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

## Seventy-Ninth Session
## May 30, 2017

The Committee on Taxation was called to order by Chair Dina Neal at 3:03 p.m. on Tuesday, May 30, 2017, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 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
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Lesley E. Cohen
Assemblyman Edgar Flores
Assemblyman Al Kramer
Assemblyman Jim Marchant
Assemblyman Keith Pickard
Assemblywoman Ellen B. Spiegel

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Paul Anderson (excused)
Assemblyman Jason Frierson (excused)

**GUEST LEGISLATORS PRESENT:**

Senator Julia Ratti, Senate District No. 13

**STAFF MEMBERS PRESENT:**

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Tina Nguyen, Committee Manager
Gina Hall, Committee Secretary
Olivia Lloyd, Committee Assistant

Minutes ID: 1294

**OTHERS PRESENT:**

Jonathan Leleu, representing Northern Nevada Chapter, NAIOP; Southern Nevada Chapter, NAIOP; and International Market Centers.
Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association
Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada
Cheryl Blomstrom, Interim President, Nevada Taxpayers Association
Nicole Rourke, Associate Superintendent, Community and Government Relations, Clark County School District
Lindsay Anderson, Director, Government Affairs, Washoe County School District
Scott F. Gilles, Legislative Relations Program Manager, Office of the City Manager, City of Reno
Brian McAnallen, Government Affairs Manager, Office of Administrative Services, City of Las Vegas
Jeff Fontaine, Executive Director, Nevada Association of Counties
Lynn Chapman, State Vice President, Nevada Eagle Forum
Janine Hansen, State President, Nevada Families for Freedom
Jonathan Friedrich, Private Citizen, Las Vegas, Nevada
Julie Moore, Private Citizen, Gardnerville, Nevada
Joshua J. Hicks, representing Southern Nevada Home Builders Association
Ray Bacon, representing Nevada Manufacturers Association
David A. Dawley, Assessor, Carson City Assessor's Office; and representing the Nevada Assessor's Association

**Chair Neal:**
[Roll was taken and Committee rules and protocol were reviewed.] We are going to first hear Senate Joint Resolution 14 and then work session Senate Bill 414 (2nd Reprint). I will call Senator Ratti to the table.

Senate Joint Resolution 14: **Proposes to amend the Nevada Constitution to revise certain provisions relating to property taxes. (BDR C-1123)**

**Senator Julia Ratti, Senate District No. 13:**
You may all recall the joint meetings at the beginning of the Legislative session when we talked about the issue of property tax. I am excited to be here with you on the closing week of the session to bring forward what I hope is part of a solution to a comprehensive look at property tax and what we need to do to address the structural deficit that is faced by local governments and school districts in Nevada. I appreciate your time, attention, and interest in this particular issue, and the amount of time you have put into it this session. I did want to recognize this Committee in particular, and Chair Neal. I know you have dug into property tax on some other bills, and I appreciate that. I know you are familiar with the issue, so we are going to move relatively quickly through some of the technical aspects. Feel free to stop me if you have any questions.

As an overview, the calculation of property taxes is complex at best, not particularly efficient, and is not meeting the needs of our local communities. This particular resolution attacks a very specific piece of the challenge, and that is the issue of depreciation [slide 1, (Exhibit C)]. Nevada is the only state in the nation that applies depreciation to our property taxes, and that creates a structural deficit for local governments and school districts. I want to thank Jeremy Aguero for allowing us to use some of his slides in our presentation today [slides 2 through 9, (Exhibit C)].

I want to remind everybody what the calculation is—how we figure property taxes [slide 4, (Exhibit C)]. What we do in Nevada is take the land at full cash value. We then consider improvements—any structure or any buildings that have been placed on that land at the replacement cost, less 1.5 percent per year for up to 50 years. That depreciation—1.5 percent per year for up to 50 years—is the piece I will focus on today.

There is a rate applied to whatever that total is—35 percent—and that is how we get to the assessed value. Beyond that, we apply a tax rate, the difference between the assessment rate, which is 35 percent of the value, and the tax rate—which is how many dollars per $100 of assessed value. We have a cap on that as well—$3.64, set through *Nevada Revised Statutes* (NRS). In the *Nevada Constitution*, there is a cap of $5.00 per $100 of assessed value. Some of our counties are at that cap, so there is nowhere for them to go in terms of raising the tax rate.

