

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE**

**Seventy-sixth Session
February 22, 2011**

The Senate Committee on Revenue was called to order by Chair Sheila Leslie at 1:06 p.m. on Tuesday, February 22, 2011, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator 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:

Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles
Dawn Lietz, Supervising Auditor II, Motor Carrier Division, Department of Motor Vehicles
Marlene Lockard, Nevada Petroleum Marketers and Convenience Store Association
K. Neena Laxalt, Nevada Propane Dealers Association

CHAIR LESLIE:

The Senate Committee on Revenue is called to order.

WAYNE SEIDEL (Administrator, Motor Carrier Division, Department of Motor Vehicles):

I will cover motor fuels and our State's role in the fuel industry ([Exhibit C](#)). We collect and distribute motor fuel and special fuel taxes to the State Highway Fund, counties and local municipalities. We license and regulate the fuel-tax suppliers, the users and retailers. We track all movements of fuel into, within and out of the state. The payers of fuel tax in the State are licensed suppliers who sell fuel tax-paid to any retailer or end user. The rate of tax for federal is 18 cents and state is 32 cents.

Motor fuel and special fuel taxes are used the following way. The 23-cent combined fuel tax is distributed in this manner: 12.6 cents goes into the State Highway Fund for construction, maintenance and repair; 5 cents goes into the State Highway Fund for new construction of highways. The County receives 5.4 cents for construction, maintenance, repair and purchase of equipment. There is also a 4-cent to 9-cent county option, 1-cent county other and an index tax for Washoe County and the Regional Transportation Commission.

The county fuel tax rate of 4 cents to 9 cents is divided as follows: Douglas, Esmeralda, Eureka, Lincoln, Nye and Storey Counties have the 4-cent county option tax, Elko County has the 6.5-cent county option tax. Carson City, Churchill, Clark, Humboldt, Lander, Lyon, Mineral, Pershing, Washoe and White Pine Counties are at the cap of 9 cents per gallon. The indexing starts after the 9-cent increment. The history of the Washoe County tax index includes A.B. No. 516 of the 72nd Session, which enacted the index for counties with populations between 100,000 and 400,000, based on the Consumer Price Index (CPI). It was changed by S.B. No. 201 of the 75th Session to include the Producer Price Index (PPI). Each year the PPI will increase by the amount of the overall PPI for the county.

We have four examples on how the county index tax works in Washoe County. The first examples show the CPI method for fiscal year (FY) 2004 to FY 2005 on a gallon of fuel going from almost 16 cents to over 16 cents, using a CPI of 2.78 percent. The next examples show the combining of CPI and PPI. The CPI was 3.1 percent for FY 2010 to FY 2011 and the PPI was 5.18 percent. The combined increment increased from 55 cents per gallon to 61 cents per gallon.

Next, we have the Clark County index estimate using a similar PPI net tax that Washoe County is using. From January 2010 through December 2010 by using the Washoe County index, Clark County generated \$25 million a year. The Washoe County index applies to gasoline/gasohol, diesel, compressed natural gas and liquefied petroleum gas. The index rate is cumulative and increases on July 1 of each year. Since inception, index taxes totaled 9.08 cents per gallon.

State entities that receive the monthly fuel distribution are as follows: counties; incorporated cities; Highway Fund, Nevada Department of Transportation; Civil Air Patrol; Department of Wildlife and Division of State Parks; U.S. Environmental Protection Agency; Agriculture, weights and measures; and administrative fees, Department of Motor Vehicles.

The cost per gallon of gasoline is broken down by: inspection fee of \$.00055; crude at \$2.24; refining cost of \$.33; marketing of \$.26; local tax of \$.09; federal tax of \$.18; cleanup fee of \$.0075; and State tax of \$.23. The cost per gallon of diesel is broken down by: crude at \$2.31; refining cost of \$.51; marketing cost of \$.33; federal tax of \$.24; cleanup fee of \$.0075; and State tax at \$.27. The total imports of fuel are approximately 2 billion gallons for FY 2010 in the State. Our exports are not taxed. We have provided detailed background on prior legislation for a more in-depth review ([Exhibit D](#)).

CHAIR LESLIE:

I will open the hearing on Senate Bill (S.B.) 13. This bill was submitted by the Department of Motor Vehicles.

SENATE BILL 13: Revises provisions relating to the collection and payment of certain fuel taxes. (BDR 32-494)

MR. SEIDEL:

I have prepared written testimony on S.B. 13 ([Exhibit E](#)).

CHAIR LESLIE:

Has this electronic mail change occurred anywhere else in your Department or in State government where we are notifying people by electronic mail?

MR. SEIDEL:

I believe there are other electronic notifications by State agencies.

CHAIR LESLIE:

Do other places in the Department of Motor Vehicles notify by electronic mail?

MR. SEIDEL:

We do not.

CHAIR LESLIE:

If you send me an electronic mail and I do not receive it, what happens?

DAWN LIETZ (Supervising Auditor II, Motor Carrier Division, Department of Motor Vehicles):

We are using the electronic mail exchange to receive items from the taxpayer, sending them through our secure Website. We send the results back to the taxpayer, which is unofficial, so the taxpayer can review the audit prior to finalization. We have a secure file transfer protocol (FTP) site that requires the taxpayer to use a password for access, and then we rewrite the document so it is not accessible to anyone else without a password. We follow up with a telephone call to the taxpayer, notifying them electronic mail was sent. The taxpayer retrieves the e-mail and downloads the data from the server. Then we delete the information from the server.

