

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE**

**Seventy-sixth Session
May 16, 2011**

The Senate Committee on Revenue was called to order by Chair Sheila Leslie at 12:40 p.m. on Monday, May 16, 2011, in Room 2134 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 Michael A. Schneider
Senator Moises (Mo) Denis
Senator Mike McGinness
Senator Joseph (Joe) P. Hardy
Senator Elizabeth Halseth

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Mike Wiley, Committee Secretary

OTHERS PRESENT:

Chris Nielsen, Vice President and COO, Zappos.com, Inc.
Donna Clontz, Northern Nevada National Organization for Women
Shaundell Newsome, Newsome Marketing Enterprises, LLC
Jerrie E. Merritt, Vice President, Urban Chamber of Commerce, Las Vegas
Bobbie Gang, Nevada Women's Lobby
Patty Elzy, Public Affairs Director, Planned Parenthood Mar Monte

Senate Committee on Revenue
May 16, 2011
Page 2

CHAIR LESLIE:

I will open the hearing on Senate Bill (S.B.) 491.

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

CHRIS NIELSEN (Vice President and COO, Zappos.com, Inc.):

We are in support of S.B. 491. Zappos has a vested interest in Nevada's future, and we believe in being part of the community. Things that matter to our employees are schools, health care, economic development and a variety of other essential services. We support efforts to broaden Nevada's tax base and set the State on sound financial footing for the future. The margin tax would apply to Zappos, and while I have not studied the details of the bill, we support the broad implications and structure of the bill.

SENATOR HORSFORD:

Approximately how many employees do you have?

MR. NIELSEN:

We have 1,200 employees in Las Vegas.

SENATOR HORSFORD:

Are you paying the Modified Business Tax (MBT)?

MR. NIELSEN:

That is correct.

SENATOR HORSFORD:

Part of reconstructing the Nevada proposal is to provide a bridge to what is called the margin tax, which would not come online until July 2012. Is there anything about sustaining the MBT that would be a disincentive to you as a growing company?

MR. NIELSEN:

The direction of S.B. 491 makes sense to me. I understand there would be a transition, but it is not a concern to me.

Senate Committee on Revenue
May 16, 2011
Page 3

SENATOR HORSFORD:

Zappos is primarily retail and a technology-based company?

MR. NIELSEN:

The primary way we communicate with our customers is through technology and doing all the right things with it for our customers.

SENATOR HORSFORD:

Because of your technology requirements, your employees need to have a certain skill set so that they can deliver at a level that will satisfy your customers. What value does higher education play in your ability to recruit a trained workforce? How important is a quality education to your recruitment process?

MR. NIELSEN:

Higher education is critical to what we do in a variety of areas. We expect our employees to know how to do the job, but we also need to innovate, build and create new things. One of the considerations my wife and I made when we decided to move to Las Vegas was related to the educational system in Nevada. Within the company, we have discussed ways we can help build higher education.

SENATOR HARDY:

What is your State tax burden under the current system, and what will it be under the margin tax based on which option you choose?

MR. NIELSEN:

I have not had a chance to make that calculation prior to my testimony. We can send in the information.

SENATOR HARDY:

I would appreciate it if you would.

CHAIR LESLIE:

Your testimony is that if you end up paying more with the MBT, you are still supporting the bill because of its broad-based nature.

Senate Committee on Revenue
May 16, 2011
Page 4

MR. NIELSEN:
We think this is the right direction.

CHAIR LESLIE:
Would you send the information on which of the three deductions your company would take and the given result?

SENATOR DENIS:
You testified that one of the factors in deciding to come to Nevada was education. What kind of things did you come up with?

MR. NIELSEN:
We do hear there is a concern with the higher education system from people being recruited inside the company.

SENATOR MCGINNESS:
You indicated 1,200 employees; do you have any idea of how many have graduate degrees from a university?

MR. NIELSEN:
I do not know that number.

SENATOR MCGINNESS:
Is your business similar to Amazon?

MR. NIELSEN:
The functions we provide in Las Vegas are a customer service call center, technology development, buying activities and general office staff.

SENATOR MCGINNESS:
Is Nevada your only location?

MR. NIELSEN:
Our warehouse activity is located in Kentucky.

Senate Committee on Revenue
May 16, 2011
Page 5

SENATOR MCGINNESS:

Since you have not calculated the tax implication of this bill, is the tax system not a concern of yours?

MR. NIELSEN:

The team went through that consideration, but I was not part of the decision. Tax structure was one of things considered in moving from California.

SENATOR MCGINNESS:

Has that ceased to be a concern? You endorsed the bill without knowing the details?

MR. NIELSEN:

We care what the environment looks like overall. We are comfortable enough with the direction to feel good about supporting the bill.

