

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

**Seventy-Sixth Session
April 12, 2011**

The Committee on Taxation was called to order by Chair Marilyn K. Kirkpatrick at 8:02 a.m. on Tuesday, April 12, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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/76th2011/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 Marilyn K. Kirkpatrick, Chair
Assemblyman Harvey J. Munford, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Cyndie Carter, Committee Manager
Mary Garcia, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Craig Stevens, Director of Government Relations, Nevada State Education Association
Bob Fulkerson, Executive Director, Progressive Leadership Alliance of Nevada
Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada
Erin Neff, Executive Director, ProgressNow Nevada
James Richardson, representing Nevada Faculty Alliance
Jerry Purdy, Private Citizen, Reno, Nevada
Kyle Davis, representing Nevada Conservation League
Greg Esposito, Business Representative, Plumbers, Pipefitters & HVACR Technicians, Local 525
Paul McKenzie, representing Building & Construction Trades Council of Northern Nevada
Jack Mallory, Director of Government Affairs, International Union of Painters and Allied Trades, District Council 15, Local 159
Elvira Diaz, Member, Progressive Leadership Alliance of Nevada
Michael Flores, Student, University of Nevada, Las Vegas
Carole Vilardo, President, Nevada Taxpayers Association
Bryan Wachter, Director of Government Affairs, Retail Association of Nevada
Tray Abney, Director, Government Relations, Reno-Sparks Chamber of Commerce
Randi Thompson, State Director, National Federation of Independent Business
Doug Busselman, Executive Vice President, Nevada Farm Bureau Federation
Samuel McMullen, representing Las Vegas Chamber of Commerce
Chris Nielsen, Interim Executive Director, Department of Taxation

Chair Kirkpatrick:

[Roll was called.] I was going to try to get a work session done today, but, in the best interest of time, we will do it and Thursday's work session all at once

on Thursday. We have two bills this morning. Assembly Bill 504 is a Committee bill to clean up some language that affected a report we had requested during the Interim. We are going to start with Assembly Bill 336.

Assembly Bill 336: Imposes a tax on certain income of business entities engaged in business in this State. (BDR 32-623)

Assemblywoman Peggy Pierce, Clark County Assembly District No. 3:

Assembly Bill 336 is the third of my revenue bills to be heard by this Committee. Assembly Bill 336 is a corporate income tax with a \$500,000 deduction for small businesses. The rate of this tax is 4.5 percent, which is lower than any of our neighbors.

Assembly Bill 336 is a basic corporate income tax. I say basic for this reason: When I spoke to staff of the Legal Division of the Legislative Counsel Bureau about the drafting of this bill, I said the theme of my tax package was "no thinking outside of the box." I wanted a broad-based business tax similar to the broad-based business tax in a maximum number of states. I want a broad-based business tax that is completely familiar to the business community because they have worked with it and they pay it in at least 20 other states. I wanted a broad-based business tax that has been completely vetted by other states. I wanted nothing exotic. That is what is before you.

As I have told you, all of my bills go together. Together, they create a fair and stable system. When the economy is good, one goes up and one goes down. When the economy slows, the opposite happens. Let me remind you that the first study to tell this Legislature we needed a broad-based business tax was written 40 years ago.

I got a couple of emails this morning, so I just want to run through a couple of basic fun facts. Nevada has the smallest government in the country. We could hire 10,000 government workers tomorrow and still have the smallest government in the country. If we wanted to have the size government we had in 1978, we would have to add 44,000 government workers.

Finally, Nevada has the smallest government in the country in terms of public employees per capita. The state with the most public employees per capita is that liberal bastion, Wyoming. You know, Dick Cheney and his crowd. If Nevada had the number of public employees per capita that Wyoming has today, Nevada would have to hire 122,250 government workers, which boggles my mind. Every second person in Wyoming must be a government worker. I do not know how they do it.

With that, I will walk you through the parts of the bill, and then I will introduce some speakers. Assembly Bill 336 requires business entities who do business in Nevada, and whose taxable income is greater than \$500,000 a year, to pay a tax of 4.5 percent on the amount of taxable income in excess of \$500,000. The following summarizes the provisions of the bill.

Title 32 of *Nevada Revised Statutes* (NRS) governs revenue and taxation in the state. Section 1 of this bill creates a new chapter within Title 32 that will contain the provisions of this tax.

Sections 2 through 10 contain definitions for the purposes of the bill of:

- Business
- Business entity
- Commission
- Engaging in a business
- Federal taxable income
- Government entity
- Nevada taxable income
- Taxable year

Section 11 requires the Department of Taxation to administer the bill and provides that the proceeds from this tax are to be deposited in the State General Fund.

Sections 12 through 15 govern the record keeping requirements that businesses must maintain as part of the administration of the tax. These sections also allow the Department of Taxation to examine these records as part of the audit process and to declare that records maintained by the Department related to this tax are confidential except in certain circumstances.

Section 16 sets the tax rate at 4.5 percent of Nevada taxable income in excess of \$500,000 per taxable year. This section also sets the due date for the tax return at 30 days following the date the business has filed its federal income tax return.

Section 17 requires a business entity that is a member of an affiliated group, and is engaged in a unitary business in Nevada with one or more members of the affiliated group, to file reports to the Department as appropriate for the administration of the tax. For example, a manufacturing firm that both manufactures the component parts of the product and assembles the components into a finished product under separate divisions would be considered a unitary division if both divisions are owned or controlled by the

same company. These businesses would be required to comply with the Department of Taxation's unitary business tax reporting requirements.

Section 17 also allows two or more business entities that are members of an affiliated group to file a single tax return for all members of the affiliated group if the business entities are allowed to file a consolidated federal income tax return with the Internal Revenue Service (IRS).

Section 18 allows the Department of Taxation to grant filing extensions to taxpayers who also file a federal extension with the IRS. If the extension request is filed, the new due date for the Nevada tax return will be 30 days after the date the federal return is due after the federal extension is applied.

Section 18 also allows the Department to extend the due date for a Nevada tax return by an additional 30 days for good cause without a penalty or late charge. The Department is required, however, to collect interest on any unpaid tax amounts that would have been due had the extension not been granted.

Section 19 requires any business who files an amended federal tax return to submit an amended Nevada return within 30 days after the amended federal return is filed. The business entity is responsible for any interest that results if the amendment results in additional taxes owed to the state.

Sections 20 and 21 determine the amount of income that is subject to tax in Nevada using the federal taxable income of the business entity as the beginning point for determining Nevada taxable income. Section 20 requires that the federal taxable income of the businesses be increased by any amount of deduction for the tax imposed in section 16 or similar taxes imposed in other states, deductions for net operating losses, and interest or dividends received from obligations or securities issued by states other than Nevada.

Section 20 also requires that the federal taxable income of the business be reduced by any interest income received on obligations of the United States, any amount of income tax refunds received from other states that is included in the calculation of federal income, and any amount that is exempt from taxation under state or federal law. Mines that are subject to the net proceeds of minerals tax must also reduce their taxable income by the percentage determined by calculating the amount of the operation's gross proceeds used to determine the net proceeds of minerals tax by the business entity's total revenues.

Section 21 creates a formula to be used by business entities who conduct business in Nevada and elsewhere to determine how much of the entity's actual

income is subject to tax in this state. This section uses what is known as an equal-weight, three-factor allocation formula, giving equal weight to the percentage of a business entity's sales, payroll, and property in Nevada to determine how much is subject to the tax in Nevada.

Section 22 requires that the taxable year and accounting method the business uses for the tax in Nevada must be the same as those used for federal income tax returns.

Sections 23 through 32 contain administrative provisions relating to the tax dealing with overpayments and underpayments of tax, penalties, interest, credits, and the appeal process relating to those matters.

Section 33 provides for criminal penalties for making false or fraudulent returns, keeping multiple sets of books for the purpose of defrauding the state, and other violations.

Section 34 clarifies that the provisions within this new chapter are cumulative and specifies that no action taken by the Department of Taxation or the Attorney General in enforcing these provisions constitutes an election by the state to pursue any remedy to the exclusion of another remedy allowed in this chapter.

Sections 35 through 40 contain additional administrative provisions related to the Department of Taxation, allowing the Department to administer this tax in a manner similar to other taxes imposed by the Department, relating to the failure to pay the tax and penalties and interest that may be imposed.

Sections 41 through 65 make administrative changes in various sections of NRS dealing with occupations that are required to be licensed by various agencies throughout the state government. The changes in this section clarify that certain income, such as that generated from the sale of insurance or securities, is subject to this business tax. Failure to pay that tax is grounds for the suspension or revocation of certain licenses issued by the Department of Business and Industry or other agencies. It also states that certain confidential records maintained by these licensing agencies may be shared with the Department of Taxation if it is necessary for the Department to administer the provisions of the tax.

Section 66 specifies that the tax applies only to Nevada taxable income of a business entity for a business year ending on or after June 30, 2011, and that no business is required to make any tax payment or return before January 1, 2012. This section also contains a formula to determine how much

Nevada taxable income is subject to the tax for those businesses whose taxable year ends after June 30, 2011 to ensure the tax is only paid for the portion of the taxable year after July 1, 2011, the effective date of the tax.

Section 67 requires the Department of Taxation to adopt regulations required for implementing this tax on or before July 1, 2011. Section 68 specifies the effective dates for the bill.

Chair Kirkpatrick:

Thank you. I am not sure we could.

Assemblywoman Pierce:

Well, I can have some other people come up and talk. Then, I can come up again when people think of questions.

Chair Kirkpatrick:

Okay, thank you.

Assemblywoman Pierce:

Starting off would be Craig Stevens, Director of Government Relations for the Nevada State Education Association (NSEA). After that will be Mr. Fulkerson and Ms. Gilbert from the Progressive Leadership Alliance of Nevada (PLAN), followed by Erin Neff, Executive Director of ProgressNow Nevada.

