

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE**

**Seventy-sixth Session
May 14, 2011**

The Senate Committee on Revenue was called to order by Chair Sheila Leslie at 1:47 p.m. on Saturday, May 14, 2011, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Sheila Leslie, Chair
Senator Steven A. Horsford, Vice Chair
Senator Moises (Mo) Denis
Senator Joseph (Joe) P. Hardy
Senator Elizabeth Halseth

COMMITTEE MEMBERS ABSENT:

Senator Michael A. Schneider (Excused)
Senator Mike McGinness (Excused)

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Brenda Erdoes, Legislative Counsel
Gayle Rankin, Committee Secretary

OTHERS PRESENT:

Carole Vilardo, President, Nevada Taxpayers Association
John Farley, Nevada Faculty Alliance
Jack Mallory, International Union of Painters and Allied Trades, District Council 15; Southern Nevada Construction Trades Council
Ida M. Gaines, Southern Nevada Coalition of Concerned Women

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Ben Atteberry, American Federation of State, County and Municipal Employees
Local 4041
Theresa Navarro, Progressive Leadership Alliance of Nevada
Bob Fulkerson, Director, Progressive Leadership Alliance of Nevada
Sebring Frehner, Nevada State Student Alliance, Nevada State College
Erin Neff, ProgressNow Nevada
Willie Newell
Stephanie Schoen
Michael Perrier, Counselor, Washoe County School District
Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of
Nevada
Tracy Du Pree
Constance Brooks, Clark County
Michael Flores
Addie Crisp, Transport Workers Union
Elvira Diaz, Progressive Leadership Alliance of Nevada
Tanja Hayes, Parent Leaders for Education
John Kinney, Western Nevada College
Thelma A. Pratt, American Federation of State, County and Municipal
Employees Local 4041
Vicenta Montoya, Chair, Si Se Puede Latino Democratic Caucus
Aimee Riley, Student Body President, College of Southern Nevada
Ray Vail
Russell Alfano, American Federation of State, County and Municipal Employees
Local 4041
Erik Schoen
Charles Fulkerson, Veterans' Advocate
Freida Carbery, Director, Dayton Food Pantry
John Madole, Nevada Chapter Associated General Contractors
Karen Taycher
Jan Crandy
Kyle Davis, Nevada Conservation League
Elisa Cafferata, Nevada Advocates for Planned Parenthood Affiliates
Pat Sanderson

CHAIR LESLIE:

We are to hear testimony on Senate Bill (S.B.) 491 with the Proposed Amendment 6801 ([Exhibit C](#)). We will start with Carole Vilardo. Our staff will

be taking notes, and I encourage you to sit down with the staff and go through it in more detail.

SENATE BILL 491: Makes various changes regarding public revenue and taxation. (BDR 31-1150)

CAROLE VILARDO (President, Nevada Taxpayers Association):

I have not polled our Board, and we have no position on this bill; I am testifying to specific issues I found in the bill. I sent this to my accountants for their review. I have heard back from one of the accountants, and I will reference those comments. I have some suggested language changes relative to certain sections. I am waiting to hear from other accountants. If they have different issues than what I will raise today, I will get those to you.

I will be referring to Proposed Amendment 6801, [Exhibit C](#). I would like to start with page 9, section 14, subsection 2, paragraph (a), line 42. When you look at the Schedule E—Form 1040—that includes rents from real property and royalties other than minerals, you may have an individual, not a business. The accountant questioned that reference. Royalties from other than minerals could be patent royalties. Someone could have invented something, have a patent on it and get royalties from it.

Next is page 10, section 18, line 12. Can you tell me what “indirectly” means? Do we have a percentage? It is a catchall. When you use language like “indirectly” and then talk about regulations being adopted, we do not have any input from you as policy makers to set parameters. On page 10, section 23, does “pass-through revenue” include the revenue that a credit card company would get before it is credited to the retailer or the service business? I do not know if credit card companies are consignees. I look at consignee in a different context. It would be helpful to have that clarified on the record.

On page 12, section 27, subsection 3, paragraph (e), line 28 says, “those services constitute all or any part of the entity’s trade or business.” I suggest that if you are processing this, you could say “50 percent or greater of the entity’s trade or business.” This needs to be specified.

On page 14, section 33, subsection 3, paragraph (c), line 37 speaks to 501(c)(3) organizations as being the only entities exempt. My Association is a 501(c)(4). It is not exempt; that is not a problem. Trade associations are

501(c)(6) and unions are 501(c)(5). I had no idea until this morning there are 33 tax-exempt organizations. If you are planning on having these entities pay the margin tax, there was no reference to forms to be used. When you look at this with the entities involved and the number of groups captured, some of them have no form to use.

CHAIR LESLIE:

Every 501(c)(3) organization has to file Internal Revenue Service (IRS) Form 990. Does that tell you who is and who is not exempt?