SENATOR HORSFORD:

The tax liability is so low on your business that the concept to broaden it with the margin tax is not onerous even if it means a slightly higher tax rate than what you have under the MBT.

MR. NIELSEN:

That is correct.

SENATOR HORSFORD:

We talk about a business-friendly tax environment in Nevada because the tax liability is so low, but what is the quality of life being provided to the employees and team members who work for a company? Based on books I have read about your company, the vision of Zappos concerns technology and the possibility of attracting technology companies and emerging industry from throughout the Country, and maybe even the world, to locate in Las Vegas, but we need to offer a different quality of life.

MR. NIELSEN:

These are complicated decisions companies have to make, but we have had a lot of positive experiences in Nevada and Las Vegas and would like to encourage people from the tech community and other start-up communities to give the area a chance. We are excited about moving to a downtown location so we can build up a base of business surrounded by entrepreneurial ideas

floating back and forth and companies working together to build things over time.

DONNA CLONTZ (Northern Nevada National Organization for Women):

We are in support of S.B. 491. The bill addresses one of the issues we work on for women which is economic justice. In Nevada, funding is being cut and there is the job situation and the shortfall in the State's budget for higher education, kindergarten through Grade 12 systems and the welfare social areas. New ideas for creating new revenue streams to meet the budget shortfall are very important.

SHAUNDELL NEWSOME (Newsome Marketing Enterprises, LLC):

We are a small business marketing firm, and when the recession hit, small businesses were impacted heavily, including Newsome Marketing. We had nine employees, and today we have three. But we are starting to see our business grow. We are always concerned about taxes. I had a problem with the MBT, and I asked people if there is a better way. We probably could have saved a couple of jobs if it had not been for the payroll tax. I support the margin tax because I believe it will give small businesses flexibility. We need a great educational system. All of my employees have degrees, so I support the need for a quality higher educational system.

SENATOR HORSFORD:

Under S.B. 491, there would be a bridge whereby current taxes would continue, including the MBT, but the MBT would drop in the second year. Can you sustain the current taxes in place for a year knowing that in 2014 the margin tax replaces the MBT? Is the MBT going to be a hardship?

MR. NEWSOME:

The MBT is something that I am paying now, so I will find a way.

SENATOR HORSFORD:

Under the margin tax proposal, any business under \$1 million would be exempt from paying the margin tax. The only tax liability on a small business would be the \$200 fee to register with the Secretary of State's Office.

MR. NEWSOME:

Most of the businesses I work with are under \$1 million. Generating cash flow for a small business is crucial during the first five years. Giving a small business a break on payroll will be a big help because payroll costs are hard to manage.

JERRIE E. MERRITT (Vice President, Urban Chamber of Commerce, Las Vegas):
The Urban Chamber is in support of the bill because of the small businesses with which we are involved. The Urban Chamber, starting in the early 1990s, has always been involved with small businesses. We operate the small business incubator in partnership with the City of Las Vegas at the Business Development Center, which allows small business people to get the training and education to become better business owners. We are in support of helping Nevada, and this bill will help small businesses with their tax liabilities. Small businesses are having a difficult time getting access to capital, so any help with taxes will be of great value.

SENATOR HORSFORD:

The business incubator project is located in the Southern Nevada Enterprise Community, which is an area of town that has the lowest rate of business investment and ownership of any other place in the State. This is the type of business-friendly climate we want to offer to big business as well as small business. Regarding having predictability on future expenses, especially tax liability—would the provision in S.B. 491, which does not impose the new tax until July 2012, help the businesses you represent? Do most of these small businesses fall below the \$1 million of annual income that would allow them to be exempt from the margin tax?

MS. MERRITT:

The majority of the small business members falls below the \$1 million guideline. The Chamber membership is mostly corporations that support us greatly, but the members we bring the most value to are the small businesses.

BOBBIE GANG (Nevada Women's Lobby):

I have prepared testimony ([Exhibit C](#)) and a handout ([Exhibit D](#)).

Senate Committee on Revenue
May 16, 2011
Page 8

PATTY ELZY (Public Affairs Director; Planned Parenthood Mar Monte):
We are in support of S.B. 491 because we need revenue to help keep health, education, mental health and safety programs funded.

CHAIR LESLIE:
The Senate Committee on Revenue is adjourned at 1:21 p.m.

RESPECTFULLY SUBMITTED:

Mike Wiley,
Committee Secretary

APPROVED BY:

Senator Sheila Leslie, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
S.B. 491	A		Agenda
S.B. 491	B		Attendance Roster
S.B. 491	C	Bobbie Gang	Prepared testimony
S.B. 491	D	Bobbie Gang	We Must do better