Craig Stevens, Director of Government Relations, Nevada State Education Association:

I want to thank Assemblywoman Pierce for bringing this important bill forward so we can begin this debate on how to broaden our tax base. I also want to thank you for allowing this hearing to be held.

Accompanying my testimony, there is a presentation on the Nevada Electronic Legislative Information System (NELIS) ([Exhibit C](#)). There is also another document with a lot of numbers ([Exhibit D](#)), which I will explain during my presentation.

Doing business in Nevada is considered a privilege. Making money off the hard-earned dollars of the workers of our state should come with a price. Nevada should not only encourage but demand that those businesses, especially those who have managed to have enormous profits due to the lax tax and business laws, give back to our communities.

A tax is simply a method for the state to provide funds for investment. Capital must be raised if our state is to grow, prosper, and provide essential services

such as police protection, education, this building we sit in today, and the clean water we drink. Nevada's current form of investment is insufficient for the needs of its citizens and simply has not kept up with the times.

Nevada, of course, is not immune to our country's, or even the world's, economy. Nevada's tax structure magnifies these cycles. In good times, things are really good. Our cities grow, our businesses swell with revenue, and we have many new programs for our schools. Yes, educators may still teach the same curriculum, and students must still ride the bus or ride a bicycle to school, and, of course, students always complain about doing their homework. In good times and bad, students still must go to school, yet their educational opportunities are not the same.

The Nevada State Education Association (NSEA) supports creating a corporate income tax for many reasons, none more important than those students who are unlucky enough to have entered public school during the time of a recession. Our current structure is creating a generational divide of the haves and the have nots simply by the luck of the draw. The question will soon be, "Did you go to school during a boom or a bust period?"

What are we really talking about here? If you go to slide 2 of the presentation ([Exhibit C](#)), as you see, A.B. 336 creates a broad-based business tax that will be shared across all sectors. Also known as a corporate income tax, this tax is simply reinvesting in your state, which has enabled you a life of great wealth and prosperity, should you have the honor of paying it.

A corporate income tax is not new. Forty-seven states have some form of corporate income tax. Nevada will not be a pioneer of a new tax. Nevada will not be shepherding a new wave of progressive, regressive, untested tax systems. In fact, Nevada is coming late to the party.

If you flip to slide 3 ([Exhibit C](#)), specifically, A.B. 336 creates a corporate income tax with a rate of 4.5 percent, with an exemption for any business that makes less than \$500,000. As I said before, Nevada would not be outside the norm, should A.B. 336 pass, in any way other than the rate it proposes and the exemption it offers.

On slide 4 ([Exhibit C](#)), as you can see, businesses wanting a low rate would still find our state appealing. However, we would also finally have the resources to invest in many of the reasons businesses are not coming to Nevada.

In slide 5 ([Exhibit C](#)), it is important Nevada continue its reputation as a tax-friendly state. Again, passing A.B. 336 would do no harm in this matter.

Nevada would have the lowest rate in our region. In fact, it would have one of the lowest rates in the whole United States.

As slide 6 ([Exhibit C](#)) suggests, the exemption is just as important. Assembly Bill 336 creates one of \$500,000. The Price Waterhouse study commissioned by the Legislature in the late 1980s suggests a corporate income tax is one of the best ways to gain revenue for your state without hurting those businesses that cannot afford it. Just like everybody else in this room, NSEA does not want to hurt Nevada's small businesses. They represent the wives, the husbands, and even the second jobs of many of our NSEA members across the state. However, for too long, far too many businesses have taken advantage of the gift Nevadans have provided them. That gift is still obtainable. However, it is time they share their prosperity with future generations. Again, it was Nevada that helped them get there in the first place.

Slide 7 ([Exhibit C](#)) shows that, should A.B. 336 pass, the amount of revenue raised would be significant. Though a very small percentage of businesses across the state would actually pay this tax, the amount raised would be over \$1.2 billion over the next biennium. I promise you this is a coincidence, but Governor Sandoval's cut to education equals \$1.2 billion.

If you go to the second handout I have here ([Exhibit D](#)), you will see this is truly a broad-based tax. These are all the businesses that would be captured under the corporate income tax. We did this with a rate of 4.5 percent with a \$500,000 exemption and arrived at \$1.2 billion. That is a hefty sum, but it is a hefty sum our state needs.

Going to slide 8 ([Exhibit C](#)), why make this change to Nevada's tax structure? Our current structure is insufficient. It cannot maintain itself during bust cycles. It does not generate the necessary funding for providing the services people across this country demand. In fact, just last year, CNBC released its ranking of the nation's best business climates. Nevada ranks 47th. For all the talk of low taxes, for all the bragging of a small government, the state is not providing businesses with the structure they need to be successful, so they do not move here. Issues such as the education system and the quality of life are just as important for businesses looking to relocate. Nevada needs a more balanced approach to attracting businesses, one that invests not only in what they want but in what they need.

Going to slide 9 ([Exhibit C](#)) now, would A.B. 336 worsen our rankings? The NSEA contends it would do just the opposite. The top five states with the best business climates all have a corporate income tax, and they all have rates higher than that proposed in A.B. 336. I contend that with that competitive advantage

and the ability to actually invest in Nevada, we could quickly turn around the ills in our economy. But it would require a bold step—a step no other Legislature has had the will to take so far.

For too long, we have talked about broadening the tax base. In fact, it has almost become a punch line. Since I moved to this state in 2007, all I have heard is “Let’s broaden the tax base!” Yet, the reality is Band-Aids from session to session with no end of the cycle in sight.

I will go through slides 10 through 14 ([Exhibit C](#)) quickly. In this presentation, I have taken excerpts from two studies done here in Nevada. One was conducted by the University of Nevada, Reno (UNR). The other was commissioned by this legislative body in 1998. I am sure many of you remember that Price Waterhouse study. If you do not, this has been an ongoing issue for a very long time. They were talking about that way back in 1998.

The UNR study simply shows that low taxes do not translate into a strong business climate and a good economy, and I think we can all see that. The Price Waterhouse study suggests that one of the best ways to improve on this is through a corporate income tax. As you can see, in the presentation are several quotes from that study: “. . . the level of state and local taxes, by itself, is not a significant factor in economic development”; “. . . a general business tax would be an appropriate revenue source. However, the level of taxation should be carefully designed” That is from the Price Waterhouse study.

That is exactly what A.B. 336 does. It is a smart tax. It does not hurt the small businesses, yet it captures the revenue that this state needs and does it in a way that does not hurt those who need the help the most.

On a final note, I do not have an economics degree. My background is as an advocate for public education. However, I do see what is happening in our public schools across the state. Nevada needs to take a bold leap in a new direction, but it must first look before it leaps. We hope A.B. 336 is our first step in that direction.

Chair Kirkpatrick:

Thank you, Mr. Stevens. Does anybody have any questions?

Assemblyman Livermore:

Mr. Stevens, I am a little mystified by your presentation this morning, thinking that it is a privilege for an individual who would invest in a business in Nevada, when we encourage that because they are the employers who create the job opportunities for people who want to live here and need to have a job in order

to earn a living and be able to buy groceries, pay their rent and pay their taxes. For 35 years, I was a small businessman in town. At one time I had three businesses at once, and I employed about 100 people. My profitability was very, very small. I probably earned less than your salary. I did not see that as a privilege. I can tell you that this could potentially create an atmosphere where you will not find that kind of investment. You will not find that job creation. As I said, I listened to your presentation today, and I am glad you said you do not have an economics degree.

That is not a question; it is just a statement of what I believe. Thank you, and let me tell you this base of \$500,000 . . .

Assemblyman Goedhart:

You said that would raise \$1.2 billion. Is that figure per biennium, or is that per year?

Craig Stevens:

That would be over the biennium. Again, if you look at my PowerPoint presentation ([Exhibit C](#)), in fiscal year (FY) 2012, it would be about \$499.3 million. The next year, it would be about \$522 million, equaling a total of \$1.2 billion for the biennium.

Assemblyman Goedhart:

That is with a 4.5 percent levy based on the taxable income as determined by the federal IRS income tax, is that correct?

Craig Stevens:

I believe so.

Assemblyman Ellison:

I am probably going to hold most of my statements until the end, but have you ever made a payroll?

Craig Stevens:

No.

Assemblyman Ellison:

Do you know what it takes for a small business to struggle to make a payroll?

Craig Stevens:

While I do not have that experience, I do have the experience of knowing what it takes to educate children and knowing what it takes to have enough educators in the classroom. The reason we are bringing this bill forward is to

make sure we are providing the best education, the best resources, and the best prosperity for every student here in Nevada.

Assemblyman Ellison:

Where does that money come from that pays for the education?

Craig Stevens:

The money comes from our community. It comes from the local school support tax and property tax. It comes from middle-class workers. It comes from folks who perhaps cannot afford as much as that governmental services tax or as much for goods. Again, this is a more balanced approach. It takes a lot of the tax burden off the middle class, and that is why we brought the bill forward.

Assemblywoman Pierce:

Our state is made up of a great many people doing a great many things. This state needs to afford a quality of life for everyone. I appreciate the part small businesses play in the economic life of this state. But I do not believe the experience of small businesses is the only thing we should take into account when we are considering how our state should be run and what kind of quality of life we should be aiming for. I think every sector of our community has a right to be a part of this discussion here and have a stake in this. What we have been doing in the last 30 years has not, in fact, diversified the economy. It has not created a particularly good atmosphere for small businesses. I have never met a payroll. I have been working since I was 14. I am sorry you do not find that valuable.

