

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

**Seventy-Fifth Session
March 10, 2009**

The Committee on Taxation was called to order by Chair Kathy McClain at 1:35 p.m. on Tuesday, March 10, 2009, 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/75th2009/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
Assemblywoman Marilyn Kirkpatrick, Vice Chair
Assemblyman Paul Aizley
Assemblyman Bernie Anderson
Assemblyman Morse Arberry Jr.
Assemblyman Ed A. Goedhart
Assemblyman Tom Grady
Assemblyman Don Gustavson
Assemblywoman Ellen Koivisto
Assemblywoman Sheila Leslie
Assemblyman Richard McArthur
Assemblyman Harry Mortenson
Assemblywoman Peggy Pierce

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman James Ohrenschall, Clark County Assembly District No. 12

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Robin Holabird, former Deputy Director, Nevada Film Office, Reno, Nevada
Danny Thompson, Executive Secretary-Treasurer, Nevada State AFL-CIO, Henderson, Nevada
Peter Barton, Acting Administrator, Division of Museums and History, Department of Cultural Affairs
Ed Wilson, Customer Services, Director's Office, Department of Transportation
Rhonda Bavaro, CPM, Administrator, Motor Carrier Division, Department of Motor Vehicles
Juli Green, CEO, Nevada Casting Group, Inc., Reno, Nevada
Dino DiCianno, Executive Director, Department of Taxation
David Dawley, Assessor, Carson City Assessor's Office, Carson City, Nevada
Jeff Payson, Assessor's Office, Clark County, Las Vegas, Nevada
Russell Rowe, Kummer Kaempfer Bonner Renshaw & Ferrario, Attorneys at Law, Las Vegas, Nevada, representing Wynn Resorts Ltd.
Michael Hillerby, Executive Vice President, Wingfield Nevada Group, Sparks, Nevada
Carole Vilardo, President, Nevada Taxpayers Association, Carson City, Nevada
Randy Robison, representing Nevada Association of School Superintendents, Las Vegas, Nevada
Anne Loring, representing Washoe County School District, Reno, Nevada
Dotty Merrill, Ph.D., Executive Director, Nevada Association of School Boards, Reno, Nevada

Chair McClain:

[Roll was called.] We have two bills today. We are going to be getting a lot more bills in the future. If you have an amendment to a bill, make sure you get it to our staff 24 hours ahead of time so we do not waste time in here discussing things we know nothing about. Also, out of common courtesy, if you have amendments, be sure you talk to the sponsors of the bill first to at least make them aware of your concerns. We do not have any more joint

hearings planned, so we will just be hearing bills from now on, followed by some work sessions.

Today, I would like to begin with Assembly Bill 160.

Assembly Bill 160: Provides certain economic incentives for certain motion picture companies. (BDR 18-814)

Assemblyman Paul Aizley, Clark County Assembly District No. 41:

I appear here today in support of Assembly Bill 160. The bill provides incentives to encourage the movie industry to use Nevada locations and resources to produce movies in Nevada, thereby creating jobs for Nevadans. The bill is cosponsored by Assemblyman Ohrenschall, and he is prepared with additional remarks.

Assemblyman James Ohrenschall, Clark County Assembly District No. 12:

I would like to tell you where I first got the idea for this bill. I was contacted by a constituent who is a working stagehand and a member of the stagehands' union, the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, Its Territories, and Canada (IATSE) Local 720. We were chatting during the campaign last year and he asked that we introduce this bill. I asked him how many stagehands I had in my district. He told me there were probably none, because stagehands made too much money to live in my district.

That told me this was an industry with good jobs that pay well, whether a stagehand is working on a show on the strip or on a movie that is being filmed. The jobs often include medical, dental, and pension benefits. There are lots of other benefits to the economy as a whole from movies being filmed here.

I have a *Los Angeles Times* article ([Exhibit C](#)) that says 38 states are already offering tax incentives to lure the film industry. An interesting bit of information in the article is that California has just jumped on the bandwagon because they have had so many movies leave the state to go film in areas that offer more incentives. California is trying to keep some of the motion pictures there in the state. From what I understand, the money is not being made with the huge, big-budget motion pictures, but with the smaller, independent movies. Those folks are usually lured by favorable conditions in the environment.

I think A.B. 160 will yield benefits for the state in the long run in terms of jobs and money being spent in the state. That is something I hope the Committee will consider. We have a lot of witnesses here today who would like to testify in support of the bill.

Chair McClain:

Could you walk us through the bill and tell us what kind of incentives it would grant?

Assemblyman Ohrenschall:

Sections 2 and 3 actually define "motion picture" and "motion picture company" in statute. They are fairly consistent with the changes in the industry right now. Section 4 sets up procedures for certifying those motion picture companies that are willing to come to Nevada and hire Nevadans to fill at least 30 percent of their full-time jobs while they are filming. That requirement is the way we protect the local industry.

Sections 11 and 12 actually exempt these qualified motion picture companies from the fees required to obtain a Special-Fuel User's License from the Department of Motor Vehicles (DMV). These permits are required for motor vehicles, such as buses and trucks, which use special fuels such as diesel. These kinds of fuels are used by the motion picture industry to transport people, supplies, or props to filming locations.

Section 13 exempts these same companies from certain sales and use taxes, such as the Local School Support Tax (LSST), the Basic City-County Relief Tax (BCCRT), the Supplemental City-County Relief Tax (SCCRT), and local option taxes. It does not exempt these companies from the state portion of the sales tax. Sections 14 and 15 exempt qualified motion picture companies from the fees for overweight and oversize vehicles.

If we can actually lure filmmakers to come into the state, they will actually produce more jobs and more revenue for the state than the little bit we are giving as an incentive.

Chair McClain:

Do you have any kind of a feel for how many companies might take advantage of this? Do you have any estimate of the fiscal impact to state revenues?

Assemblyman Ohrenschall:

From what I have read, I am optimistic that a lot of companies will. There is that *Los Angeles Times* article, as well as submitted testimony from Mr. Charles Rainey ([Exhibit D](#)), an entertainment lawyer in Las Vegas, who documents particular instances where movies that would have been filmed in Nevada actually chose other states.

Assemblywoman Kirkpatrick:

This goes against everything I have been working for this session, for a lot of different reasons. Currently, 15 states are proposing similar legislation. My concern is that we already have a Nevada Film Office (Division of Motion Pictures). In 2008, several movies and television shows came to our state.

A lot of states are evaluating abatements. A lot of companies are playing one state against another to see who gives the best deal. Nowhere in this bill is a threshold set for a certain amount of money. Currently, in economic development, there is a requirement for how much a business has to invest in our state in order to get an abatement.

I am not sure if that 30 percent of jobs includes the catering companies the film makers bring along with them to take care of the food for the production. I have seen them downtown many times. They bring a lot of their own people from out-of-state. That 30 percent does not specify who the employers are. They have their own food industry. They have their own traffic control crews. They have a lot of their own things.

I do not know what our current permit fees are within the industry. I would appreciate it if you could give us that information. I would also like to know what kind of thresholds you expect to have for this. I do not know if the state can afford to give one more abatement unless it creates Nevada jobs, it meets a certain threshold, and we have some parameters.

In my opinion, this bill is too broad. Of course I want Nevadans to have jobs, but I do not know how we should do this. When we forward our legislation to the Department of Taxation, will this preclude the motion picture companies from being given tax amnesty later?

