

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Eighth Session
April 3, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 4:12 p.m. on Friday, April 3, 2015, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 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 Michael Roberson, Chair
Senator Greg Brower, Vice Chair
Senator Joe P. Hardy
Senator Ben Kieckhefer
Senator Ruben J. Kihuen
Senator Aaron D. Ford
Senator Pat Spearman

GUEST LEGISLATORS PRESENT:

Senator Becky Harris, Senatorial District No. 9
Senator David R. Parks, Senatorial District No. 7

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley, Counsel
Julia Barker, Committee Secretary

OTHERS PRESENT:

Linda English, Deputy State Treasurer for College Savings, Office of the State Treasurer
Grant Hewitt, Chief of Staff, Office of the State Treasurer
Randi Thompson, National Federation of Independent Businesses

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Randy Robison, CenturyLink; College of Southern Nevada, Institutional Advisory Council
Jeff Payson, Nevada Assessors Association; Clark County

Chair Roberson:

I open the meeting of the Senate Committee on Revenue and Economic Development with the hearing on Senate Bill (S.B.) 412.

SENATE BILL 412: Provides for a credit against taxes imposed on certain employers that make a matching contribution to certain college savings plans. (BDR 32-1033)

Senator Becky Harris (Senatorial District No. 9):

Senate Bill 412 aims at providing an incentive to employers to help employees and employees' families save for college. This Session has had a lot of education issues on the agenda; it seems like it is important to every Senator to provide great education in Nevada by looking at the necessary reforms and programs needed to give our children what they need to succeed. We have focused on kindergarten through Grade 12, but the overlooked student demographic is the 14- to 24-year-old range. I am passionate about helping students understand that college is within their reach. Sometimes, kids do not know how to get to college and people do not know how to start saving. That is where S.B. 412 comes in.

According to the U.S. Census Bureau American Community Survey, only 22 percent of Nevadans have a bachelor's degree or higher. If we are going to remain competitive, have economic development and recruit new companies with diverse industries, that number has to change. We will need to provide students with the education they need as well as helping them understand they can obtain it.

While other states provide a direct tax incentive to those who save for college by allowing them to claim tax credits against personal incomes, Nevadans do not have that opportunity. When looking for tools to encourage more college savings, this bill for tax credit for businesses was the next logical choice. It gives an opportunity to businesses to invest in universities and community colleges. It further allows an employee to save a portion of his or her income in an education account, an amount the employer can match. We are promoting the idea that college is attainable and can be planned for.

Linda English (Deputy State Treasurer for College Savings, Office of the State Treasurer):

I have prepared a presentation ([Exhibit C](#)) in conjunction with my testimony. The 529 college savings plans began in a handful of states in the 1980s to increase the number of educated residents, fill high-demand jobs, lessen the cost of college on families and increase enrollment at in-state institutions. Today, the plans help millions of families across the Country prepare and save for future college expenses. It has grown into an industry with over \$244 billion in assets under management in over 12 million accounts. Over the years, states have structured plans to benefit residents with low-minimum investments including fee waivers, matching grant programs and partnering with well-known national investment firms to bring high-quality, low-cost programs to state residents. The 529 plans are the best saving vehicles to get families saving and preparing for future college attendance.

Nevada offers both types of 529 plans: a prepaid tuition program which is a defined benefit plan allowing residents to lock in current tuition value today for use in the future and savings programs which work like defined contribution programs. Families taking part in the savings programs can make contributions of any amount at any time. When beneficiaries choose to go to college, they can use the accounts toward qualified education expenses, which are not just tuition.

After tax contributions, 529 plans grow federally tax-deferred if used by the beneficiary for qualified educational expenses at an eligible institution. Qualified expenses are tuition, books, fees, certain room and board, and required supplies and equipment. Eligible institutions are postsecondary educational institutions in the Country eligible to participate in federal financial aid, which include thousands of colleges, universities and vocational schools. There are no income or age limits for participation, so an employee can save for his or her education for the purpose of workforce development.

Funds from plans can be withdrawn at any time. If they are withdrawn for noneducational purposes, the earnings portion becomes taxable income and has a 10 percent penalty. If the beneficiary chooses not to attend college or gets a scholarship, plans are flexible enough to change the beneficiary to another member of the family. Families can also roll from one state's 529 plan to another. Thirty-four states including the District of Columbia offer a state income tax deduction or credit directly to individuals. Some state incentives are

quite generous. For example, New York offers a \$5,000 tax deduction or a \$10,000 deduction for married joint filers. States with this income tax deduction have higher awareness and penetration rates than states that do not. Illinois is the only state offering tax credits to employers matching employee contributions.

Slide 6 of [Exhibit C](#) is a map showing that Nevada is 1 of 11 states offering both savings and prepaid plans. We have worked to make sure college savings plans in Nevada provide special benefits for residents.

Our State Street Global Advisors Upromise 529 Plan allows participants to start accounts with as little as \$15, Slide 8. They can contribute online, automatically through their bank accounts or through payroll direct deposit.

Through funding from partners, we offer the Silver State Matching Grant Program allowing eligible Nevada residents with an annual household adjusted gross income of less than \$75,000 up to \$300 per year of a dollar-for-dollar match over a 5-year period for a \$1,500 total match. The account maintenance fee in this plan is waived for Nevada residents. This plan establishes the Nevada College Kick Start Program.

The Vanguard 529 College Savings Plan has lowered the minimum account contribution from \$3,000 to \$1,000 for Nevada families.