Chair Kirkpatrick:

I do not want this to be personal for anybody, so here is what we are going to do. This really needs to be an open debate and discussion as we go forward. We do not accomplish anything when either side makes it personal, so it is better for all of us if we stick to the merits of the bill. I can tell you my constituents want us to have the debate and talk about it. Nobody can be shy on either side, but, at the same time, it cannot be personal for either side.

Assemblywoman Benitez-Thompson:

This question is for both of you. Section 16 sets the rate for this tax at 4.5 percent for businesses with a profit of more than \$500,000. In the states surrounding us, that tax rate is higher. What I am interested in knowing—and what I think will be an argument that makes the most sense throughout this hearing—is not that *any* type of tax is detrimental to businesses. I do not think that is unique, nor do I think that argument necessarily holds water. What I do not see is why *this* rate—which is lower than the rates in Utah, Colorado, California, Oregon, Arizona, and New Mexico—would be a bad idea for Nevada,

or how *this* rate would be detrimental to Nevada. My question is, do we see small businesses existing in these other states?

Craig Stevens:

The tax rate was specifically set at 4.5 percent so Nevada would still have a competitive advantage over the other states. I contend that those states with the best business climates have corporate income taxes, and their corporate income taxes are at higher rates than what we are proposing. Texas has an adjustable rate, but that adjustable rate does go beyond 4.5 percent. Virginia has a corporate income tax rate of 6 percent. Colorado's rate is 4.63 percent. North Carolina's rate is nearly 7 percent. Massachusetts' rate is 8.25 percent and 9.5 percent.

I would like to point out that Massachusetts has the number one education system in the country. Virginia is in the top five. North Carolina is rapidly moving up that scale. Colorado is on the forefront of all reform.

I understand putting forward a tax on business is difficult, but other states are able to do it, and they do it well. In fact, they are bringing businesses into their state, and the tax does not seem to be a detriment. However, what does seem to be a detriment to businesses coming to our state is our lack of resources, our education system, and our quality of life. Also, the boom-and-bust cycle we go through is not appealing to businesses.

Assemblywoman Pierce:

To Ms. Benitez-Thompson's question, I would add that all of the small businesses that exist in Nevada exist in other states. There are diners and dry cleaners and all of those things in all the other 49 states.

Chair Kirkpatrick:

Okay. I want to clarify something, though, because I have done research on this in the past. Some other states do have a corporate income tax, but Texas' is set up more like a franchise tax. Virginia uses it for economic development. The revenue is still within their general fund, but they may just use it a bit differently from the way we currently do.

Bob Fulkerson, Executive Director, Progressive Leadership Alliance of Nevada:

I want to thank each and every one of you for your service to our state. By making the hard decisions today about our taxes, we ensure our state has a chance to thrive in the future. This is a way of paying it forward. Giving to our children today so they can give it back in the future is an example of paying it forward, and it demonstrates how the decisions we make today are going to benefit our future.

A no-tax policy robs our state of a sound future. It makes rich and powerful interests very happy, but it is bad for Nevada and very bad for ordinary working people. Nevada corporations that are highly profitable need to contribute to the support and maintenance of public systems and structures that underpin their wealth and success.

If you are a small business in Nevada, and if you are struggling, you will be exempt from this tax. You will not have to pay. This is not about small businesses. This is about megacorporations. Some say we have a spending problem and that is where we will need to look, but that is belied by the facts. We are 51st in Medicaid, 50th in per capita public expenditures, 47th in education funding, and 47th in health care spending. *Collier's* magazine, in 1950, had Nevada on the cover. It said, "The sick and poor fend for themselves. They pay scant attention to education." Sixty years later, in September 2010, *The Nation* magazine had basically the same headline.

According to the Tax Foundation, Nevada is the 49th least taxed state in the country and ranks number 4 in the business tax climate. If low taxes created jobs and prosperity, Nevada would be rich. Instead, companies are avoiding coming to our state precisely because we do not invest in our people and in our communities. We saw that most recently with IKEA saying an uneducated customer base was not conducive to their business here. An Internet call company said there was a lack of a skilled workforce. The owner of Sunbelt Communications recently said he pays more taxes in the state of Montana than in our state on the businesses he owns in Nevada.

If we cut our seniors from medical care, if we put college out of reach for young people, if we fail to invest in transportation systems, then, when prosperity returns, we will not be positioned to benefit.

Nobel prize winners in economics, from Joseph Stiglitz to Paul Krugman, demonstrate that the worst thing a state can do in a recession is to weaken the public services that a strong economy needs, such as health care, education, transportation, and public safety. No-tax, supply-side, and trickle-down economic policies are a throwback to Herbert Hoover and Calvin Coolidge. They did not work then, and they are job killers today.

Reasonable people favor a balanced approach. Cuts are inevitable, but we know there are better alternatives than cuts alone. The public is overwhelmingly in agreement in this area. Polls by the Retail Association of Nevada, Nevadans for Nevada, and the *Las Vegas Review-Journal* show the Nevada public wants revenues to be a part of this solution. As we said, only three states do not have some sort of corporate profits tax. Assembly Bill 336

is similar to what state legislatures in 47 other states have passed, and Nevada's would still be among the very lowest rates.

As this chart ([Exhibit D](#)) shows, ultra profitable corporations, such as Walmart, whose chief executive officer (CEO) makes in an hour what the workers make in a year, are taking money from our state, as is the mining industry. I do not see any of the mining lobbyists here. I hope they are testifying on this bill because they said they do favor a broad-based business tax. In any case, just like the mining industry, Walmart is taking money from our state and building schools in Canada, California, and Arkansas, and letting companies skate by without giving back some of their profits making our current tax system among the most regressive in the nation. Where working stiff's are paying up to 9 percent on their income, Walmart is paying zero.

If they are paying so little tax—zero here—where is the price differential? We have heard that they are just going to raise their prices to consumers. A jug of Tide laundry detergent and this toaster oven cost the same at Walmarts throughout the region, even though tax rates vary. But a pair of these children's Wrangler jeans are going to cost a family \$2 more at Walmart in Nevada, where they pay zero corporate taxes, than in California, where they are paying almost 9 percent in corporate taxes. You will pay \$2 more for this toaster oven in Las Vegas than in California. You will pay \$1 more for it in Boise, Idaho, where they are paying about 7 percent.

This nominal 5 percent tax rate that is lower than other states is not going to drive prices of consumer goods up for Nevada families. However, it will provide our children some decent schools to go to. It will put colleges within reach. It will build public structures and infrastructure to give our state a chance to thrive.

Now is no time to dismantle the tools we need to move our state forward. Taxes, especially those under consideration in this bill, need to be a part of the equation, and we commend the sponsor for bringing this forward. Thank you very much.

Chair Kirkpatrick:

Thank you, Mr. Fulkerson.

Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada:

We are a nonprofit organization, and we make payroll. That is tough for a nonprofit. We have to raise all our own money; we get no government money. So we do know about small business and how difficult it is and how

challenging. We have talked with you about it. But this bill is not directed at small business. It is for businesses that make over \$500,000 income. We feel that level makes it possible for people to pay and help our state. I would urge your support for this bill. Thank you.

Chair Kirkpatrick:

Thank you. Does anybody have any questions? [There was no response.]

Erin Neff, Executive Director, ProgressNow Nevada:

The reason I am here today is because in my past life, I was a journalist covering this Committee and this body for many years, going back to 2001. I have seen Committees struggle with this issue for the past 13 years I have been in this state. I have seen this Legislature historically grapple with this issue. We talk about these studies, some of which were conducted in the 1980s or even the 1960s. The most recent, the Governor's Task Force on Tax Policy in Nevada, from right before the 2003 Session, for which none of you were around. I say that not because I am trying to say some of us on this side of the wall understand things better, but simply because something has to change in Nevada. We have been going through this for decades, and there is no solution.

I, too, meet a payroll. I run a nonprofit with a staff of three, and it is not easy. I understand the struggles of small business. The Governor talks about shared sacrifice, and I believe in that. If you think about the budget, the sacrifice is being made by the unemployed, those who are being foreclosed upon, our higher education students, and our kindergarten through twelfth grade (K-12) students—I am the mother of two children. This is where the burden is. All we are asking is for large corporations to pay a little bit—4.5 percent after they deduct whatever they deduct on their federal income tax. This level is right. This level keeps Nevada competitive with other states. Right now, we are not competitive, and you have the power to fix that.

Today, I am also submitting, for the Committee, signatures on a petition ([Exhibit E](#)) urging your support. I would be happy to answer any questions.

Chair Kirkpatrick:

Thank you, Ms. Neff. Does anybody have any questions? [There was no response.] At this time would anybody wishing to testify in support of A.B. 336 please come forward? I have four persons in southern Nevada. Does anybody want to testify on the record? If that is the case, you can go to the table now.

James Richardson, representing Nevada Faculty Alliance:

The Nevada Faculty Alliance (NFA) has testified in previous sessions in favor of broad-based taxes that represent the kind of economy we have now—a service oriented consumer economy replacing what used to be almost totally a tourism economy. This bill has many features that are attractive to us. It certainly fits within the philosophy we have developed about these matters. These big box stores that make a lot of money and take it out of state should be anathema to us. We would like the exemption up to \$500,000 for small businesses.

I will tell you very quickly one of the reasons we are strongly in support of this bill this year. This biennium, some 700 faculty and staff have been terminated. The current budget proposal will result in hundreds more faculty and staff being terminated; in fact, they have been receiving notices as early as last week.

We do not have many faculty members in this state. Elliot Parker, whom some of you know, wrote a column last fall where he pointed out that Nevada has less than half the number of faculty in public institutions that Utah has. Utah only has about 100,000 more people than we do, but it has more than twice as many faculty members, experts in many fields, having diversified the Utah economy. They are even hiring our star faculty members from our institutions. By the way, that tabulation of Utah faculty did not include the very fine Brigham Young University. That is not a public university, so they did not even count those people.