MS. VILARDO:

That is for a 501(c)(3). If you look at the list, the annual return required to be filed can be a variation of Form 990. Some direction would have to be given to those groups if your intent is to tax those entities. Please reference page 15, section 35 of the proposed amendment. One of my accountants put information together as a matrix ([Exhibit D](#)). On this reference, [Exhibit D](#), for the revenue, line 10, other income from pass-through entities is included on the line, but then it is subtracted. Why would you make the form that more complicated if you are adding and subtracting? For partnerships and S corporations, income from disregarded entities is added, but then you are taking them out: they cancel one another out.

On page 17, section 35, subsection 2, I would like an explanation of what is meant by "federal consolidated group." This is the only place it is used. It is not part of the definitions. If it speaks to a combined group, you have a definition for that. On the same page in the same section, subsection 3, lines 12 through 16, I need an explanation as to what is meant by "net income of the passive entity was generated by the margin of any other business entity." If I am paying on margin and cannot exclude passive entity from income, we may be double-taxing on that.

On pages 18 and 19, section 36 deals with the cost of goods sold. I have talked to my colleague, Dale Craymer, in Texas at the Texas Taxpayers and Research Association, and this has been one of the biggest problems in Texas. Of 50 bills introduced, about one-third of them are trying to clean up cost of goods sold. The cost of goods sold, as discussed on these two pages, does not match federal definition. The federal definition on cost of goods sold is found in Title 26, Code of Federal Regulations, section 263A on costs. It requires overhead costs to be allocated so there is uniformity in the capitalization rules

for merchandise or whatever is being sold. As section 36 is written, not matching federal law, the consequence for the business is keeping two sets of books. That is expensive.

On page 21, section 37, subsection 5, paragraph (b), the wording assumes cash compensation from partnerships and limited liability companies is distributed income. In many cases, the only distribution made from those partnerships and limited liability companies is to cover the tax due from that individual because the remaining amount of money is held by the partnership or the limited liability company for purposes of capitalizing the business.

On page 24, section 42, subsection 2 is the once-every-four-year limit provision for changing the accounting method. I question this because the way IRS rules are periodically changed, a business entity may want to change the accounting method. It could be cash, it could be accrual, it could be a combination of the two. If the entity changes it within a four-year period as identified by this bill, then it is in the same situation again. The business entity is keeping a double set of books and complicating audits by the Department of Taxation because they are not tracking. With IRS, changing the method of accounting is quite simple. You write to the IRS that you are changing the method and identify the method, and then the IRS either allows it or does not allow it. That would make it much easier for auditing purposes and for the business.

On page 25, section 44 refers to the business filing an extension. The suggestion was we do not do this, but follow IRS code. To file an extension for a federal income tax return, one fills out the form requesting the extension, paying at least 90 percent of what is expected to be owed. The time granted for the extension is as follows: Corporations have to file with IRS by March 15. The extension is granted for six months to September 15. An S corporation or a partnership has to file by April 15 and the extension is granted for five months, to September 15. That would be easier because all that would be needed is to provide a copy of the form you sent to the IRS.

On page 27, section 54 should follow existing procedure. You have bills modifying this, so this should be set to track those bills. The same comment applies to the transaction tax.

On page 28, section 56, subsection 2, lines 19 and 20, you have made a violation a gross misdemeanor, which is a felony. I am not aware of any place

else in tax statute where we do that. Do you want to give someone a police record by doing that?

With your implementation dates, I would request you do what was done when we did the Modified Business Tax (MBT). You would have a six-month period at a minimum with no interest or penalties for misfiling or not understanding the process. Departments will do a lot of work to figure out whom this is supposed to capture.

In my observations, you put through two major tax bills that get implemented within one year's time. Unless you are willing to pay a lot of money to have that done, you need to look at staggering implementation dates if you are going to process those bills. This is not a revenue source based on the ability to pay. Texas ran into that problem. The bill gives an exemption for the first \$1 million, but I assume all businesses file, because how would you know if they are exempt or nonexempt. As I read the bill, that is silent in the provision.

CHAIR LESLIE:

We are looking for this kind of input. We appreciate your reading the bill.

SENATOR HORSFORD:

Your remarks bring up the issue of implementing two elements or options of revenue at the same time. The transaction tax is the service component and service taxes already exist. The fact some process is in place for the collection of certain service-related taxes now indicates an infrastructure already in place. Can you elaborate on that?

MS. VILARDO:

Are you talking sales and use tax, as the definition of a sales price includes some services? A retailer already licensed and providing the service is captured there. The items under Live Entertainment Tax would be considered a service. It is a different process and system. It is a bifurcated system. The big thing has always been notification and getting the people who will ultimately be liable for either paying the tax or collecting and remitting the tax to understand what they are supposed to do. The Department of Taxation will need modifications on its existing program. The program is tailored to retail sales, and the transaction tax will have a separate form, a separate set of rules and separate reporting. As an example, if a customer buys a suit and has alterations done, there will be a separate 1 percent tax.

