

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

**Seventy-fifth Session  
February 12, 2009**

The joint meeting of the Senate Committee on Taxation and the Assembly Committee on Taxation was called to order by Chair Bob Coffin at 1:40 p.m. on Thursday, February 12, 2009, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 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.

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Bob Coffin, Chair  
Senator Terry Care, Vice Chair  
Senator Michael A. Schneider  
Senator Maggie Carlton  
Senator Randolph Townsend  
Senator Maurice E. Washington

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblywoman Kathryn A. McClain, Chair  
Assemblywoman Marilyn K. Kirkpatrick, Vice Chair  
Assemblyman Morse Arberry Jr.  
Assemblyman Bernie Anderson  
Assemblywoman Ellen Koivisto  
Assemblyman Harry Mortenson  
Assemblywoman Sheila Leslie  
Assemblywoman Peggy Pierce  
Assemblyman Paul Aizley  
Assemblyman Tom Grady  
Assemblyman Ed A. Goedhart  
Assemblyman Don Gustavson  
Assemblyman Richard McArthur

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**COMMITTEE MEMBERS ABSENT:**

Senator Mike McGinness (Excused)

**GUEST LEGISLATORS PRESENT:**

Assemblyman John Ocegüera, Assembly District No. 16

**STAFF MEMBERS PRESENT:**

Russell J. Guindon, Senior Deputy Fiscal Analyst  
Joe Reel, Deputy Fiscal Analyst  
Kyle Casci, Committee Secretary

**OTHERS PRESENT:**

Nicole J. Lamboleý, Chief Deputy, Office of the Secretary of State  
Scott W. Anderson, Deputy-Commercial Recordings, Office of the Secretary of State  
Dino DiCianno, Executive Director, Department of Taxation  
Mark Winebarger, Chief Deputy, Office of the State Treasurer  
Kim R. Wallin, State Controller  
Scott Kipper, Commissioner, Division of Insurance, Department of Business and Industry  
Dennis Neilander, Chairman, State Gaming Control Board  
Dennis Colling, Chief, Administrative Services Division, Department of Motor Vehicles  
Ray Bacon, Nevada Manufacturers Association  
Carole Vilardo, President, Nevada Taxpayers Association

**CHAIR COFFIN:**

There are many uncollected taxes out there. Today, we are going to have testimony from agencies that are responsible for not only paying the State's bills but also for collecting the State's money. First, we will have a presentation from Assemblyman John Ocegüera.

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ASSEMBLYMAN JOHN OCEGUERA (Assembly District No.16):

The establishment of the Nevada Business Portal through the Secretary of State's Office would provide a single secure portal for transaction of business. The Portal would improve efficiency, eliminate redundancy, streamline the establishment of business, improve accountability and enhance economic development in Nevada. The goals of the Portal would be to maintain security of existing information systems, to identify and capture additional State revenue, to recover existing fees and penalties, to create a single view for the customer and to build electronic relationship with business. This would enhance communication between State agencies and eventually with local agencies, too. It would increase the speed of the business process. The benefit of establishing the Business Portal is the State will see an enhancement in business revenue. For businesses in Nevada, the benefit will be that they will be able to take care of forms and other items online at their offices instead of having to go to various agencies.

NICOLE J. LAMBOLEY (Chief Deputy, Office of the Secretary of State):

I have provided you with a handout, which you may review later, that explains about the Business Portal in more depth ([Exhibit C](#)). Our agency determined that there was potential revenue for the State with this process. The Business Portal would be hosted by the Secretary of State's Office. The Portal would allow the various State agencies and licensing authorities in the State to have a central place where information is retained and then fed out to various agencies. However, this is not an attempt to control data of the Department of Motor Vehicles (DMV), Department of Employment, Training and Rehabilitation (DETR) or any other State agency. Those agencies would still retain the information they need for statutory and confidentiality reasons. The Business Portal would be a process for baseline information. It would be an online tool for businesses to manage their business with the State, which is required for them to conduct business in Nevada.