Last week, we all heard testimony on a bill we all think is a good bill if funding can be found, but it demonstrates again the need for revenues. The bill mimics the Utah Science Technology and Research initiative (USTAR) program at the University of Utah that has been so successful. It set up something called a knowledge fund that, in Utah, was funded with an average of \$15 million a year since 2006 so the universities there could access the fund to help develop innovative research. They also put \$33 million from the federal stimulus—the American Recovery and Reinvestment Act of 2009—into that fund.

Assembly Bill 449 sets up the Knowledge Fund that has no money. There is not one dime in it. So, I am not sure what it is going to accomplish, but it is an obvious indication of why we need more revenue.

With that, I would close and urge you to support A.B. 336. Thank you very much.

Chair Kirkpatrick:

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

Jerry Purdy, Private Citizen, Reno, Nevada:

My wife and I have lived much of our lives in Nevada. We have lived in Reno for more than ten years. I am a retired civil engineer born in Wyoming, and I graduated from the University of Wyoming. I am also a 50-year moderate Republican, dating back to my college years. It used to be my party, right or wrong. When it is right, keep it right. When it is wrong, make it right.

I think the Governor's extreme and inflexible tax position is terribly wrong for our state and for people like my wife and me who are living on a fixed income and are extremely vulnerable to any radical budget cuts of the kind now being proposed by our Governor. For these reasons, I urge you to vote for approval of A.B. 336, submitted by Assemblywoman Pierce. Assembly Bill 336 is a broad-based business tax that will go far toward correcting our dysfunctional tax structure, which we have lacked the courage and leadership to change for the past 20 years.

The few statistics I was going to quote to you come from a colorful two-page handout ([Exhibit F](#)), "Why Nevada," published by the Nevada Economic Development Advisory Board; I will leave a copy of it with the secretary. The handout states the advantages of incorporating a company in Nevada.

Currently, there are more than 300,000 companies incorporated in Nevada, primarily because Nevada has no corporate income tax, no tax on corporate shares, no franchise tax, no inventory tax, no personal income tax, no inheritance tax, no gift tax, no unitary tax, no estate tax, nominal annual business fees, low unemployment tax, and minimal employer tax rates. Many other benefits exist in the area of corporate structure and governance and the legal process. Half of the front page of the handout lists the corporate structure advantages, while the bottom part lists a lot of the legal advantages.

New companies register in Nevada at the rate of about 30,000 to 40,000 a year because of all these advantages. That is taken from page 2 of the handout. Then it is stated that only in Nevada, Washington, and Wyoming is there no corporate profit tax. Only three states in the country do not have a corporate profit tax, which, in neighboring states, is between 5 percent and 6.9 percent. This could be a huge source of revenue, considering Nevada's hundreds of big chain stores, such as Walmart, Costco, Home Depot, et cetera.

It is insane, in a way, to see them pocket that money they should have to pay out in corporate profit taxes. There is no doubt in my mind that those companies are a lot better off financially than I am. We have to get control of our corporations. I think A.B. 336 is essential to that effort, and I urge you to vote for passage of A.B. 336.

As a passing question for my fellow Republicans, why should I continue to support the party and its elected members, including a Governor whose extreme proposals are a direct threat to the health, safety, and welfare of my wife, our children, and our grandchildren? It would be well to remember that many of us who are most vulnerable to these budget cuts are also republicans who vote. Thank you for your attention.

Chair Kirkpatrick:

Thank you. Mr. Davis.

Kyle Davis, representing Nevada Conservation League:

I wanted to come to the table on this bill. There are certain things in The Executive Budget that have a negative impact on areas of conservation and environmental protection. A couple examples of this are the reduction in State General Funding for the Wildlife Diversity Division of the Nevada Department of Wildlife, as well as the more than 60 percent cut our state parks have taken in the last three years. Those are investments our state has made and that we are in danger of losing if we do not have funding to take proper care of the investments we have made. That will cost us more in the long run, not to mention the impacts on the citizens of our state who enjoy and rely upon those services and the protections they provide for sensitive and important areas of our state.

In that sense, this bill would certainly provide more revenue for our state, which will allow us to adequately fund the responsibilities and services our state has historically provided. So, we are actually in support of any bill that will help our state achieve a more stable budget. We definitely look forward to working with this Committee and the sponsor of the bill in order to craft solutions that will work for our state.

Chair Kirkpatrick:

Thank you, Mr. Davis. Does anybody have any questions? [There was no response.] Mr. Esposito.

Greg Esposito, Business Representative, Plumbers, Pipefitters & HVACR Technicians, Local 525:

I am not a tax expert or business expert. I represent working-class men and women whose primary concerns are definitely their children, their families, their homes, their neighborhoods, and their futures. The economic downturn we are going through right now was in full swing during the last legislative session, and steps were taken to try to assist.

Now we are in another legislative session, and I hope you can support measures that will begin to make significant change to our economy and our economic status. Working men and women across the state need it. We care about our children's education. We care about the safety of our families. We are in support of this bill because it is a step toward making significant change. While it may be difficult to swallow, it is necessary for those who really built Nevada. Thank you for your time.

Chair Kirkpatrick:

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

Paul McKenzie, representing Building & Construction Trades Council of Northern Nevada:

For several sessions, I have sat in front of the committees and we have talked about tax rebates, tax incentives, tax this, and tax that to draw business to the state, but they are not knocking any doors down. Last session, I remember sitting in an economic development hearing and listening to explanations of why Arizona was drawing the solar energy industry faster than Nevada was. One of the people in the hearing said Arizona had bigger rebates. Well, we do not have rebates to give them because we are not taxing them. The idea that giving more to them and not asking anything from them will draw business to Nevada has been a failed model.

I have talked to businesses that have a problem with several issues here in Nevada, and it starts with the education system. The next issue is the insecurity of how we are going to maintain our state's budget.

If we had a broad-based business tax such as this in place when the economic downturn came, we would still have been the lowest taxed state in the area. We would have had a stable economy for businesses to come to, and they would not have feared the very real possibility that they would get here, set their business up, and then, once they were here, we would increase the tax on them because we had to balance the budget. If you establish something that will keep the budget balanced, you will draw more business than the continued decrease in taxes and the givebacks of taxes we are not taking to begin with.

We are giving them back 75 percent of property tax in counties that cannot afford to lose that much of their tax base to induce people to come to the counties and build. We are giving back sales tax revenue the state cannot give up. It is a failed model of economic development. We are giving it back, but we cannot give back revenue we are not generating. This tax would go a long way toward evening out the budget and making people more secure about the future of Nevada.

Chair Kirkpatrick:

Thank you. Are there any questions? [There were none.] Is there anybody in southern Nevada who would like to speak in support of A.B. 336?

Jack Mallory, Director of Government Affairs, International Union of Painters and Allied Trades, District Council 15, Local 159:

We, as well, support A.B. 336. I am not going to repeat any of the things you have probably already heard, but one of the things I heard yesterday, during the rally the teachers held outside the building, was that we are all being told about shared sacrifice. At the same time, not many people are talking about shared responsibility. That is the position we are taking. Our concern is that everybody is suffering through this economic recession, but are they suffering through it equally?

Chair Kirkpatrick:

Thank you. Are there any questions? [There was no response.]

Elvira Diaz, Member, Progressive Leadership Alliance of Nevada:

I live in Reno, Nevada, and I have two businesses, one of which is in California. I have a payroll, and I know how hard it is to make money. Also, I am a single mother with two children. My older child goes to the University of Nevada, Reno. I am very happy that she has just one more year before she graduates. She works and goes to school. My younger child is in kindergarten part-time. I would not mind being a small businesswoman and paying a little more tax to be sure my children could have a good education.

This is my first time coming here. I am tired, and I know you are tired too, but I am sure you are going to make history in Nevada. I beg you to do something to support education. I really want you to think about it. These big corporations will not be hurting, but I, as a single mother, beg you to do this. One of my hardest jobs in Nevada was to register people to vote, which I did on a volunteer basis because I believe in you. I really do believe in you. Thank you so much for your time.

Michael Flores, Student, University of Nevada, Las Vegas:

In light of everything that is happening on campus and the pain we are feeling, I think this bill is a good bill. I work with a lot of different students in both northern and southern Nevada, and I know this is a solution we all support. Again, I just want to say we support this bill.

Chair Kirkpatrick:

Thank you, Mr. Flores. We appreciate your comments. Are there any questions? [There were none.]

Is there anybody else who would like to testify in support of this bill? [There was no response.] Is there anybody who is neutral on this bill? [There was still no response.] Is there anybody in opposition to this bill?

Carole Vilardo, President, Nevada Taxpayers Association:

If I may, I would like to go through sections of the bill and problems I see. On page 2, line 10, I am having a hard time figuring out what "indirect" for benefit or advantage is. I called a couple of my accounting members and asked them about that terminology using federal income tax law as a frame of reference. It is not there. I do not know why it is here, and I do not know what it means. The next question I have is on page 3, section 7, subsection 3, lines 14 and 15. I am trying to imagine exactly how the Department of Taxation is going to figure out the phrasing here, "regardless of whether it is actually reported."

One of the things to acknowledge about this is that it is not based on taking the numbers off the federal income tax return. This bill decouples from the federal income tax return and creates a Nevada mechanism which, in some points, does follow federal income tax, but, in other points, it does not. It creates another mechanism and other bookkeeping issues.

Over on page 5, section 16, line 38, the bill talks about each taxable year being due on the last day of that taxable year. Then, in subsection 2, lines 44 and 45, it says the remittance of any tax is due not later than 30 days after the date the business entity is required to file the federal tax. You cannot quite have it both ways, and there is no way I can figure out. This smacks of the first time we changed to the Modified Business Tax (MBT) in 2005, where we had that tax due on the last day that they were supposed to be calculating it, and everybody had to get an extension. There is obviously a problem with that language.

