

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION**

**Seventy-fifth Session
March 19, 2009**

The Senate Committee on Taxation was called to order by Chair Bob Coffin at 1:37 p.m. on Thursday, March 19, 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 Randolph Townsend
Senator Mike McGinness
Senator Maurice E. Washington

GUEST LEGISLATORS PRESENT:

Senator Joyce Woodhouse, Clark County Senatorial District No. 5

STAFF MEMBERS PRESENT:

Russell J. Guindon, Senior Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Mike Wiley, Committee Secretary

OTHERS PRESENT:

M. Lynne Knack, Administrative Services Officer IV, Department of Taxation
Scott Watts, President, Nevada Alliance for Retired Americans
Bob Johnston, Retired Public Employees of Nevada
Carol Sala, Administrator, Aging Services Division, Department of Health and Human Services

CHAIR COFFIN:

We have two bills that create exemptions to taxes or a reduction in taxes. We also have two bills for work session. I will open the hearing on Senate Bill (S.B.) 232.

SENATE BILL 232: Proposes to exempt sales of certain durable medical equipment, mobility-enhancing equipment, hearing aids, hearing aid accessories, and ophthalmic or ocular devices or appliances from sales and use taxes and analogous taxes. (BDR 32-106)

SENATOR JOYCE WOODHOUSE (CLARK County Senatorial District No. 5):

I have submitted written testimony ([Exhibit C](#)) in support of S.B. 232. This bill proposes to exempt sales of certain medical equipment from sales and use taxes and analogous taxes. This would require the submission of questions to the voters at the 2010 general election of whether the Sales and Use Tax Act of 1955 should be amended to provide the exemptions. The exemptions would apply to certain durable medical equipment and mobility-enhancing equipment, such as wheelchairs, chairlifts, crutches and motorized chairs. Also included are hearing aids, hearing aid accessories and ophthalmic or ocular devices.

Section 26 of S.B. 232 defines what constitutes the various types of equipment that would be subject to exemption. This bill also amends the Local School Support Tax Law, Nevada Revised Statutes (NRS) 374, to provide an identical exemption. The exemptions would become effective on January 1, 2010, and expire by limitation on December 31, 2020, if approved by the voters. Exempting certain medical equipment from these taxes would help keep the costs of medical care down, which is important to senior citizens, many of whom are facing substantial medical bills and have few resources.

I brought forward similar legislation in the Seventy-fourth Session at the request of a constituent. The woman underwent several medical procedures that provided only short-term relief, her mobility becoming more and more difficult. My constituents made every effort to sell their two-story home and purchase a single-story home. They were unable to do so and had to purchase a chairlift, which entailed considerable expense and was not covered by Medicare. The exemption from sales taxes on this medical equipment would have helped because of their limited financial means. I understand the financial crisis of our State, and chances of passing this bill is in doubt, but S.B. 232 is the right and fair thing to do for our senior citizens.

SENATOR CARE:

On the fiscal note, it says it has an effect on the State, but does it have to be approved by the voters? Would not the fiscal note appear on the ballot? Why a fiscal note on the bill?

SENATOR WOODHOUSE:

The bill I brought before the Committee in 2007 had a fiscal note attached for the cost of going on the ballot, as well as a fiscal note on the impact to the State because of the Local School Support Tax. The Department of Taxation has the numbers.

SENATOR CARE:

I understand the cost of going on the ballot, but you have to wait for the ballot measure to pass before you determine the constitutionality of the measure.

SENATOR COFFIN:

We should know the impact before it is turned over to the voters. We cannot obligate another legislative session with the actions on this bill.

RUSSELL J. GUINDON (Senior Deputy Fiscal Analyst):

Legislative Counsel determines if there is a need for a fiscal note. If there is a fiscal impact on revenues, the Department of Taxation tells us what the cost of administration would be. I will consult with Legislative Counsel to see why they require a fiscal note on a ballot question.

M. Lynne KNACK (Administrative Services Officer IV, Department of Taxation):

This fiscal note for S.B. 232 is on hearing aids and the accessories portion of the proposed exemption. Our projected loss for fiscal year (FY) 2011, which is only for six months, between the General Fund portion, Local School Support Tax and local governments on City-County Relief Tax amounted to about \$7 million. On a full fiscal year it would have approximately a \$14 million loss. On the durable medical equipment and the mobility-enhancing equipment, the loss for all portions is about \$4.7 million for the first six months. For a full fiscal year, it would be approximately an \$8 million to \$8.5 million loss.

SENATOR CARLTON:

We have had other discussion about components of a fiscal note. This is the only component of the fiscal note.

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CHAIR COFFIN:

It is just the tax loss, not the cost to the Department.

SENATOR CARLTON:

Is this the reason for the fiscal note on the bill?

CHAIR COFFIN:

Yes.

SENATOR CARLTON:

It is not the other portion we discussed earlier about the cost of having it on the ballot, the cost of administering it and the change of systems.

