

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

**Seventy-Ninth Session
May 16, 2017**

The Committee on Taxation was called to order by Chair Dina Neal at 4:10 p.m. on Tuesday, May 16, 2017, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 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/App/NELIS/REL/79th2017.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Dina Neal, Chair
Assemblywoman Irene Bustamante Adams, Vice Chair
Assemblyman Paul Anderson
Assemblywoman Lesley E. Cohen
Assemblyman Edgar Flores
Assemblyman Jason Frierson
Assemblyman Al Kramer
Assemblyman Jim Marchant
Assemblyman Keith Pickard
Assemblywoman Ellen B. Spiegel

COMMITTEE MEMBERS ABSENT:

Assemblywoman Teresa Benitez-Thompson (excused)

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Michael Nakamoto, Deputy Fiscal Analyst
Gina Hall, Committee Secretary
Olivia Lloyd, Committee Assistant



OTHERS PRESENT:

None

Chair Neal:

[Roll was taken and Committee rules and protocol were reviewed.] Today we are going to be doing a work session. I will open the hearing on Senate Bill 54 (1st Reprint).

Senate Bill 54 (1st Reprint): Revises provisions governing the use of the proceeds of a tax for infrastructure by certain smaller counties. (BDR 32-341)

Michael Nakamoto, Deputy Fiscal Analyst:

The members all have the work session documents in front of them. The first bill today is Senate Bill 54 (1st Reprint) ([Exhibit C](#)). This bill was heard in this Committee on May 2, 2017, and was sponsored by the Senate Committee on Revenue and Economic Development on behalf of Lyon County.

Senate Bill 54 (1st Reprint) authorizes a county whose population is less than 100,000—which currently are all counties except for Clark County and Washoe County—to approve additional types of infrastructure projects for which the proceeds from a current one-quarter of 1 percent sales tax for infrastructure may be used. Specifically, the bill expands the authorized uses of the proceeds from this tax to include the acquisition, establishment, construction, expansion, improvement, or equipping of facilities related to health and welfare.

The bill additionally authorizes these counties to use the infrastructure sales tax proceeds to pay the ongoing costs of operating and maintaining certain governmental facilities—if such costs are related to services and supplies only—and may not include any costs related to salaries and benefits.

Senate Bill 54 (1st Reprint) specifies that if a county uses these proceeds for the additional purposes authorized by the bill, the county must conduct a review of its existing plan for the expenditure of these proceeds every four years. There were no amendments proposed for this bill. I am happy to answer any questions the Committee may have.

Chair Neal:

Are there any questions on the work session document ([Exhibit C](#))? [There were none.] I will entertain a motion to do pass S.B. 54 (R1).

ASSEMBLYMAN KRAMER MADE A MOTION TO DO PASS
SENATE BILL 54 (1ST REPRINT).

ASSEMBLYWOMAN COHEN SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMEN BENITEZ-THOMPSON AND FRIERSON WERE ABSENT FOR THE VOTE.)

The floor statement will be assigned to Assemblyman Kramer. I will close the hearing on S.B. 54 (R1) and open the hearing on Senate Bill 64.

Senate Bill 64: Revises provisions relating to the distribution of the proceeds of taxes on aviation fuel and fuel for jet or turbine-powered aircraft. (BDR 32-222)

Michael Nakamoto, Deputy Fiscal Analyst:

Senate Bill 64 was heard in this Committee on May 11, 2017, and was sponsored by the Senate Committee on Revenue and Economic Development on behalf of the Department of Motor Vehicles ([Exhibit D](#)).

This bill transfers the allocation of the proceeds of the taxes on fuel for jet or turbine-powered aircraft and aviation fuel, which are collected at privately owned airports from the local county government to the airport itself. The bill implements provisions required to comply with a Federal Aviation Administration, U.S. Department of Transportation directive concerning the use of airport revenue.

There was testimony on the bill from Ms. Lietz on behalf of the Department of Motor Vehicles. There were no amendments proposed for the bill. I am happy to answer any questions the Committee may have.

Chair Neal:

Are there any questions on the work session document ([Exhibit D](#))? [There were none.] I will entertain a motion to do pass S.B. 64.

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO DO PASS
SENATE BILL 64.

ASSEMBLYWOMAN COHEN SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMEN BENITEZ-THOMPSON AND FRIERSON WERE ABSENT FOR THE VOTE.)

The floor statement will be assigned to Assemblyman Flores. I will close the hearing on S.B. 64 and open the hearing on Senate Bill 281 (1st Reprint).

Senate Bill 281 (1st Reprint): Revises provisions relating to real property. (BDR 32-99)

Michael Nakamoto, Deputy Fiscal Analyst:

Senate Bill 281 (1st Reprint) was heard in this Committee on May 11, 2017, and was sponsored by Senator Manendo. This bill authorizes additional persons who, under certain circumstances, may receive a distribution of excess proceeds following the sale of property held in trust by the county treasurer when the taxes on the property are delinquent. The bill specifies that a unit-owners' association of a common-interest community, a unit-owners' association of a condominium hotel, or an owner of a unit of a condominium hotel may receive excess proceeds from the sale of property held in trust by the county treasurer under certain circumstances. The bill also specifies that if a unit-owners' association pays delinquent property taxes or utility charges owed by a unit owner, on behalf of that unit's owner, those expenses may be assessed against the unit or the unit's owner ([Exhibit E](#)).