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JOHN FARLEY (Nevada Faculty Alliance):
I have prepared testimony ([Exhibit E](#)).

JACK MALLORY (International Union of Painters and Allied Trades, District Council 15; Southern Nevada Construction Trades Council):
I have prepared testimony ([Exhibit F](#)).

IDA M. GAINES (Southern Nevada Coalition of Concerned Women):
I am here today to add my voice to support S.B. 491. There are cuts and new revenue in this legislation. The budget is significantly lower in total spending than 2009. It sets us on a path of fiscal responsibility. That is why I am here today urging you to take a compromised approach. Our 1950 tax code has failed this State. It does not provide adequate funding for education, the engine of a modern economy. It is not stable, and it hampers our ability to recruit new businesses and industry. A compromised approach updates our tax structure to fit a modern economy. A compromised approach ends the job-killing MBT and replaces it with a modern margin tax that exempts small businesses, gives big businesses flexibility and encourages job creation. The compromised approach in S.B. 491 broadens the tax base to include some services, the bulk of a modern economy. We can lower the sales tax rate Nevadans pay every day. A compromised approach will improve the education system in Nevada which is badly in need of reform. Eliminating funding and closing campuses does not improve anything. The compromised approach requires significant cuts. It also provides the funding, policies and tools we need to reform education. I urge each of you to look at a compromised approach.

BEN ATTEBERRY (American Federation of State, County and Municipal Employees Local 4041):

I am speaking in support of S.B. 491. I am glad we are looking to change our situation. I would encourage you to continue looking at other sources of revenue because I have been watching what is going on in Carson City. We are in a nosedive. We are headed for the ditch. I am a former State employee. I lost my job last year. My department was eliminated. I never saw a check I could not use. I have spent my whole life working in construction, and there is not any construction. What am I supposed to do? I could go to Western Nevada College and reeducate myself. But if I go to Western Nevada College, that is gutted. There is not going to be anything left there for me to pursue for another line of work without studying for a bachelor's degree at the University of Nevada, Reno (UNR). I do not have any income. I am left with my pension,

which is enough to make my house payment and pay my medical benefits. After that, I have \$50 left over each month. I want you to understand what is going on.

CHAIR LESLIE:

We asked for you to come and talk to us. There is nothing to apologize for.

THERESA NAVARRO (Progressive Leadership Alliance of Nevada):

I have been a community activist in Nevada for over 35 years. I am here to speak on behalf of people in our communities. I have been listening to the various committees discuss cutting positions, closing correctional centers and some schools due to cuts in the education budget. Every time you talk about cutting positions, that includes families. These families have children in school and these families may lose their homes. We will have more foreclosures. We are already No. 1 in the Nation in that area. If we do not support this bill, are we going from 35 to 45 children in a classroom? This is ineffective for education. Is unemployment going to rise to 15 percent? This bill is very important to this State. This bill needs to be passed.

BOB FULKERSON (Director, Progressive Leadership Alliance of Nevada):

This tax bill, S.B. 491, is far superior to anything we have seen in a long time. We did our tax report, and this proposal is much stronger and much more equitable to help bring our State back into the twenty-first century. I want to compliment everybody who has been working on this. There has been a parade of business leaders from the gaming industry, private industry and the mining industry. I want to express gratitude to them for stepping up to save this State.

On the other hand, we have this no-tax set and no-solutions crowd of antigovernment extremists who are following the ideology of Grover Norquist to shrink government "down to the size where we can drown it in the bathtub." A lot of people, a majority in this body and in this State, stand on the side of solutions to wake up Nevada. Atrocities and human tragedies are occurring on a scale we have not seen in our State before.

Not in our name will children get up hungry because our state is forty-third in free and reduced breakfast and lunch in schools. We are the highest in the rate of growth for food stamps. Not in our name will a homeless veteran who is mentally ill have to suffer or even die on the streets of our towns because of basic services being cut. Not in our name will a senior citizen commit suicide for

lack of suicide prevention funds in a state with the highest senior citizen suicide rate in the Country. Not in our name will a man or a woman contract and pass on a sexually transmitted disease (STD) because basic information is not available thanks to the elimination of STD funding as proposed in the budget. Not in our name will a middle-class kid lose access to the basic attributes of a decent community because of a public pool and a library being closed down. Most of us took these attributes for granted when we grew up. Not in our name will a poor mother enter an emergency room with a grave and preventable condition because we are already fifty-first in Medicaid spending with more cuts coming. Not in our name will highly profitable megacorporations—like Wal-Mart that pays corporate taxes in 47 other states—continue to export their profits out of our State like the mining industry. Not in our name—if we can wake Nevada up—will one Governor and a minority of people in this body wreck our State with our consent.

SEBRING FREHNER (Nevada State Student Alliance, Nevada State College):

I would like to put our support behind bringing our tax structure into the twenty-first century. I would like to invite the Committee and the Legislature to come and join us Monday night when we camp out to join you in the Carson City bubble.