CHAIR COFFIN:

It does not include all the technical aspects. It is our judgment as to whether to allocate an additional cost. It is unlikely we would pass a bill that has a \$25 million fiscal impact.

SENATOR CARLTON:

If having to administer the law and set up for it—if that was the logic behind a fiscal note—then every bill would have a fiscal note. Everything has an impact.

CHAIR COFFIN:

It is just the cost of doing business.

SENATOR CARLTON:

This is a prospective fiscal note; if this measure would pass, this is what the State would not receive.

Ms. KNACK:

This is just the tax loss. We included the cost of administering this on the fiscal note. There is no cost to the Department.

SCOTT WATTS (President, Nevada Alliance for Retired Americans):

I am here in support of S.B. 232, and I am asking for your support and vote. I do not have to tell you the situation seniors in Nevada are in. The recession has really hit home. My wife lost her 401(k). My IRA account has also taken a hit. This bill, down the road, would mean something to our seniors in Nevada. We understand the problem the State is having, but if this can help Nevada seniors, that is what we should look into.

SENATOR CARE:

This is nuts. This could be paid for by a percentage of one AIG bonus. This just makes you angry.

MR. WATTS:

This recession has hurt the poor, the seniors and the working men and women of this State.

BOB JOHNSTON (Retired Public Employees of Nevada):

I have presented written testimony ([Exhibit D](#)) in support S.B. 232. It is our contention that a larger portion of our elderly population is more inclined to need durable, medical mobility-enhancing equipment than the rest of the population. Our feeling is hearing loss and sight loss are as debilitating as the loss of a limb or other immobilizing disability. Medicare does not cover hearing aids, ophthalmic or ocular devices and appliances. It is very difficult for most of our senior citizens to purchase these items. The question of whether the Sales and Use Tax Act and the Local School Support Tax Law should be amended to include these devices should be submitted to the voters of Nevada.

CHAIR COFFIN:

I will close the hearing on S.B. 232 and open the work session on S.B. 64 and S.B. 122.

SENATE BILL 64: Revises provisions governing refunds of property taxes for certain senior citizens. (BDR 38-331)

JOE REEL (Deputy Fiscal Analyst):

Senate Bill 64 proposes several administrative changes to the provisions related to the Senior Citizens' Property Tax Assistance Program, administered by Division of Aging Services. As introduced, the bill would change the definition of the term "home" to include all land surrounding the single dwelling unit for the purposes of determining the property eligible for an assistance claim. Under current law, the amount of surrounding land is limited to two acres. There is an amendment that would remove this definition and revert it back to what is in current statute because of a fiscal note that was approximately \$21,000 over the biennium. The bill also changes how the county tax assessors administer the program. It changes calculations that were previously based on the amount of assessed property taxes; this would change it to the amount of property taxes accrued.

The bill would also eliminate requirements for the State Board of Examiners to approve claims before they are paid. Testimony in support of the bill last Session was provided by Carol Sala, Administrator of the Division of Aging Services. In addition to the proposed amendment, Ms. Sala stated the revisions in the assessors' offices would eliminate a duplication of effort by the State because the calculation is done by the county assessors. Ms. Sala indicated the changes to remove approval required by the State Board of Examiners should have been established when the State implemented the Integrated Financial System. It moved it from a preaudit function to a postaudit function, so authorization was no longer necessary. Additional testimony was provided in support of the bill by William Birkmann, Nevada Alliance for Retired Americans.

CHAIR COFFIN:

I would like to cover S.B. 122 before we vote because they are related, and it may be possible to combine the bills.

SENATE BILL 122: Revises the maximum amount of property tax assistance for certain senior citizens. (BDR 32-104)

MR. REEL:

Senate Bill 122 proposes an increase in the maximum amount of property tax assistance available through the Senior Citizen Property Tax Assistance Act. It would increase the rebate amount from \$500 to \$1,000 for both homeowners and renters. The testimony in support of the bill is provided by Senator Woodhouse. She highlighted issues where senior citizens are on fixed incomes,

struggling to make ends meet and facing increased property taxes. The rebate amount has not increased since 1979, and she acknowledged the State's financial crises. The program had been cut during the Twenty-fifth Special Session.

In light of the issues, Senator Woodhouse and Carole Vilardo from the Nevada Taxpayers Association proposed an amendment. The fiscal note would have been approximately \$1.5 million for the upcoming biennium and approximately \$2.9 million for future biennia. The amendment would eliminate the fiscal impact until a later time. The amendment would reduce the maximum assistance to what is currently in statute to \$500, and the \$500 amount would be indexed based on increases to the Consumer Price Index (CPI). It would use the same methodology that is currently in NRS 427A.515, subsection 3 to determine the maximum income level needed to qualify for the program. Additional provisions of the amendment would postpone the effective date until July 1, 2011, and would impact claims starting in January 2012. It would be the first period in which the new inflation-adjusted maximum rebate amount would become effective and would be based on when the claims are paid. This adjustment would eliminate the fiscal impact to the General Fund until July 2012.