CHAIR LESLIE:

In this case, I would receive a notice; using my password allows me to open the electronic mail?

MS. LIETZ:

That is correct.

CHAIR LESLIE:

You would know if the electronic mail was not opened.

MS. LIETZ:

That is correct.

CHAIR LESLIE:

What happens if I change my electronic mail and you send me something—is it returned?

MS. LIETZ:

If an electronic mail is undeliverable, we receive a notice from the server indicating it was not received. We only use this method if the taxpayer requests it. If we do not have a taxpayer request, we continue to send certified mail.

CHAIR LESLIE:

I am concerned the taxpayer will not receive the information.

MS. LIETZ:

We follow up with a telephone call and let the taxpayer know the data was sent. We have the ability to put a read receipt on the electronic mail, so when it is opened, we receive notification. The system keeps a history on the FTP server.

CHAIR LESLIE:

It is not dependent on me clicking yes—I want to send you a receipt.

SENATOR DENIS:

Essentially you are using an FTP server to load a document. You send taxpayers electronic mails stating they have received documents on the server. After logging in, the taxpayers download the documents to review.

MS. LIETZ:

That is what we are doing. We load the data with a password protect, and then we contact the taxpayer. The taxpayer loads data for us as well.

SENATOR DENIS:

It does not matter what happens to the electronic mail portion because you are not sending a document to their electronic mail. They have to download the information from the Website. Why do you want to change it?

MS. LIETZ:

We are required to send certified mail for audits, in addition to doing the electronic transfer of data. This bill removes the requirement to send certified mail.

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SENATOR DENIS:

What are you doing to ensure the taxpayers have downloaded the documents?
You are going to call them?

MS. LIETZ:

That is correct.

SENATOR DENIS:

When you send certified mail, do you also follow up with a telephone call?

MS. LIETZ:

We do not always call taxpayers when we send certified mail. We send an electronic mail to inform them that the findings are final, and they will be receiving the approval of the findings in the mail.

SENATOR DENIS:

Do you get a receipt back? The taxpayer has to click on the box that says send an electronic mail.

MS. LIETZ:

We have to click the box before we send the electronic mail, saying we want a receipt.

SENATOR DENIS:

If they do not click the box, you will not receive a receipt.

MS. LIETZ:

Sometimes it will say, do you want a read receipt, do you want to confirm. Some electronic mail servers will confirm; others will automatically send us a receipt when the file is opened.

SENATOR DENIS:

Is the server set up to confirm the request?

MS. LIETZ:

Yes.

CHAIR LESLIE:

Is this a money-saving idea or an efficiency idea?

MS. LIETZ:

It is a combination of both. Some of the audit files are hundreds of pages long because of the detail, so if we can zip the file and send electronically on a secured network, it saves printing and postage. We would like to take it to the next step and send the final results electronically.

SENATOR DENIS:

Do taxpayers have an option if they are not connected to the Internet?

MS. LIETZ:

We are asking not to take away the certified mailing; we just want to add this in addition to mailing.

SENATOR DENIS:

Taxpayers will still have a choice.

CHAIR LESLIE:

In the second part of the bill, are you repealing your repeal?

MS. LIETZ:

Nevada Revised Statute (NRS) 360A.050 is the authority for the interest portion on the payment agreement and if repealed, we would no longer be able to keep interest accruing during the payment process.

CHAIR LESLIE:

Why do you want to repeal NRS 365.135?

MS. LIETZ:

The section is being repealed because the Department does not allow a time extension to file the tax return. It has already been removed from NRS 366; it has not been removed from NRS 365.

SENATOR HARDY:

I wrote down NRS 368.050. Was it really chapter 366?

MS. LIETZ:

It is chapter 360A of NRS, which is the administrative chapter for all fuels.

CHAIR LESLIE:

Is there any public testimony?

MARLENE LOCKARD (Nevada Petroleum Marketers and Convenience Store Association):

We are in support of the bill with the amendment.

CHAIR LESLIE:

What is your opinion on the electronic mail download?

MS. LOCKARD:

Our clients are small petroleum business operators, and in their businesses, they have electronic mail capabilities. It is their preference.

K. NEENA LAXALT (Nevada Propane Dealers Association):

My client falls under NRS 366. My question is: If you repeal NRS 365.135, does that not put the meaning of the first sentence of NRS 360A.050 into question?

MS. LIETZ:

Nevada Revised Statute 360A.050 was initially in the bill, and upon review we discovered provisions for an extension of time of payment, which would affect our payment agreements as well as the extension of time to file the return. That is why we want to repeal this section.

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CHAIR LESLIE:

I will close the hearing on S.B. 13 and adjourn the Senate Committee on Revenue at 1:32 p.m.

RESPECTFULLY SUBMITTED:

Mike Wiley,
Committee Secretary

APPROVED BY:

Senator Sheila Leslie, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Department of Motor Vehicles	Motor Fuel and Special Fuel Taxes
	D	Department of Motor Vehicles	Fuel Tax Rates
S.B. 13	E	Wayne Seidel	Prepared Testimony on S.B. 13