To walk you through it, we will use the example of a home with the taxable value of $150,000 [slide 5, (Exhibit C)]. As a big reminder here [slide 6, (Exhibit C)], taxable value does not equal market value, and that is because we consider the cost of the land and the replacement cost on any improvements. You tax the taxable value—you apply a 35 percent assessment rate—and that gives you an assessed value of $52,500. We then take a taxable rate, and that gets us the property tax due of $1,522 [slide 7, (Exhibit C)]. That is your typical home.

If you move beyond that to slide 8 (Exhibit C), the property tax table here tells us what happens each year as we apply that 1.5 percent depreciation. In year one the effective tax rate is still 1.01 percent of the assessed value. As you can see, each year that goes by, the effective tax rate is eroded. This illustration assumes an annual growth rate of 2.5 percent. This assumes that the property is appreciating, but even with that appreciation, because of what we do in Nevada—applying a 1.5 percent depreciation factor every year— each year that effective tax rate erodes, until year 51 where we have fully depreciated it— 75 percent depreciation—and you can see that the effective tax rate is now 0.51 percent. What local governments and school districts face is those older homes or older businesses still require the same service levels as a newer home. The amount of ad valorem or property taxes they are paying into the system continually decreases.

Let us talk about the policy underpinnings [slide 9, (Exhibit C)]. Again, it stands out. We are the only state in the nation that applies depreciation to property tax. I want to pause there to discuss the graph (Exhibit D) showing inflation before and after adjustment for depreciation. This is intended to be a simple illustration. If the Consumer Price Index (CPI) is going up, as it does, and the cost of doing business goes up, but your assessed value is depreciating at 1.5 percent, that is where you get the structural deficit. Costs and assessed value are going up, but depreciation is bringing the tax receipts that local governments and schools are receiving down, and inevitably, there will be a gap. There is no way to overcome that. It is a structural part of our system. We have seen some horrific headlines about school districts facing deficits. We have seen a lot of finger-pointing and blame around that, but the truth of the matter is we have given our local governments and school districts a tax structure where they will always have a hole in the bottom of their bucket.

Going back to the PowerPoint [slide 10, (Exhibit C)], we are now moving from Mr. Aguero's slides to ours. We used public records to illustrate what this means to the average homeowner. We started with northern Nevada, 89431, which happens to be my ZIP code. This is an older neighborhood—a little lower-income neighborhood. This house was built in 1965. The estimated market value is about $248,000. The property taxes they paid in 2016 were $951. If you go just a short few miles away, to east Sparks— 89506 ZIP code— we have a new home built in 2013. The estimated market value is similar at $267,500. That homeowner will be paying $2,080 in property taxes.

The interesting thing that brings us here today is the *Nevada Constitution* says we will have a fair and equal taxation system. The way that has been interpreted is the structure must be fair and equal, but the results of the structure we have put in place are clearly not fair and equal. You have two homes of similar value—using similar services, their children are going to similar schools, using the same police officers or fire departments, and using the same parks—yet homebuyer A is paying $951 in property taxes and homebuyer B is paying $2,080 in property taxes. The rest of the examples [slides 11through 15, (Exhibit C)] show as the value of the home gets bigger, the dollar numbers are more significant.

Look at a house just north of the University of Nevada, Reno (UNR) [slide 11, (Exhibit C)], in the 89506 ZIP code area. This house was built in 1945. It has obviously been well maintained because this house has a value of $579,900. Comparing this home to one in the Somersett area—89523 ZIP code—this home was built in 2013, so it has not had that much in the way of depreciation applied to it. The market value is less, at $519,900. Look at the property taxes paid. For the house that was built in 1945—$1,285—and for the house that was built in 2013—$4,497. Again, our *Nevada Constitution* requires fair and equal, but our application of our tax system is resulting in something that is anything but fair and equal.

I will jump to the slide showing a neighborhood in southern Nevada—North Las Vegas [slide 13, (Exhibit C)]. This neighborhood is probably similar to my neighborhood in Sparks. The house was built in 1963, resulting in a $794 tax burden, versus a house built in 2014, resulting in a $2,014 tax burden. The effective depreciation creates this unfair and unequal system over and over again. I am sure you understand where we are headed. On the comparison summary [slide 16, (Exhibit C)], you can see how if you choose to live in an older home you have a significant benefit.