Ms. Vilardo indicated a modification to the amendment, which stated the procedure to index the maximum amount would be based on the CPI from December 2002 to December of the preceding fiscal year. The calculation would be made on the same month in each year. The procedure now is based on a change from December 2002 to November of the preceding fiscal year. The December-to-December modification could also be applied to the indexing procedure that is done for the maximum income level, which is in NRS 427A.515, subsection 3. The amendment is not part of the amendment that was presented. Staff agrees with the calculation being done on the same month-to-month basis. Senator Carlton raised the issue that the CPI could go down, and I will address the issue later. There are others in favor of the bills that are listed in the work session document ([Exhibit E](#)). There is no testimony in opposition to the bill or the proposed amendment.

Please refer to the special note in [Exhibit E](#) regarding the indexing procedure. Based on the Fiscal Analysis Division review of the proposed amendment, it was discovered that the calculation used by the Aging Services Division is based on changes in the CPI from November 2002 to November of the preceding year,

rather than the December 2002 to November of the preceding fiscal year, as required pursuant to NRS 427A.515, subsection 3. The following options on [Exhibit E](#), page 3, may be considered by the Committee.

CHAIR COFFIN:

Please refer to [Exhibit E](#), page 3, which explains the options. Option 1 provides that the bill as written would change the fiscal note from \$1.5 million the second year of the biennium to \$3 million for each additional biennium. It would not make it out of the Finance Committee. Option 2 will change the reference periods and clean up the language in accordance with the agencies and would take into consideration Carole Vilardo's adjusted amendment. Mr. Reel, does that have a later effective date?

MR. REEL:

It would make the bill's effective date July 2011, and that would impact claims being processed the following January 2012. The impact on the General Fund would occur July 1, 2012.

CHAIR COFFIN:

Option 3 is not to pass the bill but to amend in the change and pass the proposed amendment.

MR. REEL:

Another option is to include language that may not allow the maximum refund amount or the income level to go down if the CPI would result in a lower number from the prior fiscal year.

CHAIR COFFIN:

Would that cause complications in calculations if you introduced a hold-harmless into it for future years?

MR. REEL:

Not in terms of the calculation. It is more of a policy decision of whether the actual CPI calculation would reflect changes in the index and impact us, or if you wanted the hold-harmless issue.

CHAIR COFFIN:

It would be more cost-effective if we merged S.B. 64 with S.B. 122.

SENATOR TOWNSEND MOVED TO PLACE THE PROVISIONS OF S.B. 64, INCLUDING THE AMENDMENT, INTO S.B. 122, USING OPTION 2 AS PROPOSED BY STAFF IN [EXHIBIT E](#).

SENATOR SCHNEIDER SECONDED THE MOTION.

SENATOR CARE:

The limitation of two acres is not going to have a practical application. Whether it is \$500 or \$1,000 on 100 acres, it would not make any difference. I oppose the motion because I think it should be \$1,000. It has been 30 years since the figure was adjusted. I support S.B. 122 in the original form.

SENATOR MCGINNESS:

Will it keep the fiscal note on S.B. 122? The fiscal note on S.B. 64 is confusing because it impacts some counties, but not others. Washoe County indicates it has an impact but is unable to quantify, and many others did not respond. Will this bill have to be referred to the Senate Committee on Finance?

SENATOR COFFIN:

I am going to ask Carol Sala from Aging Services to come forward and explain her bill and have her tell us the fiscal impact on other counties.

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

On S.B. 64, our calculations with the two-acre language reflect no fiscal impact. The purpose of the bill was cleanup, and we wanted to remove the Board of Equalization requirement. We also wanted to remove the duplication of work, which the Aging Services Division does following what the county does. We removed the two-acre language from the amendments, and we are not aware of any fiscal impact on the counties.

MR. GUINDON:

Ms. Sala is correct; the money for this program comes from the General Fund. It was perplexing when I saw a county saying it would have an impact on them. The bill does not require changing the funding mechanism; it will still be funded by the General Fund appropriation. The counties misinterpreted the provisions of this bill. If S.B. 64 were to be processed as amended and be placed into S.B. 122, the General Fund impact would be eliminated.

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MS. SALA:

That is correct as far as the two-acre part; S.B. 122 has a fiscal impact because of the change of \$500 to \$1,000. There would be no fiscal impact due to the amendment on S.B. 64 and the language change.

CHAIR COFFIN:

Is there any other discussion on the motion?

THE MOTION CARRIED. (SENATORS CARE AND MCGINNESS VOTED NO.)

* * * * *

CHAIR COFFIN:

With no further testimony on S.B. 232, we adjourn at 2:21 p.m.

RESPECTFULLY SUBMITTED:

Mike Wiley,
Committee Secretary

APPROVED BY:

Senator Bob Coffin, Chair

DATE: _____