ASSEMBLYWOMAN KIRKPATRICK:

How would the Portal work for the Consumer Affairs Division?

MS. LAMBOLEY:

Other interested agencies could build a link that would allow them to hook into the Portal.

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ASSEMBLYWOMAN LESLIE:

How are we going to capture incorporated businesses that are not paying their business license fees to conduct business in Nevada?

SCOTT W. ANDERSON (Deputy-Commercial Recordings, Office of the Secretary of State):

The Business Portal would be tied to the annual list of officers that businesses filing with our office are required to make. The business license fees would be paid at that time, then a record of their annual lists and business licenses would go on file at the Department of Taxation.

ASSEMBLYMAN OCEGUERA:

The system would allow a business to pay by credit card over the Internet. We believe businesses would be more apt to pay and take care of their business if they can do it this way, as opposed to having to leave their offices.

MS. LAMBOLEY:

It would create a stronger tie between the incorporated entity and the business license fee.

ASSEMBLYWOMAN MCCLAIN:

Are there any agencies that cannot accept credit cards?

MS. LAMBOLEY:

Our office does accept credit cards for all transactions; the Department of Taxation currently does not accept credit cards for payment. The Portal would total all the fees you owe the various agencies, then allow you to pay one checkout fee and disperse the various payment amounts to those agencies.

ASSEMBLYWOMAN LESLIE:

What is the time frame and cost for the Business Portal?

MS. LAMBOLEY:

The cost is believed to be \$15 million over five years. The goal would be, if given the go-ahead, to move the process on as soon as possible.

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DINO DICIANNO (Executive Director, Department of Taxation):

As of today, there is approximately \$182 million in gross debt that is owed to the State. One hundred-twenty million of that are taxes that are due, ranging all across the 17 different types of taxes. Approximately another \$20 million are tax penalties, and another \$43 million are interest due. We collected and distributed \$4.6 billion of revenue in the last fiscal year. If you compare that number to the \$182 million in outstanding debt, that equals about 4 percent of what we collect and distribute. Approximately \$125 million of the outstanding \$182 million relates to sales and use tax; \$24 million relates to the modified business tax, which alone is 92 percent of the outstanding amount. To go further in detail of the \$182 million, approximately \$9 million is in bankruptcy account receivables; \$11.2 million relates to commission write off; \$46 million relates to audit account receivables. A considerable amount of the debt owed is old; some going back 26 years. To date for the \$182 million owed, this is what it looks like: \$7 million is current accounts receivable that are only 30 days old; approximately \$7.5 million is up to 60 days old; \$167.5 million is over 60 days old. The older it is, the more difficult it is to collect. We provide taxpayers the opportunity to make payment plans. Our office always tries to collect the tax that is owed.

CHAIR COFFIN:

How many auditors have you asked for this year?

MR. DICIANNO:

During the initial budget cuts, we incurred 16 auditor vacancies. I proposed in my budget to take those 16 vacancies and reclassify them into different areas that would create efficiencies within the department. That would hopefully help deal with the outstanding debt and provide better taxpayer service. Ten of those auditors would be reclassified to establish a call center. The majority of taxpayers are compliant and pay what they owe.

ASSEMBLYMAN ANDERSON:

I hear the main area that is uncollected comes from Worker Compensation claims.

ASSEMBLYWOMAN MCCLAIN:

Would you list the taxes your department collects?

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MR. DICIANNO:

The taxes we are charged with administering are sales and use tax, liquor tax, cigarette tax, other tobacco products tax, estate tax, room tax, net proceeds of minerals tax, centrally assessed properties, insurance premium tax, tire tax, government services fee, bank excise tax, business license fee, live entertainment tax, modified business tax and the State's portion of the real property transfer tax.

CHAIR COFFIN:

Would you tell us your thoughts on the Portal and how your department would fit in the Portal?

MR. DICIANNO:

I support it because it would help with collections and possibly speed up the collection process.