Let us talk about what Senate Joint Resolution 14 does and does not do. The first thing I want to put on the record is that S.J.R. 14 is not a comprehensive solution to the property tax challenges faced by the state of Nevada. I am very committed to doing a significant amount of work in the interim. I am appreciative to Chair Neal for putting in a request for a property tax interim committee [Assembly Concurrent Resolution 7]. If this is approved, I am very dedicated to making sure we move that work forward. If we do not get it, I am still dedicated to making sure we move that work forward. We can no longer wait to have a conversation about the property tax system.

The reason I am urging you to vote for S.J.R. 14 is because I am relatively confident once we go through a comprehensive look—a holistic look—at what we need to do around property taxes, we will end up with one of the solutions—part of the solution being a reset of depreciation at point of sale. That achieves something that is relatively difficult to achieve. It is going to increase and stabilize resources for local governments and school districts without raising any individual's taxes. That reset of depreciation does not trigger until you sell your asset. The new owner, who before they purchase will have had the opportunity to do their budget and have an understanding of what they can afford when buying the new home, will factor in the reset property tax value. There is no impact on those who stay in their homes and do not transfer their property. If we pass S.J.R. 14 this session, again next session, and if the voters approve it in the following election, no property owner's taxes will be raised until the point of sale. That allows us to protect our seniors and protect those on fixed incomes. As long as they stay in their existing home, they will not see a reset in taxes.

There are many implementation questions, and we worked closely with the head of the Nevada Assessor's Association to make sure we understood what some of those would be. When you are doing a constitutional amendment, particularly as it applies to taxation, you want to make sure that, in amending the language of our *Constitution*, you keep it relatively broad. Many of the questions that were brought up in the Senate Committee on Revenue and Economic Development were around whether the appropriate place to address those would be through statute, not through the constitutional process.

Again, I want to put on the record that if this passes this session, there is interim work that needs to be done. There is the next legislative session to look at some of the implementation pieces that would be necessary to effectuate this, another vote of the Legislature, and then a vote of the people before it moves forward. I would like to start the clock on this part of the process. There is relatively little risk to doing so. The legislative body that is back here in two years will have more information and will have the ability to see how it fits into the holistic approach. I believe it is likely that this is going to be part of the solution we are going to want and will want to see sooner rather than later.

I will walk you through what S.J.R. 14 does. To give you a little bit of background, Subsection 1 of Section 1 of Article 10 of the *Nevada Constitution* requires the Legislature to provide, by law, for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation of all property—real, personal, and possessory. Subsection 8 of Section 1 of Article 10 of the *Nevada Constitution* allows the Legislature to exempt, by law, property used for municipal, educational, literary, scientific, or other charitable purposes, or to encourage the conservation of energy or the substitution of other sources for fossil sources of energy. That is where we see some of our charitable tax exemptions coming through. Subsection 10 of Section 1 of Article 10 of the *Nevada Constitution* allows the Legislature to provide, by law, for an abatement of the tax upon or an exemption of part of the assessed value of a single-family residence occupied by the owner. This is where the 3 percent and 8 percent caps come in.

The statutes [*Nevada Revised Statutes* (NRS) 361.227] require taxable value of real property to be determined as follows: First, the land at full cash value, which means the most probable price which the property would bring in a competitive and open market under all conditions requisite to a fair sale. Second, the improvements made on the land are required to be valued at replacement cost less all applicable depreciation or obsolescence. Depreciation must be calculated at 1.5 percent of the cost of the replacement for each year of adjusted actual age of the improvement, up to a maximum of 50 years. This means that at the end of the 50 years, the improvements will be valued at just 25 percent of the replacement cost after adjusting for depreciation.

Statute also requires that the taxable value of any property cannot exceed its full cash value. This is where we get into obsolescence. Because we use a bifurcated system, and that bifurcated system includes the market value of land, occasionally what happens is when we come up to that number it is actually more than the market rate. When it is more than the market rate, it is up to the assessors to apply a concept called obsolescence because our *Constitution* does not allow for anybody to pay more than market rate. That is also a piece of the complicated system that is our property tax system.

When considering obsolescence, the comparative sales based on prices actually made in market transactions; a summation of the estimated full cash value of the land and contributory value of the improvement; and capitalization of the fair economic income expectancy or fair economic rent; or an analysis of the discounted cash flow are considered.

