

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION**

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

The Senate Committee on Taxation was called to order by Chair Bob Coffin at 1:43 p.m. on Thursday, March 12, 2009, in Room 2135 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBERS ABSENT:

Senator Randolph Townsend (Excused)

STAFF MEMBERS PRESENT:

Joe Reel, Deputy Fiscal Analyst
Mike Wiley, Committee Secretary

OTHERS PRESENT:

Alexis Miller, Legislative Relations Program Manager, City of Reno
Mike Sprinkle, Fairness in Reno/Sparks Taxes
Stephen W. Driscoll, Assistant City Manager, City of Sparks
Barbara Smith Campbell, City of Reno
Lisa A. Gianoli, Washoe County
Mary C. Walker, Incline Village General Improvement District
Wes Henderson, Government Affairs Coordinator, Nevada Association of Counties

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Joshua G. Wilson, Assessor, Washoe County
Carole Vilardo, President, Nevada Taxpayers Association

CHAIR COFFIN:
I will open the hearing on Senate Bill (S.B.) 95.

SENATE BILL 95: Provides for the imposition of a property tax in the unincorporated area of certain counties to support the provision of municipal services by a city to the residents of that area. (BDR 20-403)

ALEXIS MILLER (Legislative Relations Program Manager, City of Reno):
I have provided written testimony on S.B. 95 ([Exhibit C](#)).

MIKE SPRINKLE (Fairness in Reno/Sparks Taxes):
I was the first Chairman for the Fairness in Reno/Sparks Taxes (FIRST) task force appointed by the Cities of Reno and Sparks in 2007. We gathered information from different sources to understand the tax structure of the State of Nevada. We took the information we received, and came up with a Report and Recommendations ([Exhibit D](#)) as to how to more equitably distribute the taxes and revenue received in Washoe County.

After the Cities of Reno and Sparks and Washoe County gave presentations to the task force, they were asked not to participate in future meetings. Our intent was to keep this process unbiased. One of our first recommendations was ([Exhibit E](#)): "Washoe County should create an unincorporated area municipal tax structure to support the provision of municipal services to unincorporated area residents, with corresponding adjustments in the property tax structure and Consolidated Tax (CTX) distribution formula to remove fiscal inequities between the County and the Cities of Reno and Sparks." The majority of that language is what we recommended in S.B. 95. The Legislative Digest, page 1, lines 3 and 4 of S.B. 95 that states "the approval of the voters of the county" was important to our recommendations. This is why this bill is fair.

CHAIR COFFIN:
Would you enter into the record your five suggestions from the summary in [Exhibit D](#)?

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MR. SPRINKLE:

Of five recommendations presented to the Cities of Reno and Sparks, only the first recommendation in [Exhibit D](#) is related to S.B. 95.

CHAIR COFFIN:

Was recommendation 2, [Exhibit D](#), for S.B. 88?

[SENATE BILL 88](#): Revises the formula for the allocation in certain counties of money distributed from the Local Government Tax Distribution Account.
(BDR 32-402)

MS. MILLER:

Originally, S.B. 88 was drafted based on changing the CTX distribution formula. This is not the best time to pursue the bill, so we withdrew it.

CHAIR COFFIN:

Are any of the other summary suggestions related to S.B. 88?

MR. SPRINKLE:

Of the first two recommendations in [Exhibit D](#), the first one is in reference to S.B. 95; the second recommendation was presented as an alternative for the Cities in case recommendation one was not accepted.

CHAIR COFFIN:

Are recommendations 2, 3, 4 and 5 out of the picture?

MR. SPRINKLE:

They are not necessary for today's hearing.

CHAIR COFFIN:

Have you suggested amendments for S.B. 95?

MS. MILLER:

We would like to work with the other stakeholders to thoroughly vet the concerns as there are some technical problems with S.B. 95.

SENATOR WASHINGTON:

Would you explain how section 2, subsection 2 works?

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MR. SPRINKLE:

I am going to defer the question to the City of Reno.

STEVEN W. DRISCOLL (Assistant City Manager, City of Sparks):

The City of Sparks did participate in discussions and provided resources to Chairman Sprinkle. The recommendations presented to the City Council were voted on and supported by them. With the exception of the technical concerns, the City of Sparks supports S.B. 95.

SENATOR WASHINGTON:

May I go back to section 2?

BARBARA SMITH CAMPBELL (City of Reno):

The City of Reno has been discussing your question, and we will discuss it with the interested parties and stakeholders.

SENATOR WASHINGTON:

This is an exemption from the current Nevada Revised Statute (NRS) 361.4733 that deals with the current property taxes of 3 percent for residential property and 8 percent for commercial property. Is that correct?

MS. CAMPBELL:

That is correct. There will probably be some amendments after our discussions with all the interested parties.