If you will turn to page 6, subsection 3, beginning on line 5, shareholders are not responsible for income taxes not paid. Yet, the provisions of subsection 3 say that if the corporation that is liable for the taxes to be paid for the shareholder does not pay, then the shareholder is responsible. I think that is problematic. In fact, there might even be a legal challenge on something like that.

On the same page, going down to section 18, line 35, we have "Upon written application." Most states with an income tax have an entity to which a copy of the federal extension is submitted. They do not create a new form. They also do not require payment of the tax up-front. That is required with an extension on personal income tax.

My next question is on page 8, subsection 3, lines 19–25. I may know why this occurred, but I find it curious. We give an exemption for gaming because they pay a net proceeds tax. We do not give an exemption to mining for the net proceeds tax. We do not give an exemption to gaming, which pays a gross receipts tax. Is there any intent to eliminate the MBT or provide a credit for that which businesses are already paying? We keep hearing we need a third leg of the stool, although that was not mentioned this morning, to stabilize state revenues. This is either the fourth or fifth leg to the stool. I would like to know if those credits are the elimination of the MBT as part of the consideration in this.

On the same page, in section 21, if you look at the language generally from line 42 up to line 2 on page 9, the Department is allowed to create other factors that would represent the business entities in this state. This follows what is known as the apportionment formula. If you do business in more than one state, and you are going to audit back on a federal tax return or you are going to try to identify Nevada income, there is an apportionment formula needed. In this case, the apportionment formula takes the three elements that are normally used—sales, payroll, and property taxes paid—and gives each a weight of one. Those are the accepted apportionment mechanisms that are used. Some states will give sales tax a weight of two, depending on the industries in that state. Some do not use three. But there is another factor to be determined by the Department of Taxation. I really question the language that would allow that to happen.

There is another sentence on page 9, in line 25, that again allows the Department to determine a method that will fairly reflect that income. That is purely in the eye of the beholder. Again, it goes back to the fact that we are not starting from the base of federal income tax.

If you look at page 10, with most income tax—and we have testified to this before relative to our other taxes—if you make an underpayment or you owe money relative to a tax, the interest accrues at 1 percent a month, or 12 percent. If you are due a refund, you are paid interest at a rate of 0.5 percent a month, or 6 percent. The idea, which goes back to the 1980s, was that you did not want people making overpayments or using the state as a bank to get the additional interest. But I think we have come beyond that. We have asked for interest, particularly when it is due, to be tied to the prime rate as is done in many other states. We have that provision in statute for federal income tax. If you owe money, the interest is tied to the prime rate, plus two, adjusted quarterly. I would suggest that would be something you might look at.

Next is section 26, which is also on page 10. If I am reading this correctly, you are saying I cannot use the ultimate remedy I have as a business and go to court. If I believe there is a constitutional challenge, as I am reading this section, you have absolutely precluded me from taking my case to court, from getting an injunction or writ of mandamus, and that is not acceptable.

Section 29 refers to interest. The remaining sections are basically conforming sections. I have just a few general comments on the bill. You have created an income tax—forgetting about what the level is because it is going to vary for different businesses and how they account—but you have changed the deductions, so you have actually decoupled from federal income tax and made it more complicated for a business in this state, particularly small businesses. You do have small businesses that can have income of more than \$500,000, so just because you set that as a cap, you have not automatically captured just large businesses.

There is a great deal of frustration that we are in the economic situation we are in right now. There is frustration because we do not have the money we would like to put into programs. There is frustration on the part of businesses because we have had many businesses close; we have had businesses laying off people and not earning money; and we hope to recover. We will recover; I know that.

What has to be acknowledged is that if you go to the Rockefeller Institute website, <www.rockinst.org>, you are going to find that the corporate income tax is the most volatile of all taxes there are. The stabilizer to a corporate income tax, interestingly enough, is having a personal income tax. That we cannot have because of the existing constitutional prohibition.

There has been reference made to previous tax studies. One was made to the Price Waterhouse study. Up until this point, where the income tax really started to show up was on September 11, 2001, where Rockefeller Institute was tracking the 50 states and revenues from corporate income tax and sales tax. The corporate income tax proved the more stable of the revenue sources. The corporate income tax for three quarters after September 11, 2001, was down 25.5 percent in the states that had it. So, you are not looking at a stable revenue source.

Those are my comments on the bill. If I may, Madam Chair, there is something I would like to read because we have been involved in trying to get a broader tax base, stabilizing the tax base, and looking to get dates where exemptions would cease to exist unless they were reviewed and found to be still valid and doing what they needed to do.

This was sent, on February 25, 2002, to the Governor's Task Force on Tax Policy in Nevada. In part, here are the phases of revenue review:

A review of any revenue system should include not only taxes, but also those fees that function as taxes because they are deposited into the State's General Fund. A systematic review involves three steps to be followed to analyze the existing revenues and determine potential new revenue sources as outlined below:

1. Passive revenue generation measures. Identify any administrative changes, such as electronic funds reporting and transfers, closing of loopholes, identifying and correcting conflicts that create differing interpretations as to the revenue that should be remitted to ensure maximum revenue is being derived from the existing revenue streams.
2. Modify existing revenue sources. Review all existing state revenue sources to see what modifications in formulas, distribution procedures, exemptions, or rates should be changed.
3. New revenues. Explore new revenue sources based on the current economy of the state.

A good tax structure has two key elements: Taxes are going to have the lowest rates possible and are going to reflect not only the economy but also the way business is done.

Assemblywoman Neal:

You started out with the "indirect" language in section 3. When I read it, I thought the sponsor was trying to create a nexus within the state. I thought the reason she put "indirect" was to deal with when a company may have an indirect relation to the state—they may not have a presence here—but their product or profit or money is finding its way into the state. I know you said it was vague, but the reason I did not question it was I thought she was trying to create the language for a nexus to establish the relationship.

Carole Vilardo:

That may be. Maybe this bill is trying to capture General Motors and all the vehicles shipped in, if that is what the definition of "indirect" is. The point is, I do not know, and I found it odd language, which is why I questioned it. If you are going to have that language, then I think you need to define it. That is my opinion.

Assemblyman Ellison:

You probably know more about taxes and corporate taxes than most people I know. Looking at how broad-based this corporate tax is, the businesses that have come to Nevada in the last 80 to 90 years have looked at Nevada because of the tax structure. Is that not correct?

Carole Vilardo:

I think it is one of the key elements, depending on the business. Businesses have different needs. They have rankings of factors such as the cost of real estate and the regulatory environment. I will say they want an educated workforce. That is one of the factors. How each of those will be ranked depends on the business. One business might rank the regulatory environment first and an educated workforce lower down. Another business might rank an educated workforce number one and taxes number five.

Bryan Wachter, Director of Government Affairs, Retail Association of Nevada:

The Retail Association of Nevada (RAN) represents thousands of members at all levels of economic activity, from mom-and-pop locations to larger companies. The members of the retail community employ over 400,000 workers in the state of Nevada and contribute \$2 billion a year to the state's economy.

I want to share with you how companies might address the creation of a corporate income tax here in Nevada. A corporate income tax would create a new expenditure for businesses. Even without being in the worst economy since the Great Depression, it is very unlikely that new revenue for a business will be available to pay this new bill. Businesses have certain costs that a business has to pay, such as rent, utilities, licensing fees for multiple jurisdictions and reasons, the MBT, employee salaries, employee benefits, economic development, and remodeling. If you add corporate taxes to that list, cuts have to be made somewhere.

It is unlikely that a business will first use price increases to make up the shortfall. With the Internet, companies increasingly are having to compete not on regional, but on global levels, for products. They cannot outprice different markets. When someone can go online, not pay sales tax, and get free shipping, a business here cannot compete on price. Raising the price is not an option.

Most businesses purchase their buildings; those mortgages are locked in, so cuts cannot be made there. Utility costs are highly monitored and controlled. Other than opening later and closing earlier, a business has little control over the amount of utilities it pays. Local governments are not likely to decrease the amount of licenses required or the fees required for those licenses just because

the State of Nevada enacts a corporate income tax. So, the tax liability on those licenses is going to remain the same. That leaves employee wages, benefits, and economic development as places a business will have to look to be able to cover those new costs.

Economic development is twofold. It includes the creation of new buildings and it includes the modernization or cleanup of older buildings. Because of the new burden of a corporate income tax, old stores will deteriorate faster and new stores will not be built.

Labor is the cost a company has the most control over. When businesses are faced with paying this new tax, employees will suffer from fewer available hours or lower wages.

A business can only bring in a certain amount of money. Its income is limited, and there is a direct formula for how or where a business chooses to locate. A corporate income tax will create an additional expenditure to a business, and there will likely be no additional income to offset that expenditure. So, the money to be able to pay that bill has to come from somewhere. It is not going to come from prices, so it has to come from other costs the business has.

Economic decisions for businesses are local, meaning that profitability is determined store by store. So, for these large megacorporations, as they were referred to earlier, their store openings are determined by how that store location performs. The companies in California, or locations in California, do not subsidize the locations in Nevada. If the store at the corner of West Craig Road and North Martin Luther King Boulevard in Las Vegas does not perform and is not profitable, they will close that store.

Forty-seven large stores have closed in Clark County since the recession began in December of 2007. These stores are community anchors. For example, two Assembly Districts lost a total of five grocery stores. One of those was in Assembly District 1. Losses have been felt in neighborhoods across the state. These anchor stores represent centers of commerce. For every anchor store in a community, they represent 10 or 15 small businesses that feed on the foot traffic of that anchor store.