What does S.J.R. 14 do? It adds a new section to the *Nevada Constitution*, Subsection 11 to Section 1 of Article 10. This new subsection establishes that real property, in the first fiscal year after sale or transfer, is not eligible for any adjustment based on the age of the improvements that has been provided by law by the Legislature. For any fiscal year following the first fiscal year after the sale or transfer, any adjustment based on the age of the improvements provided by the Legislature by law must be determined as if the improvements were new improvements on the date of the sale or transfer—that piece is the reset of depreciation at point of sale. What it really means is that real property would not be eligible for the depreciation allowed for improvements under current statute in the first fiscal year following the sale or transfer. It also means that any depreciation on the improvement would be reset to zero because the improvement would be treated as a new improvement for the purpose of the age of the improvement and determining the amount of depreciation. That is what the constitutional amendment does.

It does not restrict the Legislature's ability to make statutory changes to the current depreciation factor of 1.5 percent per year. If, in the interim, we decided that depreciation just no longer made sense, and we wanted to slowly erase the depreciation rate, or for some reason we decided we wanted to increase it, that is still up to NRS and to a future legislative body.

This also affects any abatement of the tax on real property provided by the Legislature, by law, pursuant to the provisions of Subsection 8 of Section 1 of Article 10 of the *Nevada Constitution* and any abatement or exemption provided by the Legislature, by law, pursuant to the provisions of Subsection 10 of Section 1 of Article 10. What this means is that upon the sale or transfer, real property would not be eligible for the partial abatements of property taxes—the 3 percent and 8 percent—in that first year.

Why is that important? The 3 percent and 8 percent would still apply moving forward, but in that first year when we are doing those 3 percent and 8 percent caps, there is an abatement, and that abatement is banked. It is attached to that property. Try to imagine the transaction where there is a value of an abatement attached to the property and how that would get handled in the real estate process. What this does is it wipes out any balance of abatement on that property at point of sale. Mr. Guindon can explain that to you, if you would like to know more about that. That is important because otherwise you have to figure out, through the real estate transaction and the transparency and reporting that would be necessary, additional taxes that would be owed on that property if the property value went down.

There is one last piece that S.J.R. 14 includes. Part of the reason I am focused on reset of depreciation at point of sale is because I live in an older neighborhood with quite a few low-income folks and quite a few folks who are on fixed incomes. This is a solution that stabilizes revenue for local governments and cities but does not affect people who are on a fixed income. We know there are some taxpayers who, even if they do not sell their property, are struggling to make their property tax payments. For those folks, this mandates that the Legislature create what is known as a "circuit breaker program," and that program is a fund to make sure that if somebody is struggling to pay their property taxes, they do not lose their home based on that. We have had similar programs in the state of Nevada, briefly here and there, but what this does is say in our *Constitution* we are going to have a "circuit breaker program," and it will be up to the Legislature at what level they want to fund it and how they want to build it. I think that is important. You should not be losing your home because you cannot afford your property taxes. That is the last thing that S.J.R. 14 does. I will pause here for questions.

**Assemblywoman Spiegel:**
If someone inherited their parents' house, does it reset then or does it stay the same? Is it just on sales, or is it also on transfers?

**Senator Ratti:**
The constitutional amendment is silent to the details. No other state has a depreciation law, but in other states that have something that happens on point of sale or transfer, there is typically a significant regulatory process that defines what a transfer is. That decision is something we would make under NRS, following the passage of the question, so we could say whether we want that to apply or not. We define sale or transfer. It is obviously more complicated in commercial transactions than it is for most individual home transactions.

**Assemblywoman Spiegel:**
How do we explain this to our constituents? How do we say to people we want to put this in our *Constitution*, but we cannot define it yet?

**Senator Ratti:**
After we spend the two years doing the interim work necessary, I think that in the next legislative session we would come forward with proposals on each of those details. By the time they are voting on it, following the next legislative session, they would have a more complete answer.

**Assemblyman Pickard:**
I appreciate your effort. I know everyone is trying to figure this piece out. When I first read the proposal, I was thinking how many people say we are taxing property unequally now between two similarly situated people, and I did not see it that way. I saw it as we applied the same rate, and everybody gets the same benefit over time. It is essentially a benefit for those who decide to stay long term in Nevada, but it is unequal in that now you have people who have built up that balance, have benefited from it, and a person who buys the exact same house, the next day pays substantially more. Now we have two similarly situated people who are paying a different rate, and you cannot get more similar because we are talking about two people who own the same house. I am struggling with that.