The United Service Automobile Association 529 College Savings Plan targets military families. It waives the annual account fee for Nevada residents and offers the Distinguished Valor Matching Grant Program, providing eligible Nevada active-duty participants with an annual adjusted gross income of less than \$75,000 up to \$300 per year of a dollar-for-dollar match over 5 years for a \$1,500 total match.

Our Putnam 529 for America accounts are sold through financial intermediaries offering a Nevada resident scholarship program. This program awards \$100 to eligible participants.

We also have the Nevada Prepaid Tuition Program, which can save families thousands of dollars upon purchasing a prepaid contract.

Slide 9 of [Exhibit C](#) shows that Nevada ranks third in terms of assets under management. As of the second quarter of 2014, Nevada was sitting at \$14.2 billion assets under growth.

Slide 10 of [Exhibit C](#) shows statistics on the Plans. I want to highlight that Nevada families have saved nearly \$400 million with our plans in over 30,000 accounts with roughly 450 participants in payroll direct deposit.

Grant Hewitt (Chief of Staff, Office of the State Treasurer):

What we are proposing with S.B. 412 is a tax credit that can be used with either the Nevada 529 plan or Prepaid Tuition Program. As the employer matches the employee's contribution, the employer will receive a 25 percent tax credit on each match for a maximum of \$500 per year. The employer can carry credits forward for up to 5 years. The maximum employee credit is \$500. We are looking for another tool to help encourage college savings in Nevada. We do not have the tools New York has, and we are aiming at developing more ways to encourage residents to open 529 plans and start saving for college for themselves or their children.

Senator Kieckhefer:

Where does it state the contribution must be made through a payroll deduction?

Mr. Hewitt:

It does not have to be done through a payroll deduction. It is a matching contribution that can be laid out in the regulations the Board of Trustees of the College Savings Plans of Nevada will be authorized to write.

Senator Kieckhefer:

Is your fiscal analysis based on the idea that it would only be done on a payroll deduction scenario?

Mr. Hewitt:

To look at the potential impact, we looked at what payroll deductions are being utilized today. Our highest year was in 2014 with 440 accounts, adding up to \$220,000 dollars if all employers got the maximum credit match. Our goal is to make this a match through payroll deductions, which will be outlined in the regulations.

Senator Kieckhefer:

Otherwise, would the potential liability be to all members enrolled?

Mr. Hewitt:

Yes. We want all those with 529 plans to sign up and get on board with payroll deductions, getting employers active in the process. We have provided a document of the historical fiscal impact on accounts utilizing payroll deductions ([Exhibit D](#)).

Randi Thompson (National Federation of Independent Businesses):

The National Federation of Independent Businesses supports S.B. 412. The tax credits are fairly limited to employers, and an educated workforce benefits employers. This is a good way to encourage employees to return to school.

Randy Robison (CenturyLink; College of Southern Nevada, Institutional Advisory Council):

CenturyLink and the Advisory Council of the College of Southern Nevada support S.B. 412 because it supports employees' aspirations to return to school. The College sees this bill helping, encouraging and supporting students at our institution.

Chair Roberson:

I close the hearing on S.B. 412 and open the hearing on S.B. 377.

SENATE BILL 377: Revises various provisions relating to the taxation of property. (BDR 32-542)

Senator David R. Parks (Senatorial District No. 7):

Senate Bill 377 makes changes to the administration of taxes on property, a biennial county assessors bill containing cleanup language updating the *Nevada Revised Statutes* relating to taxation on property.

Jeff Payson (Nevada Assessors Association; Clark County):

This succinct bill has two sections dealing with the filing of property tax appeals and common element allocation of common element improvements.

Section 2 starts with the appeal period. The law requires an appeal to the county board of equalization be filed by January 15. The past practice of the Clark County Assessor's Office has been to allow filings mailed by that date. It

was pointed out that the law does not allow that, although some statutes allow documents mailed by a deadline. Section 2 formalizes the allowance of someone filing a petition by mail as long as it is postmarked by January 15.

The second part describes a postmark. In section 2, subsection 3 asks that the postmark be a valid postal mark. We have had issues of an individual buying postage a day or two ahead of time via the Internet and mailing the appeal later than the January 15 deadline. That individual would claim the appeal was filed on time because the Internet postage was prior to the deadline. The language in the bill clarifies that the appeal must be postmarked by the postal service, not employing an Internet label or a postage meter label.

Section 3 deals with the evaluation of improvements on a common-interest community. In 2005 and 2007, there was legislation describing how common element evaluations are valued. It is difficult for assessors to allocate values the way the law is written. A common element is a pool or clubhouse on an individual parcel in a subdivision. Houses within the subdivisions are called community units. The assessor values improvements using a cost manual, allocating the improvements to each community unit. For example, if there are 100 houses in a subdivision, a common element would get one one-hundredth of that value. This has presented administrative problems because nothing tells the assessors what community units are in a common element community. We are asking for associations to tell us how many community units they have and which parcels they are so we can accurately allocate common elements onto the parcels. We are not changing the evaluation or the allocation process. We are struggling to get accurate allocations on the parcels, and S.B. 377 helps remedy that.

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Senator Brower:

I close the hearing on S.B. 377. Seeing no public comment, I will adjourn the Senate Committee on Revenue and Economic Development at 4:46 p.m.

RESPECTFULLY SUBMITTED:

Julia Barker,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	2		Attendance Roster
S.B. 412	C	10	Office of the State Treasurer	College Savings Plans of Nevada presentation
S.B. 412	D	1	Office of the State Treasurer	Historical Fiscal Impact: Current Accounts Utilizing Payroll Deduction