ASSEMBLYWOMAN KIRKPATRICK:

What can we do to help you get more information from other agencies to help with your collections?

MR. DICIANNO:

We already have a good working relationship with the other agencies. Those agencies and ours are already exchanging the information we need.

ASSEMBLYWOMAN KIRKPATRICK:

Are there any additional tools we can give you to help gather information?

MR. DICIANNO:

No. We already have plenty of effective tools we can use. In the Amnesty Program, we collected approximately \$41 million, but at the same time we waived \$15 million in penalties and interest. The Amnesty Program was successful because it was done at the right time and for the right reasons. It helped us collect money and provided benefits to the business and taxpayer. If we had not collected the \$41 million during the Amnesty Program, that amount would have added to our delinquent accounts receivable.

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MARK WINEBARGER (Chief Deputy Treasurer, Office of the State Treasurer):  
The Treasurer's Office provides two types of revenue to the General Fund. One is interest income, the other is unclaimed property.

ASSEMBLYWOMAN MCCLAIN:  
Where do you invest the State's money?

MR. WINEBARGER:  
We have a variety of investments and portfolios. Most of our investments currently are in government securities and agencies. Last quarter, the interest rate we earned was 2.6 percent on the general portfolio.

CHAIR COFFIN:  
What is the rate of the State's cash flow for this fiscal year?

MR. WINEBARGER:  
We invest all money for the State across all funds and budget accounts. The General Fund is monitored daily. Low periods generally take place in the first part of the month, and I believe the low point for February was \$398 million in the General Fund. The fund is better at this moment than what had been previously projected.

KIM R. WALLIN (State Controller):  
According to Nevada Revised Statute (NRS) 227.150, the controller is responsible for collecting all money that is owed to the State except that which is otherwise provided in NRS 353C, Collection of Debts Owed to State Agency. It is voluntary for other State agencies to turn over their uncollected debt to the Controller's Office to be collected. Our office currently collects an estimated \$7 million a year in debt. Agencies submit approximately 300 debtors a month. Currently, we have a total of 18,199 accounts in our office we are trying to collect. The top five types of debts that are turned over to us are DMV, 28 percent; fees and fines, 27 percent; workers compensation, 17 percent; payroll overpayments, 10 percent; and unpaid wages, 10 percent. Some of the agencies we collect for are the Department of Agriculture; Nevada Department of Transportation; Secretary of State; Western Interstate Commission for Higher Education Loans (WICHE); the Division of Welfare and Support Services; the Department of Corrections; the Department of Public Safety; DMV; and unpaid tuition for Western Nevada College and Great Basin

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College. I have provided a four-page handout ([Exhibit D](#)) that includes a graph showing the types of debt turned over to us, a spreadsheet with a complete list of all owing agencies with debt and dollar amount remitted, and a chart explaining the probability of collection. Our office is currently supporting Assembly Bill (A.B.) 87 that will make it mandatory for agencies to turn debt over to our office in 60 days.

**ASSEMBLY BILL 87**: Revises provisions concerning the collection of debts owed to the State. (BDR 31-494)

We feel having the debt turned over to us quicker would result in a higher rate of collection. Also, our office is looking at automating our debt-offset process. At the moment, it is a manual process that requires going through pages looking for names.

ASSEMBLYWOMAN MCCLAIN:  
How old are some of these outstanding debts?

MS. WALLIN:  
We had \$6.3 million turned over to us in the last year.

CHAIR COFFIN:  
Kim Wallin has provided me with a list of information of those who are on the WICHE list. I would like that list on the record ([Exhibit E](#)).

MS. WALLIN:  
Under A.B. 87, I wanted to ask if it is legal to post the names of those who owe us debt on our Website.

CHAIR COFFIN:  
I hope that the Assembly will process. Good luck with A.B. 87.