When you suggest that by putting a \$500,000 floor on this and the goal is not to attack small businesses, that may be, but when you go after larger companies and they are forced to close their doors, there are small businesses that depend on the economic volatility of those larger ones. Dry cleaners and small shops that feed on the foot traffic of that larger store will go away. In fact, I would challenge anyone to take a ten-minute drive in Clark County and

not pass at least one shopping center that is almost vacant or on its way to being vacant. It did not start when those small stores went out of business. It started because the grocery store left or because the furniture store left. There is a direct relationship between those large businesses being able to make a profit in that particular area and those small businesses being able to survive.

It was also brought up earlier that RAN conducted a poll in February. It was suggested, and was entirely true, that in that poll, the citizens said they would be supportive of a corporate income tax. Because the credibility of the poll is not in question, I wanted to share with you a couple of other results from that same poll. Sixty-one percent of Nevadans in the same poll said they understood that when you raise taxes on business, you kill jobs. Fifty-two percent said taxes are harmful to economic development. Fifty-two percent said colleges should be cut or tuition raised in order to fix the higher education budget. Fifty-six percent of respondents in that same poll that said a corporate income tax should be looked at said additional cuts in Nevada can be absorbed.

I bring this up to be able to give you some context for how different things are put in place. Walmart was brought up as an example, and I think it should be. Walmart is an example of what happens when a small business grows. It did not start out as a multimegacorporation. It started out as a small mom-and-pop general store and it has expanded.

I think all small businesses eventually look to the idea that they create one store and then they open their second location and their third location. They want to succeed, and they want to do well. The idea that, as soon as they become large, suddenly they are bad or they have a more negative impact on the community seems to be counterintuitive to wanting to support small businesses.

Assemblyman Anderson:

I was hoping you could comment on the claims we have heard about Walmart charging the same prices in Nevada that they do in other states or, in some cases, higher in Nevada, even though we do not have a corporate income tax. For the record, if that is true, the fact that we are getting the same prices offends our sense of fairness. I believe my constituents would probably feel the same way.

Bryan Wachter:

Prices are determined on a multitude of levels. They are not in a direct relationship to the amount of tax burden an individual store has in a certain jurisdiction. Transportation costs factor into it. Building costs, labor costs, wage costs, utility costs, property tax costs, the MBT cost, license costs,

health inspection, food inspection, fire inspection—there are a lot of things that go into prices.

Progressive Leadership Alliance of Nevada showed you this morning a comparison of certain states and Nevada and said, look, these prices are the same. That is entirely true, and I do not know the amount of other things in those other states that are going into those price concerns. I can tell you it is not a simple matter of cause and effect. There is not a direct correlation between prices and taxes. It is an interesting comparison, but if you raise or lower taxes, there may not be a corresponding increase or decrease in prices.

Chair Kirkpatrick:

Okay, Ms. Neal and then Mrs. Benitez-Thompson. Then we will have to move on because we still have one more bill.

Assemblywoman Neal:

I have two questions. Would you agree or disagree that there is a need to have a tax system that does not necessarily favor one particular economic activity over another? I ask that because there is a need to capture more income. When I looked at the export list, 113 companies were making \$77 million, yet they had their bases in Nevada. Yes, they pay the MBT and some form of property and sales tax. Do you agree or disagree that there is a need to at least widen that base?

I will go ahead and ask my second question now. You mentioned the corner of Martin Luther King Boulevard and Craig Road. I am assuming it is the Vons and the Albertsons markets that closed there, is that right? The reason I thought those stores closed was because of too much competition from the Super Walmart that opened not even a block away from those two stores that had higher prices. For that particular community there, which was a new community that was hit by foreclosures, I thought maybe those were the additional factors in those two stores losing their ability to function. Those two stores had been there for at least 15 years before that Walmart showed up.

Bryan Wachter:

I will address the second question first and then the first one, if you do not mind. I can remember when I moved to that area and Craig Road was a dirt road, seeing that one store go in. It was a Lucky Supermarket before it was an Albertsons. I agree with you that the neighborhood has changed a lot based on the economic system. There are hundreds of reasons businesses will close in a particular area. You did not see Vons or Albertsons leave the entire county. You saw them lose in particular areas. If you look at that Vons shopping center, you will notice Kincaid's Flowers, the GNC, and those smaller stores are

no longer there. I cannot say whether that was because of competition or not, but I can say there are lots of reasons that go into determining whether a store closes or not. In that particular area, we lost some grocery stores.

On the first question, I will reiterate what Ms. Vilardo said. A tax needs to have the greatest amount of base and the lowest rate. When you look at what to tax and what not to tax, it is always important to realize that a tax should not force a company or an individual to make an economic decision they were not going to make already. That tax should not play into whether I am going to buy this product or I am going to open this store. We would look toward making sure those taxes were not causing decisions such as I was going to buy that product, but now I cannot afford the 6 percent or 8 percent sales tax in Clark County. We would look for a wide base with a low rate on activities and products that do not cause economic decisions.

Assemblywoman Benitez-Thompson:

I will just reiterate what I said before. I am hoping the merits of the bill and the language of the bill are what we will discuss today. I felt that much of your testimony was about how tax was going to be detrimental regardless of the type of tax, how it is carried out, or how it is enacted. I feel that if folks do not want to have a conversation about revenue and taxes just because they do not want to pay them, then that is fine, but I really do hope to get into the different types of rates that are in here.

Once again, if you believe this 4.5 percent rate that is being set is detrimental to the state, then tell me how and why. If other states have this at a higher rate and the sky is not falling in Utah, and small business is not exiting the entire state of California or Arizona, then I want to know why the sky will fall in Nevada when this rate is less than another state's. That is what is important to me. I want to understand specifically, in Nevada, what this rate does, not just that taxes for taxes' sake are inherently bringing us to defensive readiness condition (DEFCON) 1. That is what I want to keep on the record.

Bryan Wachter:

I had hoped I had kept my testimony consistent with how a corporate income tax in Nevada—I did mention 4.5 percent—would affect businesses. The reason I cannot give you a Nevada-specific answer is because I do not know the total amount of liabilities a California business has as compared to the amount of consumers that is available to a California business. Most cities in California have a higher consumer base than the entire state of Nevada. There are huge considerations that go into whether a business can be volatile or valuable in a certain location or not.

I wish I could give you a better answer, but I can just tell you in Nevada this will be an additional cost, whether it is at 4.5 percent, at 6 percent, or at 0.5 percent. It is an additional cost to a business in Nevada on top of the other costs that Nevada businesses have. I hoped to share with you how an additional cost to a business would affect how it could operate.

Assemblywoman Benitez-Thompson:

I still feel like the argument is really generic to the fact that taxes are just inherently detrimental overall. There is a lot of empirical evidence out there that tells us that in other states with different tax structures that might levy similar taxes, we are not seeing the kind of negative impact people are telling us this would have in Nevada.

If those negative impacts are out there, then bring that evidence forth. Tax study after tax study has told us we have to do something in Nevada. Tax study after tax study across the nation has told us other states are doing things that do not decimate business in their states. I just want to make sure that, at some point, we are cutting through rhetoric across the board, really looking at this, and having a plausible discussion.

Chair Kirkpatrick:

Thank you. We are going to move on because we do have another bill.

Tray Abney, Director, Government Relations, Reno-Sparks Chamber of Commerce:

To Mr. Ellison's point, I have never made a payroll myself, but I do represent 1,500 businesses and business owners who do.

To Mrs. Benitez-Thompson's point, we are told that with a tax structure and a tax system—and Mr. Wachter and Ms. Vilaro touched on this—you want a low rate, you want something that is relatively stable, and you want something that is broad-based. I think the proponents of this bill did try to answer the low rate question by talking about how this 4.5 percent would be a lower rate than those in our neighboring states. However, I think stability—the second leg of that stool—is an issue.

I am going to point very briefly to two studies. First, we have talked a lot in this building about the Tax Foundation. The Tax Foundation, in May 2010, looked at all the various states and their types of taxes and tax structures. I am going to quote one line from this study: "Corporate income has by far the greatest amount of volatility." They even say sales taxes tend to be more stable than a corporate income tax.

I will also point very briefly to the Federal Reserve Tenth District, which is based in Kansas City. This was their third quarter, 2008, economic review. A couple of lines from this document say: "While revenues from corporate taxes are much more volatile . . . ," and another line says, "Corporate tax revenues grew slower than personal income and were much less stable in both the nation and District. In fact, they were the most volatile tax instrument. So, corporate income tax has added the most volatility to tax structures, at the same time providing only limited growth." Finally, it said, "Corporate tax revenues tend to be volatile, and decreases from this revenue source are probable in some areas." We talk a lot about creating a stable tax. If that is your goal, I am not sure a corporate income tax, whatever the rate, is the way to go.

Third, you know you want something that, as Mr. Wachter mentioned, is as broad-based as possible. This is not broad-based at all. We currently have a broad-based business tax. Now, you can talk about whether we bring in as much revenue as you want from that tax, but it applies to every employer in this state. This proposed tax would only be on some income on some employers.

It is a disincentive to grow. I think Mr. Wachter very eloquently talked about how a tax like this is a disincentive for a small business owner to grow into a little bit larger business owner.

It is the idea that everyone should pay for our society and not just certain people or certain businesses in Nevada. I would mention that we have heard a lot—Mr. Wachter talked about the money having to come from somewhere. If it is not going to be from prices, as we have seen, is it going to come from employees' salaries or benefits? Is it going to come from shareholders? It is going to come from somewhere. That money will be made up; that hole will be filled.

There is a lot of talk about companies coming here and paying zero taxes. They do not pay zero taxes. They pay MBT, property tax, sales tax, licenses, inspection fees, et cetera. The list goes on and on. On top of that, the United States has one of the highest corporate income taxes in the world. They are far from paying zero taxes.