There are two amendments to discuss that are located in the work session document. The first one begins on page 3 ([Exhibit E](#)). It was brought forward by Ms. Duarte on behalf of Republic Services. It adds any person holding a valid lien under *Nevada Revised Statutes* (NRS) 444.520, which would be waste management companies located within the state. Their names would be added to the list of persons who would be able to receive excess proceeds.

The second amendment was brought forward at the hearing by Mr. McMullen on behalf of the Nevada Bankers Association. It is located on page 5 ([Exhibit E](#)). This amendment would change the fee limitation with respect to any third parties that are involved in recovering these excess proceeds. If the person who would receive the excess proceeds is a natural person, who was the owner and occupier of the property at the time of the sale, then the fee for the service could not exceed 10 percent. The fee cap otherwise for any other person involved in such a transaction would be eliminated.

There is another amendment that has been brought forward by Chair Neal and is not included in the work session document. The members, however, do have this ([Exhibit F](#)). This would add a new subsection which specifies that if an association recovers any amount of excess proceeds, as they would be able to under this bill, the amount recovered by the association must be deemed to have satisfied the debt owed by the unit owner to the association, and the association may not recover any civil action or otherwise collect any deficiency remaining due to the association from the unit's owner. Those are the amendments that have been brought forward. I am happy to answer any questions the Committee may have.

Chair Neal:

Are there any questions on the work session document ([Exhibit E](#))?

Assemblyman Pickard:

My concern is with the first amendment discussed on page 3 ([Exhibit E](#)). As I read it, it puts all the valid lien holders ahead of the association liens. The associations are given a super priority lien by statute, so as I read this, not having had an opportunity to study it, those would be in conflict. Could I get some clarification on that.

Michael Nakamoto:

Based on the testimony given in the hearing last week, NRS 444.520 already has the municipal waste liens as superior to any other liens, except for those for general taxes and special assessments. The law in Chapter 444 of NRS would already give the priority to the municipal waste system, even above the super priority liens for the homeowners' association (HOA).

Assemblyman Pickard:

Is NRS 444.520 strictly for those liens?

Michael Nakamoto:

Yes, that is my understanding.

Chair Neal:

Are there any additional questions on the work session document ([Exhibit E](#))?

Assemblywoman Spiegel:

During the downturn, we had 25 percent to 30 percent overall foreclosures in our neighborhoods, and our HOAs were on the hook for all the bills they committed to. I live in an HOA and they cover the water, the trash, and other items that get paid ahead, but because it is wrapped up in HOA assessments, they are not given any kind of priority. When the HOA has to go back to people to try to collect on the super priority lien, since the super priority lien only covers 9 months and average foreclosures were taking up to 24 months, the HOAs were getting stuck.

My concern with your amendment ([Exhibit F](#)) is the HOAs are not going to be able to try to collect the difference of what is owed. It is like when you go out to dinner in a big group and everybody budgets \$35 for their meal but several people show up with only \$20, then everyone else has to make up the difference. It just does not seem fair. What is the intent of the bill to have the debts be fully satisfied if it means everyone else who lives in the HOA is going to get stuck for the difference?

Chair Neal:

For clarification, I brought this issue up in the hearing. We found out that there was a third bite at the apple, where there was a personal obligation and an HOA contract. My intent was that they have a super priority lien for nine months above the bank, which we could argue one way or the other. Through this bill they are getting the right to go after the excess, which they did not have the right to do before. They actually had the ability to get a lawyer, sue, and then try to get the money.

In the hearing, before you arrived, I had asked the sponsor of the bill about this personal obligation clause that was in the HOA contract, which also requires them to get an attorney. I figured if you are already going for the nine months, you are already getting the excess—which is now going to be your statutory right through this bill—and there should be no third bite at the apple for you to go after that homeowner under a tax lien, where they have already lost their house, there is probably no money to get, and you are coming after the homeowner for a third try to see if you can retrieve any additional funds. We are no longer in a situation where we have high foreclosures in our neighborhoods—where we are dealing with overstated deficiencies for HOAs. I felt that the amendment was valid so I moved forward with it, and I checked the temperature with the sponsor during the hearing.

Assemblywoman Spiegel:

Thank you for that explanation. For the record, I do not support this amendment.

Chair Neal:

That is fine. Everyone has their prerogative and their viewpoint. Are there any additional questions on the work session document ([Exhibit E](#))?

Assemblywoman Bustamante Adams:

In my notes too, the amendment addresses the third bite at the apple. I also have in my notes something about a 10 percent cap.