What I am hearing from my constituents—active-adult communities—is that all they care about is what they are paying. If this were to pass and we were to put this in the *Nevada Constitution*, when someone comes in and buys the house, they know what that tax requirement is going to be. Why would we then have the "circuit breaker program" to bail them out of a house that they could not afford to begin with?

**Senator Ratti:**
The circuit breaker program is for individuals on a fixed income whose situation has changed outside of their control—those who have seen an escalation of health crises, or those who are falling into the donut hole on Medicare. We have seen all kinds of things where those responsible, hard-working individuals, who worked their entire life, paid their way for everything, bought their home, maintained their home, now find themselves in a situation where they are going to lose their home. This could be for someone who had a work-related disability, or someone whose other costs of living are escalating. It is a relatively narrow segment of society. We know keeping people housed is far more cost effective than moving

them into other facilities. The longer we can keep low-income seniors and low-income people with disabilities who are struggling with that one little piece in their homes, the better off we are going to be. It ends up being a relatively small amount for the state that is incredibly cost effective. It really is for folks who have earned their paycheck, have been responsible, have followed all the rules, but the world changed on them, and we need to help them out.

**Assemblyman Pickard:**
It is my understanding that this only applies to those with disabilities. This is not a general program that anybody can go and dip into to pay their property tax when their finances would otherwise require. Is that correct?

**Senator Ratti:**
Seniors and people with disabilities are those who are included in the constitutional amendment. Again, because it is good policy to not be too prescriptive in a constitutional amendment, there would be an NRS that would have to follow up to define exactly what you want the plan to look like, and then following that, a regulatory process that actually implements it.

**Assemblywoman Bustamante Adams:**
Could you give us a brief statement about how we got here? I know that it was never the intent for us to keep the depreciation. It was a fix we wanted for some trouble we had gotten into in the housing market. Can you speak to that?

**Senator Ratti:**
I am not sure that I can. Perhaps Mr. Guindon could speak a little bit more to the history. From my research I do know there were other states that had also done depreciation, but over time, they have all eliminated depreciation, and we are the only state where depreciation remains. I cannot speak to the intent when it was put in place. Perhaps Mr. Guindon can.

**Chair Neal:**
Mr. Guindon, do you feel comfortable answering that?

**Russell Guindon, Principal Deputy Fiscal Analyst:**
I think it was part of the solution that came out of the property tax structure that was in place when we were at market value and then moved to what we have now as the full cash value for the land and the replacement cost, less depreciation. As Mr. Aguero pointed out in his slides earlier this session, the depreciation factor was higher, and then it was brought down to the 1.5 percent. Senator Ratti is correct. I believe we are the only state that statutorily has this required depreciation factor to be applied to the replacement cost. There are other states that perhaps use depreciation to determine the market value of your home, but not the way we do as an actual statutory construct required to be applied to the replacement cost year after year.

Again, it came out of the movement from the market value to replacement cost. I think Mr. Aguero pointed out when he was doing his presentation that there was some belief it was the time to try to provide this relief to people who would stay in their homes for long periods of time and the seniors, but there is nothing I have seen in the public record to allow us to conclude that.

**Chair Neal:**
Are there any additional questions? [There were none.] On the current program for seniors, what are the income caps?

**Senator Ratti:**
We have not funded it. While there is a current statutory program, we have not funded it in multiple years, so there is no program in place right now. I have the details back in my office on the last program, and I would have to get that answer to you, unless staff can tell you.

**Chair Neal:**
I would be curious to know. I believe the Department of Health and Human Services runs the program, and there was a small appropriation that went to them last session, but there is really no information on what is in there, how much is being used, and how it is being applied to seniors.

**Russell Guindon:**
I can try to comment on that. I do not have the details in my head either, but as Senator Ratti said, the program was approved during the 2015 Session for one year only. I think $5 million was the amount the Legislature approved for the program. If memory serves me, it was significantly less than that in terms of what was actually paid out based on the number of seniors who partook of the program. That was available for one year. It used to be a statutory program that was permanently in place, and there was a certain amount of money behind it. Again, it is the state that is paying for it. The entity would be required to pay their property taxes to the local governments, school districts, and the state debt rate, but then the State General Fund is actually reimbursing the seniors for their property tax rebates and refunds.

During the Great Recession, the Legislature made the decision to disband that program, but in the 2015 Session, the decision was made by the Legislature and approved by the Governor to fund that program for one year only. We can get those statistics to you, but from memory, the amount taken was nowhere near the amount the Legislature authorized.