SENATOR CARLTON:

What are you really trying to accomplish with this bill?

MS. MILLER:

We are trying to resolve an issue that studies have shown to be a net deficit of \$16 million to the City of Reno for services provided in the unincorporated area of Washoe County.

SENATOR CARLTON:

That is how taxes work. Everyone pays into the pot, and then whoever needs money makes an argument for a withdrawal. I see this discussion talking about sales tax, but Senator Washington is talking about property tax. Are we talking about property tax?

CHAIR COFFIN:

The reference to NRS 361.4726 in section 2 of S.B. 95 is the portion to create caps on the increase of the tax. Ms. Miller, do we have County islands within the City of Reno boundaries?

MS. MILLER:

We do have County islands within the City limits. We have tried to come to interlocal agreements and have not been able to agree on the dollar amount of the inequity.

SENATOR CARE:

During the Seventy-fourth Session we had the discussion concerning the CTX distribution formula. Is this somewhat related?

MS. MILLER:

It is my understanding the discussion regarding CTX during the Seventy-fourth Session created the FIRST task force with a citizen panel to see if there is an inequity. These recommendations from the FIRST task force are for S.B. 88 and S.B. 95. Again, S.B. 88 has been withdrawn.

SENATOR MCGINNESS:

Looking at the percentages shows the City of Reno provides the county 71 percent of their sales tax. What percentage is the land area in the unincorporated area, and what percentage is the population in the unincorporated area?

MS. MILLER:

I will get you those numbers.

SENATOR WASHINGTON:

If I understand this correctly, anything that is developed in the unincorporated area is outside the current property tax cap. Does the tax go to the unincorporated city or the County?

MS. MILLER:

There is no cap, so you are correct; the increase would be outside the cap. I am trying to understand the second part of your question.

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SENATOR WASHINGTON:

It says the money goes to the entity in section 3 of S.B. 95, which is existing language. Does that mean the taxing entity is the County?

MS. MILLER:

Yes.

CHAIR COFFIN:

We are missing a graphic illustration of where the money is flowing. We have the rhetoric but not the specific services being provided to County residents and the corresponding tax revenue to support those services.

MS. MILLER:

It is a net difference of \$16 million; it is not any particular service.

CHAIR COFFIN:

Do the Cities and the County provide the same services or none at all? Are you lacking services in certain areas? I am sure the County provides police and fire protection.

MR. DRISCOLL:

In the middle of Washoe County are the Cities of Sparks and Reno. The city residents represent three-quarters of the county population, and the other quarter of the population, the rural residents, are driving into the two cities on a daily basis to work, shop and use the entertainment. While in the city, which they do not pay municipal taxes on the infrastructure, medical and other services which they use in the city just as if they were residents. That is the point of discussion Ms. Miller referred to.

SENATOR CARE:

As I read the bill, after a vote by the people, the County determines the reasonable expenses for the City. Is there some mechanism where the City says that is not enough revenue, and the County needs to determine what tax revenues are needed to fund the reasonable services?

MS. MILLER:

This is the technical difficulty we need to have clarified, so we will turn it over to our working group. We would like the governing body to ask the Board of Commissioners to put this on the ballot. The governing body would be able to

ask the Board of Commissioners to determine what the services are and what the dollar amount is.

SENATOR WASHINGTON:

What happens when the entity collects the tax? Is there a formula for the distribution of the monies?

MS. MILLER:

Our former finance director indicated it would be by population. Sparks and Reno would receive their portions based on population.

SENATOR WASHINGTON:

Would you explain how the law currently works? Is the current formula based on population or services?

MR. DRISCOLL:

Primarily the tax formula is based on land size, population or lane miles, depending on the type of tax. It is based on the configuration of the County, not on per capita or use. We have tier one and two formulas; tier one distributes to the County and tier two, the County distributes based on another formula. Property tax comes back on a per-parcel basis.

SENATOR WASHINGTON:

This bill is dealing with property tax?

MS. MILLER:

This is targeted to property tax.

SENATOR WASHINGTON:

Dealing with just property tax allows the use of population as the formula to distribute the money?

MS. MILLER:

That is our intent.

LISA A. GIANOLI (Washoe County):

Washoe County has taken a position of neutrality on S.B. 95, because of the kinds of confusion voiced in this hearing today. I sat through many of the FIRST meetings, and I left with a different picture than what is in this bill. When we

discussed municipal services, we discussed the services a county government provides in the unincorporated areas—to their citizens—that are more municipal in nature.