Finally, I will just close by saying we talk a lot about quality of life. Having a job, I believe, is the ultimate quality of life. We need to be very cognizant of what we do here. We talk a lot about job creation in this building, and we need to be very careful about what we do to affect job creation.

Assemblywoman Flores:

We talk a lot about job creation and jobs. We have among the highest, if not the highest, unemployment rates in the entire country, and it has been like that for awhile. We also have one of the lowest tax structures. It seems we say that a lot, but explain, perhaps, a concrete connection to that.

Tray Abney:

We do have one of the lowest tax structures, but—the Tax Foundation will tell you this as well—we are about in the middle in government spending per capita. We take in a lot of tax revenue from other sources, and we spend it, and we are about right in the middle as far as government spending and revenue are concerned.

We have all talked about economic development. We are working in other committees on ways to retool our economic development through measures such as Assembly Bill 449 and others. The reason we are doing that is our economy is so dependent on gaming and construction. So, when those industries took a tumble, everything else did too, including government revenues.

The reason government revenues are down is because business revenues are down. It is because people do not have jobs and businesses have closed. So, whatever we can do to restructure and bring more and different types of businesses into our state is ideal.

Randi Thompson, State Director, National Federation of Independent Business:

I represent over 2,000 businesses across the state. I have managed my family's restaurant for several years, and I have met a payroll. I also represent those who do have a payroll.

But I also share Ms. Neff's frustration that this debate has been going on since I was born. I am proud to be a Reno High School graduate. I value the education I received in this state, and I want to see that quality of education continue in our state.

To address Ms. Flores' point, the challenge is that we are number one in unemployment because we are also number one in bankruptcies. We have had 1 in 1,000 people file for bankruptcy in this state. Seven out of ten of those were Chapter 7 bankruptcies under *United States Code*, Title 11, Sections 701 through 784, which mean they pay no more of their bills. That has a trickle-down effect. When a carpet business goes out of business, it does not pay its bill holders any more. You have a trickle-down effect where not only do we lose jobs, but people who were supplying that carpet business do not get

paid. People who were driving trucks do not get paid. That is how people lose their jobs. So, you can increase taxes, but you are not necessarily going to increase revenue.

Let me first state I am not antitax. We all need to pay our fair share. We need a broad-based tax. What I would prefer to what Mrs. Benitez-Thompson said is an overall debate on our tax structure and not on this one bill at this one time.

Texas was referenced fairly often earlier. Texas did put a margins tax in place in 2007, which was a change from their franchise tax. That margin tax came in \$2 billion below projections. Again, you can raise taxes but you are not going to raise revenue.

This is not a broad-based approach. By exempting gaming and mining, we are not really addressing the issue Mrs. Benitez-Thompson was getting at earlier. We need to have an open discussion on looking at the past 50 years of tax studies that have told us to get to a broad-based tax, and we are not there. I thank you for your time.

Assemblyman Ellison:

You represent how many businesses in Nevada?

Randi Thompson:

I represent over 2,000 small businesses whose sizes range, on average, from 5 to 12 employees.

Assemblyman Ellison:

Do you think this tax would put a burden back onto small businesses?

Randi Thompson:

I would hope this would put a burden on them but, at \$500,000, I seriously doubt it at this point in this economy. I would think many of my members would eventually be able to pay that tax, but right now, I doubt they would.

Assemblyman Ellison:

You heard testimony earlier that small businesses feed around large businesses. I know that for a fact. So, if these large businesses are laying off employees, that is going to create a wave effect that will spread out; is that correct?

Randi Thompson:

Very much so. For example, look at the Smith's shopping center on the corner of South Virginia Street and Moana Lane in Reno. When that Smith's closed and moved south of town, several smaller businesses had to close because they

no longer had that foot traffic. So, every time a big business does close, such as a box store we all condemn, it takes with it a lot of economic development in an area. Then you have a blight right in the middle of downtown Reno.

Assemblyman Ellison:

In this room, we have looked at abatements to create jobs. I think this is going to do the opposite and go the other direction.

Assemblyman Livermore:

As you talked about the 2,000 small businesses you represent, do you represent any large box stores, such as Target or Walmart, that were being described earlier?

Randi Thompson:

No, I do not. The National Federation of Small Business represents only businesses that are not held on the stock market.

Assemblyman Livermore:

So, in the debate here about corporate tax and the resource of that, the small businesses you represent will be swept up in this effort to generate revenue. Is that a fair assumption?

Randi Thompson:

That is a fair assumption, yes.

Assemblyman Livermore:

I just want to say you represent 2,000 businesses that could potentially be placed on the list of higher risk because of their additional overhead cost that will be incurred.

Randi Thompson:

I looked at one of the examples in the Texas case. A \$6,000 franchise fee went to \$60,000 under the margins tax, which put that company out of business. When you are asking more in taxes than we can truly pay, what with payroll and all the licenses it takes to get a business started, as well as the federal tax we pay—which is, unfortunately, the highest in the world—that does take its toll. They all add up to the highest bankruptcy rate in the country.

Doug Busselman, Executive Vice President, Nevada Farm Bureau Federation:

Farm Bureau policy is opposed to this type of business taxation. We considered and continue to refer to this as a corporate tax, but, as I have read the definition for what business is identified as, that label really neglects to take into account the other business structures that are captured under this proposed legislation.

To a certain extent, I think "corporate" is taken as a way of vilifying a certain type of business that might be eligible to be taxed. Then, when we add this level of taxation, there is this perception that big is bad and they ought to pay more taxes.

First of all, there is a problem just in the general tax policy we are looking at. We do not see the obligations as outlined in A.B. 336 as appropriate. Contrary to the perspective of companies owing Nevada for being able to do business in our state, we see the merits of business as taking risk, providing products and services, providing jobs, and generating capital for those enterprises that are fortunate enough to do so.

We see this approach for revenue generation as a beginning stage for the expansion of the mechanics for larger tax burdens in the future. Our real concern with this particular piece of legislation is that once you create the format, you then have the ability to adjust, either the rates or the threshold levels for the tax. I think also, in section 13, you see we are setting up an Internal Revenue Service type system in the state of Nevada. It is important to recognize that the process of proving yourself innocent in terms of what your tax liability might be would itself incur business costs that would need to be taken into account as well. We urge you to oppose this bill. Thank you.

Chair Kirkpatrick:

Thank you. Does anybody have any questions? [There was no response.]

Samuel McMullen, representing Las Vegas Chamber of Commerce:

I want to go back to the basics on this bill. We have been consistently opposed to a profits or income tax. We think it is a bad idea. We think it does not fit the economy of this state or the actual tax policies you have already heard.

I am not going to try to restate some things; I am going to draw out some points I think you need to consider as you go through this. We have been consistently against this kind of tax because we were concerned precisely about the volatility issues just testified to that we are seeing causing problems in other states. It is not the right tax structure, in our opinion.

We have talked about different tax structures. I guess we could talk about those today, but I know today's discussion is focused on this bill. I will say you need to understand some of the key features. No matter how much someone tells you that section 4, subsection 2, on page 2, line 17, is theoretically legal, in Nevada it is, at worst, a constitutional challenge. At best, it is grounds for a lawsuit, the cost of which would defeat a budget or any other plan you put together for the funding of the state as you are concerned about it today. As

we discussed many times in many previous sessions, the worst way to balance a budget is on the back of a lawsuit.

I would say also that section 26 of the bill raises an issue of due process. It basically takes away the opportunity for anybody to even challenge this system in a court of law. I think that is an interesting provision and one you must clarify quickly if you process this bill.

We can talk about all sorts of things such as fragility, but all business taxes send a message. I think more than anything, United States policymakers need to understand exactly your position and status. Unfortunately, it is all about the economy. You can talk about prices in other states. You can talk about everything else. But really, what you have to do is make sure you are making the right statement and sending the right messages about this state, its economic vitality, and where you want it to go.

If you look at the heart of this bill, you are making a policy choice. If you pass this bill, you send the message that the state wants the profits and does not want businesses to put them back into regenerating jobs and hiring new people, building things back up, and expanding. One of the fundamental features of most businesses in Nevada right now is they are waiting to get back to the place they were when this economy was really good. The way they will do that is through putting the profits they generate back into employment, reinvestment, and building and expanding their businesses. Again, this is a bad idea in the sense that it sends that message.

The most important thing you have in front of you, at this point, is probably to do no harm and to try and make sure we do, in fact, regenerate the economy. It is easy to see that you're microcosmically right in the middle of balancing a budget, providing revenues, and funding state government. However, more than anything, you need to recognize that we used to be in great shape, and our hope is to get back to that as soon possible. Functionally, something like this is actually pointed at the very fundamental financial tool a business uses, which is its profit margin. You want to protect that so it can be put back into the very things that make jobs, make economic vitality, and get this engine humming again so we will have the budget we need.

To Assemblywoman Benitez-Thompson and others, frankly, many people have not had the benefit of a lot of debate we have had in past years on different ideas that are more structurally matched to the economy. I think your challenge is to match our tax system to the economy and not to just some idea that it is all businesses that need to be paying these taxes and that somehow you can do that without any pain or damage to the economy.

Thank you very much. I will be happy to answer any questions.

Chair Kirkpatrick:

Thank you, Mr. McMullen, and I would point out that this Committee probably has most of your future legislative leaders on it, so the more they can be engaged in the processes, the better. Mrs. Benitez-Thompson does have something for you.

Assemblywoman Benitez-Thompson:

I agree with a lot you said, but there are a couple points I would like clarified for the record. As I read this language, this is a tax on companies that produce net profits over \$500,000. I have been hearing different things about how this tax is going to impact companies' ability to make payroll, but those expenses are already deducted from the revenue, so we are talking the \$500,000 that is left over, that is net profits.