Chair Neal:

The 10 percent cap dealt with Mr. McMullen's amendment. In the prior part of the law, when we pulled the record from 2007, we found this was actually language put in through a conference committee, and the 10 percent cap applied across the board. His amendment would then change that 10 percent cap. That is probably why you had that in your notes.

I kept digging into what the complications or issues were between 2007 and now in regard to the banks being able to enter into contracts or agreements. We had a lot of discussion from Assemblyman Kramer, who was the Carson City Treasurer in 2007, who presented the bill when this language was brought in. It was not in the conference committee, but after finding out the 10 percent cap is really going to be a negotiation between the bank and this third party entity, we went ahead and just adopted Mr. McMullen's amendment after fully understanding the implications of it.

Are there any additional questions? [There were none.] I will entertain a motion to amend and do pass S.B. 281 (1st Reprint), with the three amendments discussed in the work session.

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO AMEND
AND DO PASS SENATE BILL 281 (1ST REPRINT).

ASSEMBLYMAN PAUL ANDERSON SECONDED THE MOTION.

Is there any discussion on the motion?

Assemblyman Pickard:

I was sick last week when this was heard, so I apologize. I noticed the amendments and at first glance they looked okay. I am going to vote yes to get it out of Committee. I just want to get into the nuts and bolts to make sure I am comfortable with it. I will reserve my right to change my vote on the floor.

Assemblywoman Spiegel:

I am also going to reserve my right to change my vote on the floor. I am okay with moving it out of Committee. There is one amendment I dislike and two that I am fine with.

Assemblyman Kramer:

I know this part of the statute pretty well. I am in favor of the first and second amendments. I have a lot of empathy for people who lose their homes. I am also in favor of the third amendment.

Chair Neal:

Is there any additional discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN MARCHANT VOTED NO.
ASSEMBLYMEN BENITEZ-THOMPSON AND FRIERSON WERE
ABSENT FOR THE VOTE.)

The floor statement will be assigned to Assemblyman Paul Anderson. I will close the hearing on S.B. 281 (R1) and open the hearing on Senate Bill 442 (1st Reprint).

**Senate Bill 442 (1st Reprint): Revises provisions relating to economic development.
(BDR 32-1001)**

Michael Nakamoto, Deputy Fiscal Analyst:

The last bill on today's work session is Senate Bill 442 (1st Reprint), which was heard in this Committee on May 9, 2017, and was sponsored by the Senate Committee on Revenue and Economic Development. Senate Bill 442 (1st Reprint) makes various changes to the administrative provisions, eligibility criteria, and the authority granted to the Office of Economic Development, Office of the Governor, with respect to the issuance of tax credits and the granting of partial abatements of taxes to new and expanding businesses. The bill increases the percentage of the statewide average wage that must be paid in order to be eligible for an abatement, and requires that health care benefits be provided by all businesses approved for an abatement.

There are eight bullet points on the work session document (Exhibit G) of additional provisions that are located in the bill. I will not go through all of them for you today. Mr. Hill gave the testimony on the bill and may be able to answer questions on the work session better than I could. There are no amendments that have been proposed. I am happy to answer any questions the Committee may have, or otherwise defer to Mr. Hill.

Chair Neal:

Are there any questions on the work session document ([Exhibit G](#))? [There were none.]
I will entertain a motion to do pass S.B. 442 (R1).

ASSEMBLYMAN PICKARD MADE A MOTION TO DO PASS
SENATE BILL 442 (1ST REPRINT).

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE
MOTION.

Is there any discussion from the members on the motion? [There was none.] I am going to be voting no. I did discuss this with Mr. Hill. I totally respect his creative economic genius but I will be a no on this bill for various reasons. I do not like sections 5 through 7 in particular. I understand all of the other things that were happening for Faraday Future but I cannot support another abatement of this size. That is my position.

THE MOTION PASSED. (ASSEMBLYMEN FLORES AND NEAL
VOTED NO. ASSEMBLYWOMAN BENITEZ-THOMPSON WAS
ABSENT FOR THE VOTE.)

The floor statement will be assigned to Assemblyman Pickard.
[Assemblyman Paul Anderson asked to swap Assemblyman Pickard the floor statement for S.B. 442 (R1) for the floor statement on Senate Bill 281 (1st Reprint). This was agreeable to Assemblyman Pickard and Chair Neal.] I will close the hearing on S.B. 442 (R1) and open the hearing for public comment. [There was none.] I will close public comment. Seeing no further business, we are adjourned [at 4:31 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Dina Neal, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is the Work Session Document for Senate Bill 54 (1st Reprint), dated May 16, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit D](#) is the Work Session Document for Senate Bill 64, dated May 16, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit E](#) is the Work Session Document for Senate Bill 281 (1st Reprint), dated May 16, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit F](#) is a proposed amendment to Senate Bill 281 (1st Reprint), dated May 15, 2017, submitted by Assemblywoman Dina Neal, Assembly District No. 7

[Exhibit G](#) is the Work Session Document for Senate Bill 442 (1st Reprint), dated May 16, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.