There are a lot of questions that have to be answered. You would have to show me how much money these companies were going to spend in our state before I could support this. I have worked too hard the last two years trying to narrow a lot of abatements and exemptions down.

There is a list available of all the movie and television projects that came here in 2008. There were quite a few projects, so we must be doing something right. I think some of it has to do with location. It has to be cheaper to come here to use a desert highway or northern Nevada scenery.

All of these people have to lug their equipment and material somewhere. When you talk about exempting them from the overweight fees, how do they even get across the border to use that exemption? Why should they get that exemption

when someone coming across the border with food for another industry would not get the same advantage?

I have a lot of unanswered questions about this. In this time of fiscal crisis, we have to be very careful going forward. Unless some of the people here in support of this bill can answer a lot of these questions, I am definitely opposed to this bill.

Assemblyman Ohrenschall:

You bring up a lot of good points and important questions, some of which I can try to answer. However, I will have to defer to the experts on some others.

I, too, would want to see a tightly-crafted bill that ensures these motion picture people do not contract with out-of-state companies, do not bring in their people from out-of-state, and bring projects that truly do benefit Nevadans. If there is a way to do that with this bill, it would definitely be something positive.

The natural beauty of Nevada is something unique that we do have to offer. Some of the people I talked to brought up one instance of a movie filmed last year. The story took place here in northern Nevada. The company came and filmed here for the three days they absolutely had to. Then they packed up and went back to New Mexico because incentives there are so much better.

I do agree, though, that, were this bill to go forward, I would like to see it very tightly crafted—something that would ensure jobs did go to Nevadans and that the companies did not send money out-of-state. For your other questions, I will defer to my other witnesses.

Chair McClain:

We have some other questions. Would you like to bring your experts up now?

Assemblyman Mortenson:

I just want to expand on what Mrs. Kirkpatrick said. I have sat in this Committee and I have heard all kinds of entities asking for a tax break here and a tax break there. A constitutional amendment, State Question No. 3, which was originally Assembly Joint Resolution No. 16 of the 73rd Session, passed by a large majority this past election. The probability is that it will pass again.

If that question goes through the second time, it becomes constitutional law, and all of those tax breaks may get modified. The question essentially says that if you get a tax break or an abatement, you have to prove ahead of time that there is a considerable social value to what you are doing or that over a certain period of time you will recoup the money that was abated or deducted.

That might not affect your bill at all if it prevails, because you may be able to prove all of those things. I just want to point out that that is coming, and there is a high probability it will pass and become constitutional law.

Chair McClain:

If you would like, you can introduce your guests. I think there are some other questions. I have Robin Holabird and Jill Lindstrom, from the Nevada Film Office.

Robin Holabird, former Deputy Director, Nevada Film Office, Reno, Nevada:

When I retired last June, I had two decades worth of experience in dealing with location filming, specifically in Nevada. In terms of film incentives, when I started 20 years ago that was not even an issue.

One of the first projects I worked to bring here was "Bonanza." You might ask why I had to work to get "Bonanza" here, as it was set at Lake Tahoe. Canada was just starting incentive programs at that time, and Canada has a lot of lakes. Back then, we were lucky enough and strong enough to fight that and show it was very economical to film in this area. We got the project.

Would that happen now? Absolutely not. Canada offers too much in the way of experienced crews and too much in the way of tax rebates and such for us to be able to get that kind of project.

One of the projects mentioned was "Love Ranch," on which three days were spent in Nevada and the rest in New Mexico. New Mexico offers things that Nevada cannot. This bill is a good start but, comparatively, it is minimal. New Mexico is allowed to lend money to movie projects. We will never be able to do that.

Let me give you a quick example of why that worked for New Mexico. The state loaned the motion picture company \$15 million to make the movie, which must be paid back in three years. That loan was contingent on 80 percent of the crew being from New Mexico and the movie being filmed in New Mexico. Almost half of that \$15 million was immediately spent in New Mexico on hiring 80 percent of the crew and using the Albuquerque film studios and outside locations in the state. In three years, that \$15 million will be paid back to the state. That is how New Mexico keeps track of the fact that revenue is going back to the state because of the incentive project.

Our situation would be different in that our primary incentive would be a percentage of sales tax. However, that could be the deciding factor for some

projects, especially lower budget projects, as to whether they come here and/or whether they stay longer. A project like "Love Ranch" could have found it economically feasible to stay longer had there been a sales tax rebate involved.

As for the various fuel fee abatements, those were actually in effect when I started with the Nevada Film Office. Those abatements were removed 11 years ago, and we were led to believe that was more or less on an experimental basis to see how much revenue was associated with it. We have never been able to come up with just how much revenue it represented to the state because we do not know how many vehicles crossed the border claiming to be motion picture vehicles.

We have had calls on a regular basis from companies asking if anything could be done, because no other state has the same fees that we do. As one of six states with no incentives, and the only state that has those fees for large vehicles and various fuel-related items, we are not standing at our borders with open arms saying, "Come to Nevada; we want your business here." Instead, we are standing not quite closed armed, saying, "Well, if you want to come, we guess it is okay."

This bill would be a far more effective welcoming gesture toward an industry that—yes, you are right—has done quite well for us with \$100 million a year revenue. However, it had been at a standstill, and it is now going down. We used to be one of the top ten states in the nation for the motion picture industry, but we are not anymore, and it is not going to improve.

Assemblyman Goedhart:

I have a question regarding the size of the rebates. You said they are not significant as proposed in this bill, but they would be construed as a good first start. Are we basically talking about 4.75 percent off of the 7.75 percent, and then exempting those companies from some regulatory oversize and overweight permits?

Robin Holabird:

Yes; those sometimes come to \$200 for a project. We are not talking about a lot of money.

Assemblyman Goedhart:

That is the crux of my question: if it is such a small amount of money—say it is a \$20 million project—what would this save in terms of a studio's cost. If we went forward with legislation like this, are we talking about 0.1 percent at the bottom line?

Robin Holabird:

It could be a very small amount, but I will tell you where some of the impact would be. Right now, a lower budget filmmaker gathering data will see all the states that offer incentives, and then it will see about a half dozen states, including Nevada, that have no incentives. That company will not even look at Nevada; they will look at those other states. They are not going to call Jill and find out that, although we do not have the best incentives, we have a lot of other wonderful qualities that make filming here positive and cost-effective. They are not going to hear that argument from her, because they are not even going to look at her.

Assemblyman Goedhart:

So you think something of this small order of magnitude is an on/off switch?

Robin Holabird:

It is not a complete on/off switch. We get some projects anyway, but this will give us a shot at even more projects. It is a marketing tool as well as an incentive. I think it is important in that respect. The same holds true for the fuel tax. It does not make sense for the state to have those fees that tell companies, "Hey, come here and have to pay extra money you would not have to pay anywhere else." Those do not make sense as a marketing tool.

Assemblyman Goedhart:

Once again, though, those fees are no more than anyone else has to pay to do business here. It is not as though, in the absence of this legislation, we would be singling the motion picture industry out for punitive treatment.

Robin Holabird:

It is more than the same kind of company doing business in other states. We have border projects out of, say, Wendover and West Wendover. To cross the border to film in Nevada would become expensive, so they would just keep using the Utah locations rather than the Nevada locations. We often have that same type of situation at Lake Tahoe.