SENATOR HORSFORD:

Today is graduation day at UNR and University of Nevada, Las Vegas (UNLV). This is the largest graduating class UNR has had. I am so afraid if we approve this budget, we will go from the largest graduating class to a university unable to graduate students with the same programs now offered.

ERIN NEFF (ProgressNow Nevada):

We encourage you to stop by our tent city this coming Monday and Tuesday nights outside this Legislative Building. I am here today in full support of Proposed Amendment 6801 to S.B. 491. My nine-year-old son and five-year-old daughter are losing four teachers next year from their Las Vegas school; Givens Elementary School in Senator Halseth's district is losing 14 teachers. There are plenty of sacrifices going on. I am not willing to sacrifice the Nevada I believe in, and I know you are not either. We do need to put more money into higher education and into kindergarten through Grade 12 education, and this is the means to do that.

WILLIE NEWELL:

I come before you today as a concerned citizen. I am in support of S.B. 491. We need a more stable tax program in Nevada. We cannot have any cuts to our educational system or to our health and human services system. The margin tax along with the transaction tax will help bring new revenue into our State. I am a construction worker. I would rather pay a little more now to keep things the same than to put a little more in my pocket and see things get a lot worse. This has to be a give-and-take; I believe we citizens are willing to give, but not if cuts take away from our children and take away our health services.

STEPHANIE SCHOEN:

I have been a Nevadan since 1966. This is the best idea I have seen in a while. I am fully in favor of anything that brings in revenue. If some Nevadans still have a belt to tighten, pretty soon they are going to have to take it off, boil it and serve it for dinner for lack of any other choices to put food on the table. We are at the point where there is nowhere left to tighten. Some people in this State, specifically the groups I work with the most, are people with developmental disabilities who never had a belt in the first place. They are really struggling. The budget the Governor wants us to approve is taking away from these people. We see it every day. I talk with families who question whether they can continue to exist by July. They are the most vulnerable people. They rely on the community. If the community is not healthy, these people cannot exist at all. They will end up in institutions, which cost us all more money in the end.

MICHAEL PERRIER (Counselor, Washoe County School District):

The middle school where I work has 1,050 students. We are going to lose between five and seven teachers. Our classrooms have between 30 and 37 students. With the seven teachers we are proposed to lose, our numbers would approach 40 children per classroom. Would you want your child to be in that classroom?

JAN GILBERT (Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada):

I was fortunate to listen to the presentation to the business community about the margin tax. It is a far better tax than the Progressive Leadership Alliance proposed. This margin tax is going to protect small business. In 2003, I was here listening to all the tax proposals, as many of you were. We kept talking about protecting small business and then ended up with the MBT, which was

the worst tax possible for a small business. It said to small business, do not hire anybody else. It is going to cost you more money because it is a payroll tax. This margin tax is a smart tax. It gives businesses three options. They can deduct in different ways. It is not a gross receipts tax. It also has a floor, so if you make under \$1 million in revenue, you do not pay tax. The phasing out of the MBT is a great thing. I hope this body will see this as a way to improve our structure. There are going to be cuts, and this is a balance. This tax will not solve all of our problems, but it is a start.

The proposals in the Governor's budget create a huge hole. In two years, you will come back and have to fill that hole. In a presentation by Jeremy Aguero, he said you will need a 12 percent increase in order to fill the hole, not to move ahead. That has not happened in 2 years out of 20 years. We will be stuck with a real problem in two years—I will not be here, you will be—to deal with it if you do not pass some kind of a reform in the revenue structure this Session. My organization is willing to step up and work on an initiative process if nothing comes out of this Session. I know it is not the best way, but if we have to do that to change the mining law and push to change the business profits tax law, we will do it. Something has to be done, and there have to be changes. Change it here and not at the ballot box.

TRACY DU PREE:

I am a 37-year resident of Nevada and a 17-year State employee. I applaud this body for attempting to bring out a stable revenue structure in a land where "no new taxes" is our favorite bumper sticker and policy. The idea of anybody proposing a revenue structure in Nevada is a wonderful thing. We need it. It is hard to sell, but it is important. Imagine what it would be like to come to a Legislative Session and not have to spend 90 percent of your time trying to fill holes by cutting valued state services we cannot afford to cut. We are in a leaky boat. This bill will be tough to pass in this body. If you can get it done, you will be remembered as the people who finally got Nevada on the path it has needed since 1940. I speak in full support of this bill. I am tired of working with no increases, no matter how hard I work and no matter how many Nevadans thank me for helping them get a job, I get to make less and pay more for my insurance. My single person deductible, as of July 1, will go from \$700 a year to \$1,900 before insurance pays for anything. If I had children, my deductible would go up to \$7,300. How do we survive? Two-thirds of our economy is generated by consumer spending. If the Governor's budget goes through as proposed, I am not spending diddly-squat. I cannot afford it. I appreciate this

body for everything it has done to try to provide an alternative. I hope the other side recognizes the value of this bill.