SCOTT KIPPER (Commissioner, Division of Insurance, Department of Business and Industry):  
The general premium tax level in Nevada is one of the highest in the country at 3.5 percent. There are two exceptions to the general premium tax. First, the captive insurance industry is taxed on a sliding scale, and the minimum premium tax it pays is \$5,000. Second, risk retention groups are taxed at 2 percent of



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premium. Some organizations exempt from paying taxes are Woodmen of the World, service contractors, any organization that has premiums paid by the federal government and reinsurers. We work very closely with the Department of Taxation to determine premium tax levels.

CHAIR COFFIN:

What is the major source of delinquent insurance taxes?

MR. KIPPER:

Unfortunately, I do not have that information, but I do know there are fines for late reporting of information or late submission of reports that are required under State law. I will check and report back to you with that complete information.

ASSEMBLYWOMAN LESLIE:

Do the captive insurer reviews that have not been completed in three years fall under your department?

MR. KIPPER:

Yes. They have not been completed in some time. We are required by State statute to examine all those domestic entities on a regular basis. The examination process is either financial or a market-conduct examination. Those examinations are required to be completed within 18 months of commencement of investigation. A major priority is to get the examinations down to an acceptable level.

ASSEMBLYMAN AIZLEY:

Is there any connection between these taxes and business, or are these individual taxes? What is your thought on the Business Portal Idea?

MR. KIPPER:

These are business taxes paid by insurance companies, not taxes paid by individuals. I believe the Business Portal would make our business easier.

ASSEMBLYMAN ANDERSON:

Is there a danger of driving business out of the State, because they have not filed the proper paperwork for individuals?

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MR. KIPPER:

It is not our intent to drive business out of the State. Most businesses are multistate carriers, and they do not like to have a mark on their company's reputation. We would make the companies aware of the penalties they may owe. There are numerous other measures we could take before considering revoking their certificate to conduct business in the State.

DENNIS NEILANDER (Chairman, Nevada Gaming Control Board):

State gaming taxes have a priority claim when a business goes through bankruptcy. During a bankruptcy or liquidation, we generally are able to recover all or a majority of the taxes we are owed by the company.

CHAIR COFFIN:

Is there any use for the Business Portal in your agency?

MR. NEILANDER:

No. However, the licensees that we regulate would benefit from the Portal. It would let them get all their business done at once instead of having to deal with the various agencies and entities individually.

DENNIS COLLING (Chief, Administrative Services Division, Department of Motor Vehicles):

When people obtain their driver licenses, a file is retained with that information. If they do not register cars in their names within 30 days, we send that list electronically to the Department of Public Safety. The Department of Public Safety handles those situations and individuals.

ASSEMBLYWOMAN McCLAIN:

Do you know if law enforcement does anything with the list?

MR. COLLING:

We are not informed by the Department of Public Safety as to what occurs.

Assemblywoman McClain:

Is there any way you could tie the electronic file to out-of-state plates?

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MR. COLLING:

No. Theoretically, it may be possible down the road. We have been in contact with local law enforcement about the possibility of transferring the file to them for local enforcement.

RAY BACON (Nevada Manufacturers Association):

In 1993, A.B. No. 153 of the 67th Session was passed, resulting in NRS 277.185. The purpose of the bill was to develop a common registration form. The form is used now by DETR, the Secretary of State, Department of Taxation, and some local governments. If you are looking at doing away with duplication of names, perhaps you should look at making that form the one everybody uses.

ASSEMBLYWOMAN MCCLAIN:

If that is in statute, why do we not use it?

CAROLE VILARDO (President, Nevada Taxpayers Association)

The bill was intended to involve all State agencies. However, the problem then and now is many agencies cannot communicate with each other. As an association, we support the Business Portal idea, as it may solve many of these and other issues.

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CHAIR COFFIN:

The Business Portal bill should be considered and debated. With no one else to give public comment, I will adjourn the meeting at 3:35 p.m.

RESPECTFULLY SUBMITTED:

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Kyle Casci,  
Committee Secretary

APPROVED BY:

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Senator Bob Coffin, Chair

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

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Assemblywoman Kathryn A. McClain, Chair

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