Assemblyman Goedhart:

The sales tax abatement is one issue. I do not see that as being a real hurdle. However, from a regulatory standpoint, if they have to apply for a special vehicle permit to bring the vehicles in, the onerous nature of the paperwork could actually outweigh the fees themselves.

Robin Holabird:

The way it was done in the past, before we even had a registration program, was people carried copies of the law with them and showed them at the border.

This bill requires that companies register, and they would have a registration form. They would just show that at the border. The paperwork would not be onerous as a result.

Assemblyman Goedhart:

Okay, thank you.

Assemblyman Grady:

The fuel tax provision is the one I am nervous about. We have worked very hard over the last few sessions to get fuel tax where it could be regulated. I, personally, would not want to see that messed with at all.

Robin Holabird:

No, this is just special fuel. This is not pay-at-the-pump fuel. This is just for crossing the border. And, it is not fuel tax; it is fees for oversized vehicles.

Assemblyman Grady:

If you are talking about diesel fuel, that is a completely different situation because you pay that on the miles you drive in Nevada. If you are actually talking about special fuels, such as red fuel, you cannot use that on freeways or anywhere else. You have to be very careful when you start getting into fuel taxes and what fuels are being used.

Robin Holabird:

The way it was generally done in the past was the incentives affected the first wave of vehicles to come through the state, which were hauling props and costumes and such. It was not every single piece of transportation associated with the motion picture company. Also, I do not think we are talking about red fuels and such.

Assemblyman Grady:

Mr. DiCianno could probably address this much better than I, but be careful when you check on this, because the fuel tax and the way taxes are paid on fuel have changed considerably over the last few sessions.

Robin Holabird:

That is true, and I am sure the Film Office would be very careful in monitoring that sort of thing.

Assemblywoman Kirkpatrick:

I have done a lot of research on this. You can refer to New Mexico all day long, but their use tax goes into a special fund to help bring businesses in, so they can give the up-front costs. However, when you compare that with the cost of

doing business in the rest of their state and local taxes and permitting fees, we are still very competitive in Nevada. New Mexico simply chooses to put the revenue from their sales and use tax in a special fund for that sort of thing.

They just beat us out on a couple of renewable energy projects and a couple of other things because they have cash up front. However, we do not do that. Their tax structure is very different. I will get you the documentation to back this up.

Also, as recently as a few months ago, we printed a booklet based on the film industry—which was actually sent out-of-state to be printed, but that is another story. If we did this, we would then be spending twice the money to reprint that booklet we just created.

Thirdly, I would ask Legal, because State Question No. 3 on the last ballot did pass. I believe when you start exempting Sales and Use Tax, it would be subject to the public purpose for this legislative session. I am sorry, but I have spent a lot of time researching this subject, and it has become very personal to me that we get the correct information on how competitive we really are on some of our abatements. I would ask Legal if this bill does fall under that purview. I will get that for the Committee.

Mr. Ohrenschall, I commend you for doing this. However, I think it is the wrong session at the wrong time for me. I just want to make sure the Committee understands that Nevada's tax structure is much different from some other states, but we are still very competitive.

Assemblyman Ohrenschall:

I respect your comments. My goal with this bill and the goal of the folks who asked Mr. Aizley and me to introduce this was economic diversification and trying to get more jobs in Nevada for stagehands and all the rest of the people who work on these films.

Chair McClain:

Thank you. There are a couple more people signed in to speak in support of the bill.

Danny Thompson, Executive Secretary-Treasurer, Nevada State AFL-CIO, Henderson, Nevada:

On behalf of IATSE Local 363 and Local 720, I want to testify in favor of this bill. There are two stagehands locals, one in Reno and one in Las Vegas. The one in Las Vegas is a subdistrict of the Hollywood stagehands' local, and they compete on a lot of things. This bill is not new; the concept is not new. In an

effort to bring some of these productions to Nevada, there have been a number of other proposals prior to this one. I have to say that, given our economic state today, I completely understand this is a very difficult task. I would like to thank Mr. Ohrenschall and Mr. Aizley for bringing this bill forward.

I agree with Assemblywoman Kirkpatrick that, if you were to pass this bill, there would have to be some tests and thresholds that had to be met. Our experience has shown that, without those thresholds, abatements create an open door. In the case of many abatements, there was no mechanism on the books for going back to check and make sure those thresholds were met and followed.

Chair McClain:

Thank you. Are there any questions? [There were none.]

**Peter Barton, Acting Administrator, Division of Museums and History,
Department of Cultural Affairs:**

The Nevada State Railroad Museum here in Carson City possesses the largest authentic operable collection of 19th-century railroad equipment in the nation. Much of that equipment is from the famed Virginia & Truckee Railroad, which operated here in northern Nevada. For a time, much of the equipment served Hollywood and Paramount Pictures.

The Inyo, the famed American steam locomotive, was featured in 29 Hollywood films from 1938 to 1979, and recently even appeared in the "Wild, Wild West" television series. As such, the popularity of that collection for film projects has been undying, with an average of five to six requests a year from film companies who wish to use parts of the collection.

Approximately four weeks ago, I was contacted by a production unit from Warner Brothers Productions out of Hollywood. They have a film project that goes into production on April 1 called "Jonah Hex," which stars Josh Brolin. This film requires a 19th-century post-Civil War train, and we happen to have the train here in Carson City. We developed a proposal to bring that production unit here to Carson City to film. It would have had an immediate impact on the state's General Fund of about \$250,000 for rental of the equipment.

Unfortunately, the film is being made in Louisiana because of the tax incentives offered by that state. We were unsuccessful in bringing the film here. It would have provided, at minimum, 20 days of use here in northern Nevada for the production company. I cannot calculate the size of the production facilities that would have been needed or the type of revenue it would have provided

indirectly to the state. Certainly, we are disappointed that we were unable to attract them and the resultant revenue.

We are in favor of this bill. There have been many suggestions that the bill needs to be tightened up, and we would support that. Overall, though, if there is anything we can do to make it more attractive to film here in Nevada, there are clear benefits occurring every day.

Chair McClain:

Thank you. Are there any questions? I do not see any.

Ed Wilson, Customer Services, Director's Office, Department of Transportation:

I am here solely to remind you that, last Friday, we distributed an amendment and explanation of our concern with section 15, which adds a new subsection 4 that basically appears to exempt overdimensional, overweight motor carriers who would venture out onto rural roads with heavy or oversized loads onto infrastructure that may or may not be able to support or accommodate them ([Exhibit E](#)). We are willing to work with you to craft language that would hold our infrastructure harmless. Management at the Department of Transportation asked me to convey to you that we are not opposed to the forgiveness of the overdimensional, overweight fee simply because a one-time fee is \$25; an annual permit is \$60, and that does not even cover our costs. Those have not been raised since the 1980s, and we do not propose to raise it, but I wanted you to be aware that we do not object to that forgiveness.

Rhonda Bavaro, CPM, Administrator, Motor Carrier Division, Department of Motor Vehicles:

[Submitted and read from prepared testimony ([Exhibit F](#)).]

Chair McClain:

Does anybody have any questions? I do not see any. Thank you.