CONSTANCE BROOKS (Clark County):

Clark County is neutral with regard to S.B. 491; however, we will be discussing this publicly at our next Board of County Commissioners meeting on Tuesday, May 17. We are appreciative of any opportunities and creative solutions toward fixing our budget deficit.

MICHAEL FLORES:

I come from a family who owned a small business. We owned a lot of small businesses when I was growing up. We did not make over \$1 million a year. We did okay. I like this bill because it exempts businesses under \$1 million. It is important and key. All I have talked to in the community, whether business owners or community leaders, are willing to pay a little bit. The small businesses want to pay a little too. This is a good bill. I have been organizing students throughout the State for the past few years; I can speak for them and say they would support this bill too. The politics are about putting food on the table. I do not want people to think this is not important to the people of Nevada. For every one person who is here, we represent 2,000 or 3,000 people who wanted to be here but had to deal with other issues. I know people are saying Legislators do not care what the constituents think or say. A lot of us are tired, but we are not going to give up. We need to fix this State now. This bill is a good step in doing so. I support S.B. 491.

ADDIE CRISP (Transport Workers Union):

I came here to talk to you for my neighbors who were not able to be here. I live next to UNLV, and college students who live in my building work on the weekends as bartenders at the pools. Some of my neighbors work at The Boulevard Mall and their kids go to William E. Orr Middle School. They cannot afford the cuts in the Governor's budget. We are in full support of S.B. 491.

ELVIRA DIAZ (Progressive Leadership Alliance of Nevada):

I am a single mom. I have a 21-year-old and a 6-year-old. My 21-year-old is celebrating graduation with her classmates. She is going to graduate next year. I cannot teach my 6-year-old English because I will give him an accent. I just moved to a new house so I can put Christian into a full-day kindergarten. I am struggling to keep the same location for my children. I feel like I am not going to be fair with my youngest with these cuts. I am in full support of this bill. The

seniors and the disabled need the services. I do not want to see more homeless in the streets and more people without health-care services.

TANJA HAYES (Parent Leaders for Education):

I am the parent of two elementary school children and one preschool child. I am here as a member of Parent Leaders for Education. Our group has grown from 7 to over 750 members. We have hosted six Stand Up For Education events with 150 to 300 people in attendance each time. We have delivered over 1,200 constituent postcards to Washoe County Legislators and the Governor. This is the twenty-third day we have had someone in Carson City volunteering to attend meetings, giving public comment, delivering postcards and having individual meetings with Legislators and the administration. I am here to advocate for additional revenue to fund education.

When I hear the budget numbers presented by Washoe County School District Superintendent Dr. Heath Morrison, I find them horrifying, not just for my own kids but for all kids in Nevada and our future. Increased class size and elimination of vital programs and positions will hurt all of us. Throughout our events, we have watched the parent responses change from one of wait and see before the Governor's budget was presented to one of shock at the impact of the proposed cuts. There is an expectation that the Legislature and administration will do what is necessary—both sides working together making the compromises and the hard decisions during this Session to prevent these cuts from happening to our children and our State. The parent members are not looking for short-term patches that will let us scrape by until the next economic upswing; they want real solutions now that will lead Nevada to a prosperous future. We see S.B. 491 as a beginning to those real solutions. It is an indication the Legislators from both sides are willing to have the discussions, propose the compromises and make the votes required to adequately fund education in Nevada, and we support those efforts.

JOHN KINNEY (Western Nevada College):

I have worked for Western Nevada College for 14 years. The gentleman in Las Vegas who talked about UNLV is right. The colleges are losing people daily—professors, instructors and classified employees. There are skeleton crews. We are pushing four to five times our weight at work. We do not say anything because we have a full-time job. My colleagues behind me are State workers also. We are hurting and need some kind of revenue from somewhere. The higher education system is being hit, and I do not know why. Who made up

this rule to hit education or welfare? They need more help than anyone. The morale at the College is dismal. There is nothing there. It is really tough to go to work and see people crying at their desk because they are afraid of being fired. I was able to hold onto my house last year because I rented it out. If I get hit again this year, I will lose it. Why? There is no reason for this. I am irritated, frustrated and mad, and I cannot do anything about it but sit here and talk to you people. I do appreciate your time, but we need to find some revenue. If you people cannot find a source of revenue, we will, somehow.

THELMA A. PRATT (American Federation of State, County and Municipal Employees Local 4041):

I want to commend you for being willing, in this political climate, to consider any kind of revenue. It is essential. For the last two years, I have been saying this is a State problem, not a state worker problem. This is being considered a state worker problem. I realize our pay is a big part of the budget, but if you do not consider revenue, you cannot continue to cut and cut us. It is getting to the point where we cannot be cut any further. With the budget, it looks like we will do that again.