I know you have a philosophical disagreement with profits being taxed at all, and, once again, that goes back to my statement about this really being a generic argument because almost every other state does it. We see it in a lot of different forms. I just think there is a lot of good evidence out there showing why that argument is not as true as some folks believe.

I still want to make it clear—and I said this in the mining argument—I do not begrudge anyone making a profit. If you build a widget, and you sell it, and you make money off that—great, do it! If you do it better than anyone else and you have that competitive edge, that is phenomenal.

But I do not think that negates the business responsibility and the ethics to make a commitment to build your community and to have a sound infrastructure in your community, which means good schools, good roads, and a good, strong safety net because that is sincerely what does help attract business. I think that is a role a good, responsible business does play.

Those profits do not mean anything if a business makes them and then sends them out of state. I am not a legislator in other states; I am a legislator in Nevada, and I am most concerned about what is happening to our communities here in Nevada.

I do look forward to talking to everyone in this audience more in the future, because I think we are all saying the same thing. We are saying we have been debating this for a long time, and there are a lot of different studies giving us direction, but every time we go down the path of discussing what those options

are, everyone comes out of the woodwork against it. I want to make sure we are also sincere in the type of conversation we are having.

Chair Kirkpatrick:

Thank you, Mrs. Benitez-Thompson. Ms. Pierce, do you have any final comments?

Assemblywoman Pierce:

Thank you for hearing this. I think Mrs. Benitez-Thompson said it perfectly.

Chair Kirkpatrick:

Thank you. At this time, we are going to close the hearing on A.B. 336 and open the hearing on Assembly Bill 504.

Assembly Bill 504: Revises provisions governing delinquent taxes.
(BDR 32-922)

[Chair Kirkpatrick left the dais, and Vice Chair Munford assumed the Chair.]

Vice Chair Munford:

We are ready to start the hearing on A.B. 504. Madam Chair, are you ready to begin?

Assemblywoman Kirkpatrick, Clark County Assembly District No. 1:

Most of you know this is a Committee bill that we presented. Before I present the bill, I want to go back through a bit of history.

Last session, we passed Assembly Bill No. 193 of the 75th Session, which required our top seven agencies that collect dollars to report to the Legislative Commission how much they were supposed to collect, how much they actually did collect, and what the deficit was. They did explain the reasons for any noncollections.

At least since I have been involved in this legislative process, we have had a dollar amount out there of uncollected dollars for the State of Nevada. Some of that debt is over 40 years old. This came to light in 2007 and 2009. But in the interim during the last legislative session, it was very apparent that people were counting on those dollars. However, those dollars did not necessarily exist because it was very hard for us to go back and collect them. We have done a tax amnesty twice, and it has been very successful for us.

What mechanism we do not have, though, is the mechanism to take that bad debt off of the books and allow it to be a clean slate. It is as if you had a

checking account when you were 18 and you are now 45, but if you owed \$7 way back then, that would still be hanging over your head for a very long time. This does not preclude us from going after those people who still owe taxes to our state. If they come back and open another business, or if they leave the state and come back at another time, there will be a database compiled by the Office of the State Controller.

What we do not want to have, especially for new legislators coming in, is this arbitrary dollar amount that may not exist because it may be too old for collection. This bill, which I worked with Dino DiCianno on for more than a year, allows the Department of Taxation to go in and clean this up. The Legislative Commission typically meets on a quarterly basis. This was discussed at great length on both sides of the aisle during the Legislative Commission hearing. At that time, I said I would come back and clean this up.

With that, I will go through the sections of the bill. Section 1 amends Chapter 360 of *Nevada Revised Statutes* (NRS), which contains general provisions relating to revenue and taxation. This adds a new section requiring the Department of Taxation to submit a report to the Nevada Tax Commission on or before January 15 of each year showing all the money owed to the Department for delinquent payment of any tax administered by the Department.

Section 1, subsection 2, requires the report to include the amount of any delinquent taxes the Department has determined to be impossible or impractical to collect.

Section 1, subsection 3, requires the Tax Commission to request the State Board of Examiners to designate any amount the Department has determined to be impossible or impractical to collect. The Board of Examiners may, by a majority vote, designate these amounts as bad debt if it is satisfied that the uncollected taxes are impossible to collect.

Subsection 3 also allows the Board of Examiners to delegate the authority to the Clerk of the Board to designate delinquent taxes as bad debt if the amount of delinquent taxes is not more \$50. This subsection also allows the Tax Commission to appeal to the Board a denial and to request that delinquent taxes be designated as bad debt.

Subsection 4 requires the State Board of Examiners or its Clerk to immediately notify the State Controller upon the designation of delinquent taxes as bad debt and requires the State Controller to direct the removal of the bad debt from the books of the State.

Subsection 5 requires the State Controller to keep a master file of all delinquent taxes designated as bad debt pursuant to section 1 of this act. The State Controller is required to record the name of the debtor, the amount of the debt, and the date the debt was incurred.

With that, for the Committee members, I will tell you I kicked and screamed for the last three sessions trying to understand why we had so much in uncollected debt because I did not understand how these businesses were not paying their taxes. I have worked with Mr. DiCianno at great length—and have the utmost respect for him—over the last four years, to show that, especially in Nevada, people get up in the middle of the night and leave, so we do not necessarily get their taxes for that particular area.

We have been through the books time and time again, and many legislators in this building this session, last session, and the session before, have counted on that money to fix our budget crisis. That is how we came up with the tax amnesty. I can tell you I was the biggest person saying, “I do not get it. Where does this money come from? How did we never collect their taxes?” Just based on the way we collect in our state, there were times we did not collect, but I will tell you I have a full year’s worth of the reports set up by A.B. No. 193 of the 75th Session. We really do a good job with the companies in our state. You would be proud to know that, at least in our state, the Gaming Commission collects 99 percent of the taxes it administers, and the Office of the Secretary of State collects a little over 90 percent. With that, I will take any questions.

Vice Chair Munford:

Does anybody have any questions?

Assemblywoman Bustamante Adams:

On page 2, line 12, is there a special reason the limit was set at \$50, or are the majority of the delinquent taxes under that?

Assemblywoman Kirkpatrick:

I do not have the bill in front of me; I only have my notes. However, I will tell you that we do not want them to just write off all bad debt. Fifty dollars is a good threshold for us to come back and keep working on it.

Assemblyman Stewart:

I think this is an outstanding bill. I cannot imagine anyone being opposed to it. Thank you.

Assemblywoman Kirkpatrick:

Thank you, Mr. Stewart.

Assemblyman Livermore:

I do not disagree with the bill whatsoever, but I think there is potentially some other debt that is owed the state. I do not know how much the State Controller is currently doing to collect the debt that is owed. A lot of debt comes from a lot of different places, I am sure, but would you think that a review of all debt owed might be part of this process to understand the magnitude of how much debt is owed to the state?

Assemblywoman Kirkpatrick:

Ms. Wallin, the State Controller, can testify to that. Last session, I think Assembly Bill No. 87 of the 75th Session was the bill that allowed her to go in and to have agencies turn over dollars to her, once they were uncollectible, so she could go in and collect them. I will tell you, though, the way the current statute was written, sometimes that debt could be three or four years old before she actually got control of it. She has been working very hard with all the agencies across the state to get those collectible amounts turned over more quickly so she has a shorter time frame. But with the Department of Taxation, there was no ability for them to actually take it off their books.

Assemblyman Livermore:

Okay, thank you.

Assemblywoman Benitez-Thompson:

This is just a bookkeeping function then. So we would carry this uncollectible debt for just the preceding year, and then it would be removed from the books. Is holding onto these liabilities of under \$50 for one year generally within the realm of acceptable accounting practices, or should we be holding onto it for two years?

Assemblywoman Kirkpatrick:

We worked on this bill with the Department of Taxation to find what was in their best interest in terms of their ability to collect in a timely manner, knowing it is going to the State Controller's Office to be collected in a shorter time frame. I am assuming, as Mr. DiCianno has retired and is no longer here, that we have to have these tools in our toolbox in order to have the correct numbers for future legislators. I am going to go out on a limb and say I assume that is acceptable accounting procedure, but I can follow up on that.

Vice Chair Munford:

Are there any other questions from the Committee? [There was no response.]
Is there anyone who would like to come up in support?

Chris Nielsen, Interim Executive Director, Department of Taxation:

I am here in a support/neutral position. I just want to thank Chair Kirkpatrick for bringing this bill forward. It certainly would, from a bookkeeping standpoint, make looking at the existing administrative regulations easier for the state as a whole. If you have any questions, I would be happy to answer them.

Vice Chair Munford:

Are there any questions? [There were none.] Thank you, Mr. Nielsen. Is there anyone else in support of this bill? Is there anyone in opposition to this bill? Is there anyone neutral? [There was no response.] Madam Chair, do you have any final comments?

Assemblywoman Kirkpatrick:

Thank you, Mr. Vice Chair. I would just tell the Committee that you see a lot of reports. If you read the reports, you can actually find good things to fix within our state. I implore you to look at those reports, because there is a lot of good information in them. Thank you.

Vice Chair Munford:

That closes the hearing on A.B. 504. I want to make a couple of announcements. We will take a ten-minute break. After the break, we will convene a meeting of the Assembly Committee on Government Affairs. We are adjourned [at 10:12 a.m.].

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: April 12, 2011

Time of Meeting: 8:02 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 336	C	Craig Stevens	PowerPoint Presentation
A.B. 336	D	Craig Stevens	Worksheet: "Nevada Business Income Tax Scenarios"
A.B. 336	E	Erin Neff	Petition supporting a broad-based business tax on corporations with net profits exceeding \$500,000 a year and discussion of other revenue sources
A.B. 336	F	Jerry Purdy	Handout: "Why Nevada," from the Nevada Economic Development Advisor Board website.