Juli Green, CEO, Nevada Casting Group, Inc., Reno, Nevada:

I am not here as an expert; I am here as a small business person. Nevada Casting Group, Inc., has been around for about 20 years, and we have worked on such films as "The Cooler," "Cobb," "Mafia," and "Diamonds," so my business has been around for a long time. I have only owned it for approximately three years, but I have seen the impact of not having any incentives for the motion picture industry.

I do have a statement I would like to read. [Submitted and read from prepared testimony ([Exhibit G](#)).] I have also submitted a Screen Actors Guild (SAG) Legislative Update ([Exhibit H](#)) that shows what other states are offering to the

movie industry for your comparison. This update is from 2008, so there may have been changes in the last year.

Chair McClain:

Thank you. Are there any questions? [There were none.] We are obviously not going to act on this bill today. Mr. Ohrenschall and Mr. Aizley, if you could tighten the language up a bit and offer some suggestions, we would be happy to hear them.

Assemblyman Aizley:

I have a couple of questions, and some of it is procedural. Would it be proper to read this letter from B.J. Thomas ([Exhibit I](#)) into the record?

Chair McClain:

We can include it in the record. You do not have to read it.

Assemblyman Aizley:

I have a strictly informational question for Mr. Wilson. In regard to the taxes for overweight and oversize vehicles and the roads that can accommodate them, is there a list of those roads, or do you inspect each vehicle separately that wants to use the roads. I do not know how that process works.

Ed Wilson:

The truth of the matter is we weigh the vehicles; we do not inspect them. Ever since Senate Bill No. 450 of the 74th Session, the Nevada Department of Transportation has been responsible for issuing all oversize and overweight permits for both the State of Nevada and the counties and cities. As a result of that legislation, we coordinate extremely closely with the localities that have jurisdiction over the county roads, city streets, and so forth, whenever we issue an overdimensional permit. That way we ensure that when the carrier moves off of the state system, the load has been approved beforehand by the locality that has jurisdiction.

The truth of the matter is we do not worry about the U.S. highways and the Interstate highways. Where we worry is on those routes in the very rural, remote areas. There we are dealing with substandard routes that were made for cars and pickup trucks. They are not made for trucks carrying 20,000 pounds or more per axle or that are wider than the structures they will have to navigate crossing a wash or what have you. The bottom line is we do coordinate very closely with the particular localities.

This bill says the existing law provides for the imposition of investigation fees. More often than not, we do not charge the companies that have these big

trucks, but we do want to be in a position to know when they are planning to go out on rural routes that may have been created decades ago for horse-drawn wagons or small trucks. We do not just deal with movie companies. We also deal with farm equipment, haulers of fuel oil, and other such things.

All we are interested in is protecting the environment. We are not interested in causing companies any hassles or being naysayers. We want to help them get where they want to go. If their proposed route goes over a structure that is not adequate, we will help them find an alternate way to get there.

Chair McClain:

Okay, we are going to close the hearing on A.B. 160. I am going to have Dino DiCianno give us a presentation on the boards of equalization before we move on to our other bill.

Dino DiCianno, Executive Director, Department of Taxation:

[Distributed handout containing a description of county boards of equalization and the State Board of Equalization, a table: "Status of Regulations NTC-SBE-CLGF since 1/1/2007," and an organizational flowchart ([Exhibit J](#)).] I am going to try to give you a brief 1,000-foot view of county boards of equalization and the State Board of Equalization. Both the county boards and the State Board are creatures of the statute enacted by this Legislature many years ago.

First, let me tell you what county boards of equalization are. Those boards exist in every county in the state. A person who is aggrieved, or feels they are aggrieved, by the assessor's valuation has the opportunity to appeal to that county board for review.

The cause for appeal usually falls into one of three categories:

1. overvaluation by reason of undervaluation of other properties.
2. inequity of treatment exists between properties.
3. the full cash value of the property is less than its taxable value.

Normally, the county boards meet between January 15 and the last day of February of each year.

The State Board of Equalization hears and makes a determination on all appeals of the actions of the county boards. If a property tax payer has an issue with a decision of a county board of equalization, they can appeal it to the State Board of Equalization. The State Board also handles direct appeals of valuations done

by the Nevada Tax Commission and appeals of valuations the Department does for centrally assessed properties.

Both the county and state boards may also add property to the secured roll for property that is escaping taxation. The county boards and the State Board also adjust rolls if there has been a clerical error or a mistake.

The State Board of Equalization normally operates in Carson City from the fourth Monday of each year until the end of October of that year. To give you a feel for how many appeals have occurred recently because of the housing market, this year there were approximately 5,900 appeals in Clark County alone. In Washoe County, there were 1,400 appeals. There were 130 appeals in Nye County. Most of this relates to the way housing values have dropped significantly compared to what they had been the previous year. This has been a challenge for the county boards, and it will continue to be a challenge for the State Board in the future.

In addition, the county boards and the State Board of Equalization are always subject to the Open Meeting Law and the Public Records Law that the Legislature has adopted. The meetings are recorded and documented for future review.

Something very important occurred in 2005, and that was the passage of Assembly Bill No. 392 of the 73rd Session. That bill basically changed the venue for the Tax Commission, the county boards, and the State Board of Equalization. It directly affected the county assessors and the Department of Taxation.

I will just read this to you:

In determining whether a value has been appropriately determined by a county assessor, both at the state and county boards, they must use the regulations that are adopted by the Nevada Tax Commission regarding valuation methodologies.

The flowchart in my handout tries to show the interplay, not only between the Nevada Tax Commission and the Department of Taxation, but also the county assessors, the county treasurers, and the adjudication of those valuation appeals by the State Board of Equalization and the county boards of equalization.

Based on what I told you earlier about A.B. No. 392 of the 73rd Session, requiring the Nevada Tax Commission to promulgate regulations that not only

the assessors but the county boards and the State Board use in the adjudication of those cases that come before them, is that they have to promulgate those regulations. Also in the handout, this chart shows approximately 30 different regulations, either pending or finalized, that have come before the Nevada Tax Commission, the State Board of Equalization, and the Committee on Local Government Finance.

In normal circumstances, arms-length transactions are predominantly used to adjudicate whether or not a particular property is either over- or under-assessed. Because of what has occurred in the housing market and the economics associated with that, however, we are finding that is no longer the norm. Foreclosures and distressed sales are now making up the majority of the market. That fact changes the dynamic for the assessors, for the county boards, and for the State Board of Equalization.

The assessors are extremely challenged at this time by what has occurred. Timing is everything. The roll has to be completed by the end of the year, and the tax bills have to be produced by the county treasurers. Trying to keep up with this changing housing market is very difficult for them.

Assemblyman Goedhart:

I see on your chart that a lot of different folks are involved in the process. I do not see where the county recorders are involved anywhere. The reason I ask is that we are currently having a problem in Nye County where people who bought a property four years ago for \$300,000 are now selling it for \$150,000.

In determining the Real Property Transfer Tax, the county recorders are choosing not to go with the transaction amount but are coming up with what they call a nominal figure. Anything less than a 20 percent reduction in property price triggers a reaction whereby they are going to come up with a nominal figure that does not reflect the actual transaction amount.

Dino DiCianno:

What you are describing is the calculation of the Real Property Transfer Tax, which has no bearing on the county boards and the State Board of Equalization. However, the Nevada Tax Commission and the Department of Taxation are currently working with all the different county recorders that promulgated regulations to assist them not only in that situation but in the application of the exemptions in Chapter 375 of *Nevada Revised Statutes* (NRS). This is a serious problem, and something needs to be done. We understand that, because of what is occurring in the housing market, that \$300,000 home definitely is no longer worth \$300,000.