I have already lost one house. I do not want to lose another one. I got the cheapest house I could find in Reno. I am living there with a family of seven. The husband finally has full-time work. I hope that continues. His wife has not found work. His daughter is 20 years old and does not have her diploma; she has her general equivalency diploma and cannot find work. His oldest son went into the military. One of his children has the free breakfast and lunch program at school. These programs are going to be cut.

I cannot continue to have cut after cut. I do not know how I will afford health insurance. I am bouncing between two different programs, trying to figure out which one may charge me less. Fortunately, I will go on Medicare, depending on how that works with the State program. I have been asking questions and not getting any answers. It is frustrating to deal with all of this. I hear my coworkers say they have \$50 or \$100 of discretionary money for the month. I am on dialysis. I cannot afford to live another year because the deductibles and out-of-pocket expenses are so high on the Preferred Provider Organization (PPO) plan. When I was on the PPO plan before, I spent \$8,000 out of my pocket. For the first time in my life, I deducted medical expenses on my income tax. I do not know what health insurance to go on because the PPO has lower monthly payments than the Health Maintenance Organization (HMO), but the

deductible is so high for the PPO. The maximum out-of-pocket is supposed to be \$3,400, compared to \$6,000 on the HMO. When I was on the PPO, I paid \$8,000 out of my pocket. There is no good choice at this point. If you do not increase revenues, I do not have anywhere to go. I do not know what I am going to do. I am going to start dropping insurance I have carried for years. I had a disability in my lifetime, so I carried short-term disability insurance for years. I may have to drop that. I cannot draw long-term disability until I have been disabled for six months. What do I do for the six months in the meantime? Do I kick these people, who cannot afford another house, out of my house? Additional cuts do not work for us. We are at the bottom now. I support this bill.

VICENTA MONTOYA (Chair, Si Se Puede Latino Democratic Caucus):

I want to thank you for bringing forward S.B. 491. We are in a deep hole in Nevada. We cannot get out of that hole by cutting our way out of it. We have to have revenue. This modest proposal is only 0.8 percent of a taxable margin for a business over \$1 million. I am a small business owner. I wish I had more than \$1 million to pay this tax. I do not have that. It also eliminates from consideration people who have sole proprietorships, general partnerships directly owned by natural persons and nonprofit organizations.

So many sacrifices are being called on for people who are teachers and State employees. We have the leanest government in the United States. How much leaner can we get? How many services are we to afford our citizens? We are moving forward to a system of education that tells teachers we do not value education. Do not come here for a job because you may not keep that job. Others, such as professors, will consider leaving the State. We read articles in the paper about how those cuts affect us directly. The Desert Research Institute is a prime consideration. Because of cuts, this institution that brings in grants will not have that money to go out and get matching grants. The Institute does work all over the world as a noted organization with premium employees who excel in their field. We will lose that valuable resource. We are losing valuable teachers and professors, and then we do not have services for people who are facing suicide and seniors who do not have anyone else to take care of them. This is not the kind of State I want for myself and my family members. This modest proposal is a step in the right direction. The sacrifices need to be shared among all of us. This is a modest sacrifice for the business community.

AIMEE RILEY (Student Body President, College of Southern Nevada):

I have pneumonia, and I do not have insurance. This is one of the sacrifices I am sharing. I come to you because I support S.B. 491 as an individual as well as a representative of the College of Southern Nevada. I am also a single mother who comes from a diverse background. I am a good representation of the of Nevada and its diversity. I appreciate this bill, and I hope you will support it.

RAY VAIL:

I would like to go on the record to say I am in favor of the bill. There have been too many cuts, and we are bleeding. We need education, and we have to stop taking away its support. We need jobs. We do need to sacrifice, but it has to start at the top and involve everybody. Who in their right mind would want to move here with all the problems that exist in this State? We need to address that and turn this situation around.

RUSSELL ALFANO (American Federation of State, County and Municipal Employees Local 4041):

I am in favor of S.B. 491. It is not the fix to make it all better, but it is a step in the right direction. You cannot cut anymore. It did not work. As a State employee, I have experienced the furloughs. I experienced one of the multitude of foreclosures, and I am a renter now for the first time in my life. When I went to work for the State 18 years ago, I accepted the low wage because there were benefits, stability and a retirement plan. Now I am 18 years into a career and those three things that encouraged me to take a State job have eroded. My daughter is not cured of asthma, but according to the plan set in place by our Governor, she better be by July 1 because I cannot afford her care. I have an honor student and a leadership student sitting behind me. They are my 12- and 13-year-old kids who want to go to UNR. What kind of education will they get? Each of them has lost two teachers they are going to miss, and it is not fair. Sometimes life is not fair, and I understand that.