The study shows that fiscal imbalance or inequity is primarily the result of a lack of an unincorporated municipal tax structure, the lack of unincorporated property tax, and resulting revenues to provide municipal services to unincorporated area residents. We need to know the value of the types of services the County provides to those residents in the unincorporated area. We would then lower the overall county rate and adjust the rate on the unincorporated residents to alleviate some of the problems. The other issue in S.B. 95, section 1, subsection 3 is the “municipal services” that do not meet the description. For instance, building inspections are enterprise services that are paid for as they are used. Planning and zoning, community development and waste water are enterprise-type funds. We are just confused about what is being done in S.B. 95.

The other issue concerns the County levying a tax on its unincorporated citizens based on something we have not resolved—the value of the services. We have done many things with the Cities to correct the imbalance, spending about \$12 million. We assumed the expense of the regional jail costing \$1.7 million, previously paid by the cities; we consolidated animal control for \$1.3 million; and we provided incentives for the regional plan for \$4 million; and we consolidated the District Attorney’s Office and the Reno Municipal Court for \$2.5 million. The homeless shelter costs \$1.5 million and the annual fuel tax contribution, \$1 million. There are a lot of issues that we thought we were dealing with in the FIRST task force and, what came out in S.B. 95 is very confusing.

SENATOR WASHINGTON:

It sounds like S.B. 95 needs more work. Outside the work, it may not be necessary because you are in the process of consolidating services. It may be just a few services that are in question. What services would we be talking about?

MS. GIANOLI:

The municipal services needed in the unincorporated areas are roads and police service.

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SENATOR WASHINGTON:

Do the cities and the county have mutual aid arrangements for first responders and backup?

MS. GIANOLI:

We do have mutual aid agreements for fire and law enforcement. I can get you more specific information on who backs up whom.

SENATOR WASHINGTON:

That would be helpful. The mutual aid agreements would be important in understanding how all this works. We would also need information on how the charges are distributed.

MS. GIANOLI:

That is the complexity; there are many different agreements among the entities which provide services in law enforcement and different areas. To define the exact value would take time to evaluate how everything works.

MARY C. WALKER (Incline Village General Improvement District):

This bill has no effect on the Incline General Improvement District. For this reason we are neutral.

WES HENDERSON (Government Affairs Coordinator, Nevada Association of Counties):

We are neutral because we have not developed a position.

JOSHUA G. WILSON (Assessor, Washoe County):

I came to hear S.B. 88, which has been withdrawn. As the Washoe County Assessor, I appraise all properties subject to taxation within the County, including incorporated and unincorporated areas. I will be speaking as a citizen living in west Spanish Springs, which is in the unincorporated area of Washoe County. I find it interesting that in a vote of the entire County, 80 percent of the residents' vote affects 20 percent of the population.

CHAIR COFFIN:

What are the tax-rate differentials between the Cities and the County?

MR. WILSON:

The municipalities are up against the statutory cap. The redevelopment areas are above 3.64 percent; the unincorporated areas are around 3.217 percent.

CHAIR COFFIN:

What would the increase be in the property tax for unincorporated areas to alleviate the \$16 million deficit?

MR. WILSON:

I will look into it; I do not want to guess.

SENATOR CARE:

In the Seventy-fourth Session we had a bill in Nye County to raise sales tax, then a bill in Clark County to raise sales tax, then the teacher's initiative—all to be taken to the vote of the people. Why do we need a Legislature? People are elected to do stuff. Why do we need the vote of the people?

CAROLE VILARDO (President, Nevada Taxpayers Association):

We oppose the policies contained within S.B. 95. They are contrary to what this body has done before. An entire county is voting to impose a tax on a small part of the population where the majority rules—and the majority are not impacted. We had a situation in the past where this was consideration for combining Eureka and Elko County School Districts. The way the legislation was written, each county would have one ballot question that would appear in both counties, but it had to be approved for the residents of both counties. If you are looking at a vote structure, that would be one of the first things to do. This is like selling a room tax because someone else is paying it. If 80 percent of the people can affect additional revenue for the General Fund—I do not have to pay it—why not vote yes? When voting on a tax, voters should know what exactly they are voting on. I would hope they would be informed when asked to approve a tax hike. I am also concerned that this bill seeks tax parity. There is no such thing as tax parity. Who is defining municipal services? There is no tax rate in the bill.

CHAIR COFFIN:

We have not heard anything from Washoe County in opposition to the bill. I will close the hearing on S.B. 95. I have a bill draft request (BDR) for introduction.

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BILL DRAFT REQUEST 43-33: Makes various changes concerning the short-term leasing of passenger cars (Later introduced as Senate Bill 234).

SENATOR CARE MOVED TO INTRODUCE BDR 43-33.

SENATOR MCGINNESS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

CHAIR COFFIN:

If there is nothing else to come before this Committee, I adjourn the Senate Committee on Taxation at 2:41 p.m.

RESPECTFULLY SUBMITTED:

Mike Wiley,
Committee Secretary

APPROVED BY:

Senator Bob Coffin, Chair

DATE: _____