Assemblyman Goedhart:

Have you been hearing about disputes relating to the Real Property Transfer Tax? Has that issue been raised to your Department?

Dino DiCianno:

Yes, it has. I act as Secretary to the State Board of Equalization. The Department, through its Division of Assessment Standards, puts together hearing guidelines, not only for the State Board, but also for the county boards of equalization. If anyone is interested, the Division has a document that covers the Nevada property tax from soup to nuts. If anyone wants a copy of that, I would be more than happy to provide it.

Chair McClain:

That would probably be a good resource for everybody. The appeals being heard at the county level should be over by now, should they not?

Dino DiCianno:

My understanding is that they are.

Chair McClain:

How many of them are going to be appealed to the State Board of Equalization?

Dino DiCianno:

That depends on whether the taxpayer is satisfied with the ruling of the county board. I would assume some cases would be appealed to the State Board and other cases would not. A lot of these cases may well end up coming to the State Board of Equalization.

Chair McClain:

They have until October, is that right?

Dino DiCianno:

No, the filing deadline to appeal to the State Board of Equalization is next week.

Chair McClain:

Do you have a feel for how many people have been satisfied and how many wish to appeal?

Dino DiCianno:

If there have been 6,000 appeals in Clark County, there could be a lot. I will not venture a guess.

Chair McClain:

Were the majority of those because of overvaluation?

Dino DiCianno:

The majority of the appeals deal with overvaluation, yes.

Chair McClain:

As soon as you get a feel for how many of those there will be, please let us know. Would you know how much actual tax was abated because of the over-valuation? The assessors would probably have a better idea of that.

Dino DiCianno:

I do not have those numbers at this time. That might well be a good question for the assessors.

Chair McClain:

Do we have any questions for Mr. DiCianno? [There was no response.] We will open the hearing on Assembly Bill 205.

Assembly Bill 205: Makes various changes relating to the administration of property taxes. (BDR 32-703)

Dave Dawley, Assessor, Carson City Assessor's Office, Carson City, Nevada:

The assessors have an omnibus bill every year concerning issues that have come up in the last two years. Assembly Bill 205 is our omnibus bill this year, and it is rather small. Unfortunately, a couple of issues in the bill are rather confusing.

In 2004, we had a wildfire in Carson City that burned 11 homes. In 2008, Fernley had a flood that damaged a number of homes. Because of the property tax cap that was put in place in 2005, when a structure is destroyed and we remove it from the property tax roll, the property owner does not see any kind of abatement. Their taxes do not go down because most of the time the land values themselves have increased so much that if you were to remove the structure itself, the abated amount would still be below the actual value of the property. Therefore, they would receive no discount.

I put together a small chart (Exhibit K) that demonstrates this with one of the properties here in Carson City, which we actually lost in 2007. The top three rows are the land value, the taxable value, and the total value for this property from 2004 to this coming year. Since the base year was 2004, the property taxes increased just 3 percent each year. In 2008, the property burned down, which affected the valuation for the next year. The actual

assessed valuation dropped from \$262,497 to \$179,703. However, because they were only being taxed on \$177,000, they are not seeing any decrease in their taxes.

Section 1 of the bill says we are going to take the value down to what the land would have been capped at had it been raw land, and then we will tax it at that value. That way, the property owner will get a relief from the improvement that was destroyed. When they do add improvements, such as building a new house, that would go on outside the property tax cap. That way a property owner will not be hit with a double penalty for having a house burn down.

Chair McClain:

So when it is taxed as raw land, it is taxed at 8 percent? [Mr. Dawley confirmed that.] But that would be on a much smaller value. Then, when they rebuild, it comes back under the 3 percent as a new property?

Dave Dawley:

That is correct. Our original intention, this session as well as last session, was that if the property was to burn down and then be replaced—if it was rebuilt just as it had been before it burned down—it would be placed back on the roll at the same valuation and tax rate. We went to the Legislative Counsel Bureau (LCB) about that, and they said it was unconstitutional to do it that way. This is our attempt to get some kind of equality here.

Assemblyman Mortenson:

This is the first I have ever heard of this. If I have a piece of raw property in the middle of a large development, it is valued lower than if I built a house on it. Is that what you are saying? The property itself gains in value? The house increases the tax, of course, but you are saying the house literally makes the property more valuable?

Dave Dawley:

Since 1999, property values here really started escalating. Because property values were going so high, property taxes were capped in 2005 so that, by law, the taxes could not increase more than 3 percent over the previous year. It would seem if you were to take the improvement down, then the tax amount would decrease. However, since taxpayers were protected from the skyrocketing land value by the property tax cap, they are still seeing an abatement on the property now because, even with the improvement gone, the land value is still higher than they are paying taxes on.

Assemblyman Mortenson:

I will talk to you about this later. I do not want to take up the Committee's time with this now.

Assemblyman Goedhart:

On your chart, under 2006-2007, it says, on the bottom line, "Taxable Value taxes are based on" \$168,639. If, indeed, the value of that property was escalating quicker than the 3 percent but the tax was capped at 3 percent, why, in that year, did the taxable value actually go down on that bottom figure?

Dave Dawley:

Carson City had a tax rate increase of \$0.30 per \$100. When you divide the actual amount of the taxes by the tax rate, the actual taxable value that taxes were based on went down, because there is a direct correlation between the tax rate and the assessed valuation.

Assemblyman Goedhart:

As you were just saying, you could not get around the cap by increasing the tax rate. You had to back into a figure no more than 3 percent higher by reducing the taxable value, because your actual tax rate was increased.

Dave Dawley:

That is absolutely correct.

There is a lot of building going on in the casino and conference areas, specifically in Clark County. An example right now is Caesar's Palace. A huge structure comes in that has already been drawn by an architect, so we get the plans of the building itself. Section 2 would allow us to use those plans instead of having somebody from our own staff go through the process of drawing them all over again. Using the architect's plans, we would go out to the site and physically measure the building to make sure it is the correct square footage shown on the plans. This part of the bill would simply allow us to use other people's plans without having to spend so much time creating our own.

Chair McClain:

That makes sense. Why have we been doing it the other way?

Dave Dawley:

That is a very good question.

We are required to send out in July what are called personal property declarations to all businesses in the state. This personal property declaration is then sent back listing all of the commercial equipment the businesses have. We

input the data into the computer and give it depreciation and a cost index as far as what it should be taxed at. This is a very arduous, time-consuming process. In Carson City, we have 3,000 accounts and only one person doing this.

Toward the end of November and the first part of December, we send out a tax bill. That bill itself is what is referred to as a notice of value. It tells the taxpayers what they have to pay in taxes. If they do not like it, they can go to the county boards of equalization to discuss why they do not like it. In the past, because we sent out the assessment notices for real property in November, people have come in and said they did not receive an assessment notice for personal property.

If we were to send out the assessment notice for the personal property and then turn around and send the bill, it would not give the taxpayer enough time to actually file an appeal with the county board of equalization. The language we are proposing in section 3 of A.B. 205 says that when we send out the tax bill, that is the notice of value. If a taxpayer has issues with that, he can call us and then go to the county board of equalization. This is just an attempt to simplify our process a bit.