Cutting is not working. It did not work in the last biennium when we took the furloughs and cuts, and it will not work this time. This is not the answer. We have to find another revenue stream. I am concerned about where my future lies. It is not just my future but my kids' future. Where are they going to go? What are they going to do? My wife is going to miss Phase 2 of a two-part class she is taking. She is a business owner. That would be great if she made the \$1 million to qualify to pay this tax. She cannot take the second part of the class because we cannot afford for her to drive to Reno two times a week.

I have to tell my kids I cannot afford track and field this year, and I have to get them used equipment for soccer. I would be willing to make that shared sacrifice if it worked, but it does not. We have to go for revenue, we have to start that and we have to push. I am in support of S.B. 491.

ERIK SCHOEN:

Thank you for what you all do. I am a community activist who lives in Reno and works in rural Nevada too. I see a broad spectrum. I am a fiscal conservative, but I believe in a social contract. I went to business school, and the principles in business school still apply today. We do want to manage our expenses as best we can. We also want to diversify our funding. That is the healthiest kind of funding you can have. We also want to pay for those things now that will save money down the road. I want to tell you a story about how important that is.

Yesterday, I got a call from a woman who was desperate. She has been calling all over to get help. Her 13-year-old son has been drinking everything he can, snorting everything he can and smoking everything he can. He is starting to act out in unpredictable ways, and she is desperate for help. She told me she called 60 different providers and could not find a way through the door for her son. She is on Medicaid. I spoke to her a while and did some calling around on my own. I found the best option for her was to go to Las Vegas. There was an option in Reno for outpatient care, but he needs residential care. It will be far cheaper and more cost-effective if we can provide the services he needs now versus letting them get out of hand. As a fiscal conservative, I find it is easy to support S.B. 491. Many generations of my family are Republican, and I am the first Democrat. I feel like the Republican Party has lost what it used to have with regard to the social contract. Fiscal conservatism does not mean just saying no. It means saying yes when the right opportunities come along. This is one of those opportunities. Please support S.B. 491.

CHARLES FULKERSON (Veterans' Advocate):

I am a military retiree. Since I retired from active duty, I have been a veterans' advocate in Reno. I am in favor of this bill. If it does not pass, an important part of A.B. No. 187 of the 75th Session that provides funds for veterans' court will be unavailable. The veterans' court has been set up and has done a great job. Veterans have special needs because of the service they have given their Country. This court has filled that need and helped these veterans in many ways they cannot get otherwise. Many veterans did not go on active duty because they wanted to; they did it because it was a job. They came and served, some

gave some and some gave all. They served their Country and came back to their Country. Because of that service, the things they experienced and the things they suffered, they need some help from the community. The communities provide veterans' hospitals and other services. The veterans' court meets their special needs and should continue. Our heroes came home and did not have an advocate. The veterans' court is a good advocate for them. We need more tax money to help the veterans' court and the Nevada State Veterans' Home in fulfilling a great need. We have federal funds for a nursing home in the north. We need the State to help service the veterans in northern Nevada.

FREIDA CARBERY (Director, Dayton Food Pantry):

We serve the Lyon County area. When I first took the position two years ago, we served approximately 75 people. These days, we see as many as 235 families. We see the people who have \$50 left for the month. We see the people who are striving to stay in Nevada. We see the people who volunteer because they want to make a difference in their community and they cannot find work. They come to the Pantry and pack food for backpacks so kids can have food for the weekend. We have come to that point. In one of the legislative committee meetings, Senator Horsford said hope is not a strategy. He gets it. I see S.B. 491 as hope and action. I see it as giving a way for our community to receive the services they so desperately need. I would like to remind you that Nevadans are here to stay. We are here to weather the storm; we just need a little help.

JOHN MADOLE (Nevada Chapter Associated General Contractors):

We have a state in distress, and I appreciate the enormity of the job you have before you. I also represent an industry in distress; at this time, we do not have much of a margin on which to worry about paying taxes in this industry. Nevada has led the Nation in construction unemployment. This is part of an overall strategy to invest in the future of this State, which would include investing in infrastructure and creating jobs. As long as we all hold on to our wallets for the reasons you have heard during the last two hours, this State will never recover. We have a lot of needs out there. We have heard about some of those, but we also have water line and other infrastructure needs. We need to invest in these things while the opportunity is there and while we can get things at a bargain. We need to create jobs for Nevadans and combine that with significant reforms. Some people did not like those reforms, but you have to couple this with other things that are needed. We have to spend our money

judiciously. If you are prepared to do those things, then we are prepared to step forward and give you some support.

KAREN TAYCHER:

I have worked for the last 24 years to improve the lives of families and persons with disabilities throughout Nevada, just as many of you have provided service to Nevada to improve lives. My heart is hurting today because my efforts over 25 years and possibly your efforts over 25 years have been wasted. We have gone back 25 years in how we serve our most needy and vulnerable citizens. We are not just talking about the cuts of this Session. We have gone through cuts. Nevada is at the bottom of the good lists and at the top of the bad lists. It is unconscionable we are considering more cuts during this Session. With the stories we have listened to this Session, it is unbelievable we vote to cut. I am here today to tell you that you have my support to implement a revenue system in Nevada that takes care of our most vulnerable and gives our children an education they deserve and need for Nevada's future. I support S.B. 491, and I will do all I can to get other constituents on board to support this.

