

Approved changes were based on recommendations of the Legislative Committee on Taxation, Public Revenue and Tax Policy. Assembly Bill No. 554 of the 73rd Session made changes to LET and the Sales and Use Taxes, and codified regulations adopted by the Nevada Tax Commission defining events and activities deemed live entertainment. New language exempted live entertainment incidental to amusement rides, motion simulators or similar digital, electronic, mechanical or electromechanical devices. The bill also provided exemptions from the LET for the National Association of Stock Car Auto Racing, Nextel Cup Series and all races associated with such an event. These exemptions become effective July 1. Assembly Bill No. 554 of the 73rd Session lowered the maximum occupancy threshold for liability from 300 persons to 200 persons. The bill asks voters whether the Nevada Sales and Use Tax Act of 1955 be amended to exempt sales tax for farm equipment and trade-in value of a vehicle.

State Question No. 8 of the 2006 statewide general election addressing the vehicle trade-in and farm equipment exemption was approved by the voters on November 7, 2006. State and local sales tax exemptions became effective January 1. Based on the November 30, 2006, Nevada Economic Forum, the exemptions were estimated to reduce 2-percent sales tax revenues by \$21.6 million in fiscal years (FY) 2007-2008 and \$23.1 million in FY 2009.

Senate Bill No. 3 of the 22nd Special Session made various technical and policy changes to selected tax measures approved in the 2003 Session. Senate Bill No. 8 of the 20th Special Session was the vehicle for the 2003 tax plan. The recommendations of the Legislative Committee on Taxation, Public Revenue and Tax Policy were adopted. Senate Bill No. 3 of the 22nd Special Session made changes to the Business License Fee and the branch bank excise tax, and provided an exemption for rental income on four or fewer rental units. A business or natural person must perform a service or engage in trade for profit, subject to requirements, to obtain a business license. A similar provision was applied in determining liability under the MBT. The bill also provided an exemption for one branch office maintained by a bank in each county. This replaced the previous exemption of one branch office per bank. Such a measure is estimated to reduce General Fund revenues approximately \$2.9 million in FY 2008 and \$3 million in FY 2009.

Ms. CALILUNG:

Senate Bill No. 357 of the 73rd Session created the Advisory Committee on Problem Gambling and established the Revolving Account to Support Programs for the Prevention and Treatment of Problem Gambling. In FY 2006, the Nevada Gaming Commission was required to transfer \$1 per slot machine, subject to a quarterly restricted and nonrestricted license fee, to the Revolving Account. The amount was increased to \$2 per slot machine in FY 2007. The transfers expire June 30. The Governor proposes to eliminate this sunset and maintain the transfers to the Problem Gaming Account. Based on estimates provided in the Executive Budget, these transfers are expected to reduce General Fund revenues approximately \$1.7 million in FY 2008 and FY 2009.

Senate Bill No. 391 of the 73rd Session replaced previous language for the MBT on financial institutions. Previous language used North American Industry Classification System definitions; it was replaced with new language based on the licensing registration or other state or federal requirements for doing business as a financial institution.

Senate Bill No. 523 of the 73rd Session reduced the MBT for general businesses from 0.65 percent to 0.63 percent of wages during a calendar quarter less allowable health care expenses. The rate reduction is effective July 1, 2005 to June 30, 2007.

In the Executive Budget, the Governor recommended reducing the rate on nonfinancial institutions from 0.65 percent to 0.62 percent. This is expected to reduce General Fund revenues approximately \$13.5 million in FY 2008 and \$14.6 million in FY 2009.

Assembly Bill No. 365 of the 73rd Session increased the amount of equity in property protected under the homestead exemption from \$200,000 to \$350,000. In his State of the State address on January 22, the Governor mentioned increasing the exemption to \$550,000.

Assembly Bill No. 418 of the 73rd Session authorized the Clark County Board of Commissioners to increase sales and use tax 0.5 percent to employ and equip additional police officers for the Boulder City, Henderson, Las Vegas Metropolitan, Mesquite and North Las Vegas police departments. A rate of 0.25 percent may be imposed from October 1, 2005, to October 1, 2009. If the Legislature approves a rate increase, it may be increased an additional 0.25 percent on or after October 1, 2009.

Senate Bill No. 306 of the 73rd Session established the Tourism Improvement District Law. This law authorized the governing body of a municipality to create a tourism improvement district to acquire and maintain an economic and tourism development project. The governing body within a district may pledge up to 75 percent of state and local sales tax revenues generated to fund a project. This bill was an alternative to S.B. No. 495 of the 72nd Session, which authorized tourism improvement districts but only when an assessment district was created and an assessment lien was imposed on the property. Senate Bill No. 306 of the 73rd Session does not require the imposition of an assessment lien on the property.

Senate Committee on Taxation
February 6, 2007
Page 6

The Sparks City Council passed an ordinance under Senate Bill No. 306 of the 73rd Session for the Sparks Marina project. In December 2006, Governor Kenny C. Guinn approved the Marina project.

CHAIR MCGINNESS:

The Standing Rules of the Senate Taxation Committee ([Exhibit G](#)) are the same rules from last session.

SENATOR TOWNSEND MOVED TO ADOPT STANDING RULES OF THE SENATE TAXATION COMMITTEE.

SENATOR SCHNEIDER SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE).

* * * * *

CHAIR MCGINNESS:

Bill Draft Request 32-255 is introduced on behalf of Carson City. Upon approval, the funds can be used for repair of streets and highways, and for public safety and judicial functions.

BILL DRAFT REQUEST 32-255: Revises provisions governing expenditure of money in infrastructure fund of certain counties. (Later introduced as [Senate Bill 74](#).)

SENATOR TOWNSEND MOVED TO INTRODUCE BDR 32-255.

SENATOR AMODEI SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

* * * * *

Senate Committee on Taxation
February 6, 2007
Page 7

CHAIR MCGINNESS:
The meeting is adjourned at 1:59 p.m.

RESPECTFULLY SUBMITTED:

Julie Birnberg,
Committee Secretary

APPROVED BY:

Senator Mike McGinness, Chair

DATE: _____