Chair McClain:

So you are actually combining the real property and the personal property?

Dave Dawley:

No, ma'am. We are just saying we will continue to send out the real property notices of value, but we will not send one out for personal property. The company's notice of value will be their personal property tax bill, not the separate assessment notice.

Chair McClain:

Okay, you are just skipping one step.

Dave Dawley:

That is correct.

Jeff Payson, Assessor's Office, Clark County, Las Vegas, Nevada:

Sections 3 and 4 actually work together. Section 4 is an attempt to put in some clarification regarding equalization for the personal property on the unsecured roll. It basically replicates the way we do it now. However, we are trying to put language into statute that will clearly delineate how to repeal personal property based on that value notice, which is actually the personal property bill that Dave just talked about.

Dave Dawley:

Sections 4, 5, and 6 all refer to that same issue.

We do what is called a statistical analysis, which gives a breakdown of how many parcels, how many homes, how many exemptions, and how many federal parcels we have. In section 7, we would like to change the due date for that statistical report to August 10. That way, we would be able to use the most current roll and give the most current and up-to-date information. Sections 7, 8, 9, 10, and 11 all refer to that statistical report.

Assemblywoman Kirkpatrick:

I want to go back to that example of Caesar's Palace. I know that property inside and out, and the scope of their project changed about three times. Who would be responsible for bringing those new plans back to you? The way I read section 7, it just says you are going to look at their plans as the basis for establishing the relevant measures of the size of the project. I know for a fact that tower changed three different times. It does not say anywhere in here if there is another mechanism. It does not say when or if you go back out. When do you do all that process?

Jeff Payson:

Caesar's Palace is near and dear to my heart. Because of all those changes that have come through, my appraiser has spent six months every year at a drafting table taking computer assisted design (CAD) drawings or architectural blueprints and redrawing them into our little sketch program. That is part of the reason we want to get this language in.

What happens is we get building plans, either digitally as a CAD file or the actual blueprints. We print those CAD files out. Each time a new blueprint is filed, we get access to it through the building department. We make sketches from those CADs and blueprints. That is what has kept our people so busy. We would save an enormous amount of man-hours not having to recreate what has already been drawn.

Assemblywoman Kirkpatrick:

I understand that. Technology is great that way. The CAD system is very complicated and you probably waste a lot of man-hours. What I do not understand is where in this bill it says that you go back out. Where are the checks and balances? Where in this bill does it say that?

Jeff Payson:

This particular language just allows us to use either sketches or model home sketches, so there is nothing in the new language that says how we go about

doing our business, per se. It would be similar to what happens now. An appraiser will go out after he has finished his initial sketching, confirm the measurements, confirm that what they say on the plans is, in fact, on those plans, or the correct number of parking spaces is, in fact, there.

I do not know if that fully answers your question. Ultimately, it would be the taxpayer who would come in—if they disagree with our square footage or the quantity of something we have on their property—and say this is incorrect. Oddly enough, most of the time they think the project is smaller than it is. We would then go out and reinspect the property.

Assemblywoman Kirkpatrick:

I do not dispute that. I just do not want technology to become so wonderful that we do not go back out. I am sure the process is in your regulations, so I will try to find it.

Dave Dawley:

Right now there is a deadline for filing an appeal on an abatement. If someone disagrees with an abatement and wishes to appeal it, the current deadline is January 15. Section 12 would change that date to June 30 to coincide with the end of the fiscal year for which the person is actually being taxed.

We have had an issue with personal property being moveable. The law says that if personal property tax becomes delinquent, such as with aircraft, commercial businesses, or mobile homes, the assessor will go out and actually seize that property for the delinquent taxes. A lot of times, we will post a seizure notice on the property. If the property is an aircraft, that aircraft may then fly away, so we cannot collect the taxes on it. In section 13, we propose making it a misdemeanor to knowingly remove or destroy that seizure notice or to fly away with it. That would help us with collections of personal property taxes.

Chair McClain:

It sounds as though that actually happened.

Dave Dawley:

It did, yes.

In section 14, we are changing the way the statute itself reads. It used to read that if a personal property account was delinquent for three years and the amount was under \$25, then at that point we could remove the property from the roll. We would like to change that to say that if the account has been

delinquent for three years or it is less than \$25, then we can write it off as uncollectable. That is the intent of section 14.

Chair McClain:

So you could be writing off property that is over \$25 in value?

Dave Dawley:

Yes, but if it has been delinquent for more than three years, then it is hard for us to collect it. A lot of the time, if there is a company in bankruptcy that has liquidated its assets and does not have anything else, we still try to collect. At what point, though, do we try to get it off the tax roll because we know it is going to be uncollectable?

Chair McClain:

I wonder why you did not just change the threshold instead of making it either/or.

Dave Dawley:

What happened before is that both had to be met. It had to be over three years and it had to be less than \$25. This way one or the other condition has to be met, not both of them.

Section 15 contains golf course language that was previously introduced. There is what is called an agricultural deferment in the State of Nevada. If you have agricultural property, then you are taxed at a reduced rate compared to what normal taxes would be. There is a seven-year deferment on this type of property. We reduce the taxes, but if the property is sold or transferred at any time during that seven years, we can go back seven years and collect what the taxes would have been.

Golf courses were added to this deferment in 2005. The language in section 15 is an attempt to say that if a golf course property comes out of deferment, and they are no longer receiving that deferment, then we value the back taxes as a golf course and not as what the highest and best use would have been. That is because we have an actual use on that land.

Chair McClain:

Does anyone have any questions on this? [There was no response.]

Dave Dawley:

The final section we would like to get changed is going to be a contentious one. In 2003, the Nevada Legislature established an account for the acquisition and improvement of technology for the assessors' offices, because they realized we

were in need of the ability to appraise and collect the taxes in a better, faster, and more uniform way. They allowed us to start this account. They did not fund it; they just created the account.

In 2005, we received the funds for this account. It was extended again in 2007. We are asking that this account be extended. We understand this is a really difficult year to be asking this. We understand a lot of counties are looking for ways to save revenue. However, we believe that, with this enhancement, we would actually be able to give the counties an easier, faster, and better way of providing the assessed value information they need in order to collect these revenues. In section 20, we are asking that the two-year sunset be extended for another two years.

Chair McClain:

Do you know what the dollar amount on that would be?

Dave Dawley:

I am sorry, but I do not. I know a fiscal note was provided, and there was a breakdown of what has been spent. That information is actually on the website under A.B. 205. In Carson City, it is approximately \$55,000.

What we have managed to do with the fund is we are now paying for a geographic information system (GIS) program that the entire city is using. The Building Division, the Planning Division—everybody will be able to use this system. We were able to provide this because we had the technology account. Clark County is in the process of developing a new computer assisted mass appraisal (CAMA) software system that will help the county and its cities to better predict the revenue that will be coming in.

Jeff Payson:

I want to point out that we have been here for a couple of consecutive sessions on this. I know the Legislature has wanted us to be accountable for what we have spent this money on and what we are going to spend it on. As part of our presentation, we did submit the expenditures from Clark County specifically ([Exhibit L](#)). I believe the original packet contained more general expenditures from every county. We broke ours down a bit more.