JAN CRANDY:

I have been an advocate coming to the Legislature for more than ten years. I currently sit on the Nevada Commission on Autism Spectrum Disorders. Prior to that, I served six years on the Strategic Plan Accountability Committee for people with disabilities. I came here because I have watched what we have done to the State session after session. We build services one session and then come back and dismantle them. The long-term solutions never seem to happen. We applied the bandages last Session; this Session, we are ripping them off. Historically, we cannot continue to do this. We need to stabilize our revenue to support health and human services and education. I am also a parent of four children, and two are in college. One could not get her classes this semester, so we are holding off until the fall for her to graduate. I have two high school students who are in different high schools. There is an inequity among high schools when you see what one school has and what the other one does not have. It is appalling to me.

Year after year we come back and we are so grateful if we get a 10 percent increase to serve our caseload of families. This year we are grateful we get to maintain caseloads when the waiting lists are so long and so many who need services continue to not get services. One of the waiting lists has 155 kids who have been waiting for over a year. We are adding 24 kids to that caseload. It

saddens me when parents do their best to get services for their kids and we cannot help them. We will lose a lot of children to autism and will have to take care of them the rest of their lives. It is not just about autism, it is about every health and human service. If we do not fix this, we will be back here next Session trying to build up what we cut off this Session. It is continual. I am in full support of S.B. 491.

KYLE DAVIS (Nevada Conservation League):

We are here in support of S.B. 491. Our State's environment neither knows nor understands about economic cycles. The needs of this State go on whether we are in a good economy or a bad economy. Species like sage grouse and the golden eagle are in danger of being put on the endangered species list and severely impacting our economic recovery. These concerns exist no matter what goes on around them. We understand the times are tough, and we need to make cuts. We are pleased the Legislature has adopted budgets that, while there are significant cuts, still keep these programs alive. It does not make sense for our State to be planning year by year and not looking forward to the long term. This bill shows we can reform our tax structure, think more long term, look at some problems on the horizon and do something about them now so they do not become bigger, more expensive problems in the future. This is something we need to do as a state.

The Nevada Conservation League has a bill to adopt regulations, and the fiscal note is \$30,000. That most likely is not going to be funded this Session unless we do something about revenue. Does it makes sense not to do something that everybody agrees is necessary to help the State's business climate and environment because we cannot afford to adopt regulations? We cannot continue to run our State like this. We need to be proactive, think about what needs to be done and fund those priorities.

ELISA CAFFERATA (Nevada Advocates for Planned Parenthood Affiliates):

I would like to start out today with an example of how education works so well. Joe Reel was one of my students in my business communications class at UNR, and here he is, a big success. I want to put on the record for Nevada Advocates for Planned Parenthood that we support S.B. 491 on behalf of the clients who use our health centers in the State. Most of them do not have insurance or are in their first jobs and are looking for low-cost, high-quality health care. This helps to address the problem. I want to speak from a fourth-generation Nevada family as a Republican. I am encouraged about the conversations regarding

revenues and reforms and realistic long-term solutions to many of the issues you have visited every session. I think a lot of Republicans and businesses would support this bill because it does get rid of the MBT—a difficult solution compromise that has a dramatic impact on the business community. This is something more equitable that would provide a lot of support for small businesses. I hope you will consider supporting this bill.

PAT SANDERSON:

I was born and raised in Nevada. I support S.B. 491. My father raised me to pay my own way. I went to work when I was eight years old. I do not ever remember not having a job. I did not get an allowance. If I wanted something, I worked for it. I am proud of that. All of my life I have worked and paid my way. This is the time for Nevada and all the people in the State to pay their fair share. This bill is only one step. All of us paying our own share lowers the amount for everyone to pay and provides services. It is crazy to think that decimating education and laying off 3,000 teachers will help the State and the budget. I worked in construction my whole life. I was never out of work for very long. I did not always work where I wanted to; I had to move from area to area and state to state, but I found a way to exist. Today I am retired but still working. I do not know if I would have had a job in this recession. No one was a better worker than me. All I want is for us all to pay an equal share to preserve Nevada. I hope you pass this bill.

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CHAIR LESLIE:
I adjourn this meeting at 3:29 p.m.

RESPECTFULLY SUBMITTED:

Gayle Rankin,
Committee Secretary

APPROVED BY:

Senator Sheila Leslie, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 491	C	Senator Sheila Leslie	Proposed Amendment 6801 to Senate Bill No. 491
S.B. 491	D	Carole Vilardo	Revenue Matrix
S.B. 491	E	John Farley	Prepared Testimony
S.B. 491	F	Jack Mallory	Prepared Testimony