We have a Community of Interest (COI) for technology in Clark County, and we share our fund and help develop any nexus programs with the Treasurer's Office, the Building Division, the Fire Department, and the County Clerk. Mr. DiCianno, during his presentation, talked about the 30 regulations that have come forth through workshops. Every time one of those regulations changes

the way we do business, we have to reprogram, or the Treasurer has to reprogram. We work with them through our technology fund to institute that.

As Mr. Dawley said, our biggest expenditure has been on the CAMA system, which is taking some of the drawings we had to do by hand. Using a sketch program to develop that CAMA system would be a good example. We are in the final phases of that.

Then, of course, we have maintenance costs and such that continue. I found out four years ago, when we started this, that technology is expensive. I was surprised at how much some of those maintenance fees can be.

Chair McClain:

For the Committee's information, if you look in your bill books, you have two tabs for A.B. 205. The second one is the fiscal analysis. Do we have any questions? [There were none.]

Dino DiCianno:

The Department does have a friendly amendment to section 7 of A.B. 205 ([Exhibit M](#)). We have discussed this with the assessors and they are in agreement. Section 7 deals with the segregation of the roll and the statistical analysis of the roll. We are attempting to codify what we are currently doing and to enhance our ability to calculate property tax revenue projections into the future.

The first amendment is in paragraph 2. Not only are we asking the assessors to file the segregation report on or before January 31 and on or before March 5, but we are also asking them to provide this to us on or before October 31 of each year for the upcoming fiscal year for both the real and personal property valued under NRS 361.227. We are also adding language that the Department will be responsible for the projections associated with unitary property and for net proceeds of minerals.

In paragraph 3, again, we are not asking to change the amendment that has been put forth by the assessors as far as the August 10 date. We have no issue with that. All we are asking is to not only have them file the statistical report—which is a compilation of all the rolls of all the different counties—on August 10 and May 5, but also on or before October 31 for both the secured and unsecured rolls. The point here is to make sure we have the most current data for any type of analysis and for revenue projections.

Chair McClain:

You talked to the county assessors and they are okay with this?

Dino DiCianno:

That is my understanding, yes.

Chair McClain:

Are there any other questions for Dino? [There were none.]

Russell Rowe, Kummer Kaempfer Bonner Renshaw & Ferrario, Attorneys at Law, Las Vegas, Nevada, representing Wynn Resorts Ltd.:

As Mr. Dawley explained, we worked with the Clark County Assessor on the language in sections 15 and 16. I wanted to come up, though, as I saw some expressions of discomfort. If there are any questions, I would be happy to explain what these provisions do.

Chair McClain:

Maybe it would be better for you to explain the amendment, and then we will ask questions.

Russell Rowe:

As Mr. Dawley explained, the open space assessment this Legislature adopted in 2005 on golf courses is a deferred tax. If a golf course does redevelop at some point, the property owner pays back taxes for that year and the previous six years, making seven years of taxes.

The problem arose when Wynn Las Vegas began working with the assessor's office because, as you know, they intend to develop that property at some point. With the current economy, it will probably be later rather than sooner. When we began working with the assessor's office, it was not really clear exactly what the calculation of the recapture would be. That has been done on agricultural land, but it has never been done on golf course property.

I am not quite sure it was contemplated, when the legislation passed in 2005, that golf courses would redevelop very often. They typically do not. In our client's case they will, and they want to be very sure what their tax burden will be as they go forward, so they can finance their development properly. We realized that language was not clear, so we worked with the Clark County Assessor's Office in an attempt to clarify it. They have been very gracious in working with us and allowing us to be part of their legislation today to come up with language that clarifies what that calculation is.

As you would think it would be, it is the difference between what the golf course owners paid based on an assessment of open space and what they would have paid had it been assessed as a golf course, plus interest. When

they convert that property, they have to go back and pay on the value of that property as a golf course—because that is what it was—plus interest. That is what section 15 of the bill intends to make clear.

Because of the way the language reads in statute, the assessors brought up some concerns about what the actual conversion of a golf course was. The language was actually drafted for agricultural property. The way the statute currently reads, if you file a final map, that could trigger a conversion. In the case of a resort hotel development, you could file a final map and not actually close the golf course for a year or two. We wanted to clear that up, which is what the language in section 16 is.

The gentlemen to my right wanted to come in and clarify our language. There are always unintended consequences, and I think they identified one in our language.

Michael Hillerby, Executive Vice President, Wingfield Nevada Group, Sparks, Nevada:

Alfredo Alonso and I are here to present an amendment ([Exhibit N](#)) from the Nevada Golf Industry Alliance. We think the language in the amendment takes care of the unintended consequence.

In addition to stopping operations as a golf course, one must actually have changed the use to something else. While this was largely an academic exercise in the past, we have already seen at least two courses in Nevada close this year. Residents who live nearby would all like to see those courses reopen as golf courses rather than transfer to some other use.

In this case, the simple fact that golf operations have ceased means whoever acquires that property, whether they want to keep it as a golf course or not, are going to be hit with seven years of back taxes because it will automatically be deemed at a higher use. Our language would simply say that, in addition to the cessation of the use, the zoning actually has to be changed to something else. If someone is actually going to use it for something else, he would have to pay those back taxes. Obviously, we want to see those golf courses remain in use as golf courses.

In addition, there is similar language in section 17 of the bill. We propose deleting that and leaving the existing law the way it is. The new language in section 17, line 18, reads: ". . . if the existence or recording of the map will result in the conversion of any portion of the property to a higher use." If a community has multiple 18-hole golf courses—a course, an executive course, and a driving range—and any portion of that is lost as a part of one of these

courses going out of business, that new language would, I think inadvertently, require the entire open space to now be taxed at the higher rate.

We have no objection to paying the back taxes if the use actually changes. The law is very clear that seven years of back taxes would have to be paid. However, if someone is able to come in and keep part of it as a golf course—public, private, or otherwise—they should not have to deal with seven years of back taxes on the piece that retains its original use. That is the intent of the amendment.

Chair McClain:

Does anyone have any questions? [There was no response.] Was there anybody else who wanted to testify in support of A.B. 205?

Carole Vilardo, President, Nevada Taxpayers Association, Carson City, Nevada:

I am speaking in support of the bill, particularly section 1 and the continuance of the account for the acquisition and improvement of technology in the office of the county assessor, or the technology fund. Mr. Dawley explained very clearly the concern we had with section 1. We received phone calls from people who were very upset after the fire up here because their tax bills were still increasing, yet they had no house or anything else. After speaking to some of you, I know that is an unintended consequence of the language as it was originally written. It was something you would not have known by looking at the bill. It took a situation as unfortunate as the Waterfall Fire for that to occur.

The other important issue is when there is a factual error. A taxpayer may find he has reason to question the assessment—such as we think he put in a swimming pool or changed his roof to Spanish tile when he did not—which can affect the value. He would want to be able to go in and tell an assessor it is a factual error and not an opinion.

We think those are two very important provisions in this bill. The other provision I will speak in favor of, particularly in an economic situation such as the one we are in now, is the continuation of the technology fund. Members of the Committee who were here when the fund was first requested know the fund was originally requested without a sunset provision.

The reality is that the recorders' fund comes from a percentage of fees, which do not have a sunset. These are elected officials, but they do not control their budgets. If there is any sort of constraint on the amount of revenue available, they are at the mercy of the elected officials, the county treasurers, even though they might need a CAD system, a new photography system, a new measuring system, or an expansion of the existing GIS.

Technology is the first thing to be cut in the state budget or any other budget when you are short of money. The reason for requesting this fund the first time around, and we hope permanently, was to provide that technology for them.

There was originally a great deal of concern from school districts about losing a percentage of money. Yes, they are losing money, but there are benefits to counter that. One of the most important things is quick and accurate valuations to have your tax applied by the treasurer, and you need them done quickly.

This technology fund has allowed the assessors to provide quicker responses on valuations. I have been to a couple of offices and have seen the difference it has made and some of the equipment that has been bought. The counties are getting more accurate information because of the availability of this technology. Ultimately, that results in a more accurate tax bill and in more accurate information being transmitted to the treasurer. So we feel very strongly about this fund, and I would like you to continue it.

Chair McClain:

Thank you. Are there any questions for Carole? [There were none.] We have the Nevada Association of School Superintendents and the Washoe County School District.

Randy Robison, representing Nevada Association of School Superintendents, Las Vegas, Nevada:

We come to the table with a slight bit of reluctance, given the testimony just provided by Ms. Vilardo and having chatted with her previously about this issue. We are certainly not unsympathetic to the need for the assessors to have the most functional tools available to do their jobs. We are not unaware of the benefit we derive from them having the ability to do their jobs as well as they can.

However, there is a definite impact to the school districts from the imposition of this technology fee and the sunset that continues to be reset. I sent a quick query to our school districts who receive net proceeds of minerals asking what the impact of the 2 percent fee was to their district. Humboldt County reported that the impact of the 2 percent fee was \$93,000 in FY 2008, which is not an insignificant portion of money. In Eureka County, the impact was \$96,000. The total for the six districts that reported their impacts in FY 2008 was \$297,000.

With \$297,000, I could buy every child in Eureka County a new laptop computer every year. That would definitely improve the education they are able to provide in Eureka County.

That notwithstanding, we realize the mutual benefit of the assessors having this technology. But I think at some point the question is, "When are we finished?" We are obligated to plan our budgets to acquire the tools and equipment we need in order to fund our operations. I understand some of the limitations the assessors have in terms of not being able to control their budgets and being at the mercy of the county. At some point, though, it seems the acquisition fees should decrease and the operations and maintenance costs may be less than that 2 percent going forward.

Finally, I would point out NRS 387.225, which says, "No tax collector or county treasurer shall receive any fees or compensation whatever for collecting, receiving, keeping, transporting, or disbursing any public school moneys." I am not a lawyer by any stretch of the imagination, but I wonder if there is a conflict there, particularly in these times when all of us, including those of us in education, are facing drastic budget cuts. At some point we need to reconsider the policy with this assessors' fee and try to balance a bit better the impact to the school districts.

Anne Loring, representing Washoe County School District, Reno, Nevada:

We also are here in opposition to sections 20, 21, and 22 of A.B. 205 regarding the technology fee Mr. Robison just discussed. As I think you are aware, in 2005, as Mr. Dawley described, the 3 percent cut of the Net Proceeds of Minerals Tax that the assessors received was increased by 2 percent for the technology fund, and their 6 percent cut of Personal Property Tax was increased to 8 percent. It is that additional 2 percent that we are discussing here.

Unfortunately, the Washoe County School District is not blessed with a lot of gold mines, much as we might wish we were, so the Net Proceeds of Minerals Tax is not a major source of funding for our District. However, the 2 percent that came off the Personal Property Tax in FY 2007 accounted for a loss of \$93,000 to our General Fund and an additional \$50,000 to our Capital Fund, for a total of \$143,000 for that fiscal year.

Over the four years the assessors have had this 2 percent fee, there has been more than \$500,000 collected from the School District just for technology, not counting what else has come from the county and the cities. Over that same period, the school districts, including Washoe County School District, had to forego all of the technology funding you all so generously provided at the end of

the 2007 Session because of budget cuts. Washoe has been struggling, as have most of the districts, to try to provide updated technology for our older schools so that students of those schools have the same level of technology as students of brand new schools. We are trying desperately to do that. All of our districts are facing other budget cuts, as you all are painfully aware. We in the Washoe County School District believe that, rather than once again extending the sunset in this year of all years, perhaps it is time for the sun to finally go down on this additional charge so the money can go, once again, toward educating Nevada's children.

Dotty Merrill, Ph.D., Executive Director, Nevada Association of School Boards, Reno, Nevada:

I am here this afternoon in support of the testimony of Mr. Robison and Mrs. Loring. I would like to emphasize that NRS 387.225 seems to communicate an intent, since 1956 when this language was first adopted, regarding fees or compensation for collecting, receiving, keeping, transporting, or disbursing any public school money.

Assemblyman Grady:

It really upsets me to have the three of you come up here and say you do not want to see the people—who are trying to collect the taxes you are requesting every day to help you—be able to modernize and use the tools that will help them collect those taxes. I think we have to give these people the latest technology we can to do their job, in order to help the state, to help you, and to help the schools. You are criticizing what they are doing, and that really bothers me.

Chair McClain:

Do we have any other questions or comments? [There were none.] Is there anybody else in the audience who wishes to weigh in on A.B. 205? I do not see any, so we will close the hearing on A.B. 205. Do we have any public comment? [There was no response.]

Thursday we are only going to have a work session, so that should not take too long. We are adjourned [at 3:21 p.m.].

[Joshua Wilson, Assessor, Washoe County, Reno, Nevada, submitted prepared testimony concerning expenditures of funds from the Account for the Acquisition and Improvement of Technology in the Office of the County Assessor in Washoe County ([Exhibit O](#)), but he was unable to testify due to scheduling problems.]

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Kathy McClain, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: March 10, 2009

Time of Meeting: 1:35 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
<u>A.B. 160</u>	C	Assemblyman James Ohrenschall	<i>Los Angeles Times</i> article: "California budget includes tax relief for film, TV shoots"
<u>A.B. 160</u>	D	Assemblyman James Ohrenschall	Letter in support from Charles C. Rainey, JD/MBA, Managing Partner, Rainey Legal Group, PLLC, Henderson, Nevada
<u>A.B. 160</u>	E	Ed Wilson	Department of Transportation Presentation of Proposed Amendments to <u>Assembly Bill 160</u>
<u>A.B. 160</u>	F	Rhonda Bavaro	Prepared testimony
<u>A.B. 160</u>	G	Juli Green	Prepared testimony
<u>A.B. 160</u>	H	Juli Green	Screen Actors Guild "Legislative Updates"
<u>A.B. 160</u>	I	Assemblyman Paul Aizley	Letter of support from B.J. Thomas on behalf of members of IATSE
	J	Dino DiCianno	Handout containing a description of county boards of equalization and the State Board of Equalization, a table: "Status of Regulations NTC-SBE-CLGF since 1/1/2007," and an organizational flowchart
<u>A.B. 205</u>	K	Dave Dawley	Table showing the effect of valuations on property tax
<u>A.B. 205</u>	L	Jeff Payson	Table: "Property Tax

			County General Fund Commission and Assessor Technology Fee"
<u>A.B. 205</u>	M	Dino DiCianno	Proposed Amendment to Section 7
<u>A.B. 205</u>	N	Michael Hillerby	Proposed Amendment
<u>A.B. 205</u>	O	Joshua Wilson	Prepared testimony