**Senator Ratti:**
My recollection of the amount of dollars allocated ended up being only about $350,000. I think when you have any kind of program like that, to get the word out to folks that this is a resource available to them, and when it is there one year and not another year, the outreach to make sure people know it is available is challenging. I have sent my committee manager down to my office to retrieve the information I have about the program.

**Chair Neal:**
Thank you for that information. I will now open the hearing to those in support of S.J.R. 14.

**Jonathan Leleu, representing Northern Nevada Chapter, NAIOP; Southern Nevada Chapter, NAIOP; and International Market Centers:**
I am testifying in support of S.J.R. 14 today. As most of you know, I have studied and written about this issue. We sat through two very lengthy hearings at the beginning of this legislative session discussing this issue. During those lengthy hearings, Mr. Aguero pointed out 16 different alternatives which were available to revise Nevada's property tax caps. The reality is there are 15. Reset on sale is not available. It has been determined that the reset on sale alternative is unconstitutional. Senate Joint Resolution 14 fixes that constitutional impediment.

The reason NAIOP is in full support of this measure is because it does not raise people's taxes. If we pass this today, it does not raise people's taxes. If it passes in two years, it does not raise people's taxes. If the voters vote for it, it does not raise people's taxes. It does not assess taxes. It does not set a rate. It does not collect taxes. All of those things are left to the Legislature to determine in five or six years—if it goes through all of those steps to amend our *Constitution*.

What it does do is allow us to have the discussion. It allows us to examine all 16 of the alternatives that could be available to amend Nevada's real property tax structure. It is important to amend Nevada's real property tax structure. The caps that are in place create a highly turbulent market. Mr. Aguero pointed out that the local municipalities are beginning to suffer and are not recovering revenue the way they should be able to recover it under normal market conditions, due to the property tax caps, which were put forth and implemented in 2005. That affects the commercial real estate market. It affects commercial development.

For those reasons, NAIOP is in full support of this measure. Let us have a discussion. Let us bring everyone to the table, discuss all the alternatives, and come to the right solution—not just the solution we are allowed to come to because of the way our *Constitution* is structured.

**Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association:**
We are also in support of S.J.R. 14 as a mechanism to get us some much needed modernization of the existing property tax system in Nevada. I think most of you have probably been following some of the discussion around school budgets, which Senator Ratti made reference to. I will paint a quick, big picture of school funding. Per-pupil funding—when you include the minimum guarantee from the Distributive School Account (DSA), local taxes, and federal dollars—is only going up by less than $150 per pupil from this fiscal year to next fiscal year. That does not keep up with

the cost of doing business. That is where we get stories about budget deficits at the Washoe County School District. It is not only because of the problems with the property tax system, but that is a major component of it.

This is obviously going to be a multi-year process in order to get a fix, but the Nevada State Education Association supports moving forward with S.J.R. 14. We think it is a smart balance of the interests of the citizens in Nevada to have the ability to look at the depreciation, and the ability to reset the property tax at resale, while also balancing the needs of our seniors and most vulnerable in Nevada.

**Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada:**
We are in strong support of S.J.R. 14. I want to thank Senator Ratti for bringing this forward, and the Committee's willingness to address this issue, because broad-based tax reform is vital for the future of this state. Broad-based taxes, including sales tax, pay for basic services like education and basic city services. Everyone should pay for those, and right now not everyone is. I am not a political idiot. I know it is easier to raise taxes we currently have—whether it is the modified business tax, the commerce tax from last session, or whatever it is. What you are going to have are more and more needs that are identified every two years in this building with a narrower and narrower tax base. That is the issue we see here.

Mr. Leleu talked about this not being a tax increase, and it is not. What was a tax increase was Question No. 1 on the 2016 Washoe County Ballot, and you have all heard before that this is something the Chamber supported. We increased the sales tax to pay to build schools. Mr. Aguero has already come up in this discussion, but he showed charts that said that if we had a "regular" property tax system we would have had the money already in place, and we would not have had to raise every Washoe citizen's sales tax because of that. We will get the taxes, just through other methods. Again, we support this. It is not a perfect solution, but it is a great first step.

**Cheryl Blomstrom, Interim President, Nevada Taxpayers Association:**
You have heard a lot of good reasons why S.J.R. 14 is a measure we should support. We absolutely support the interim study you have proposed, and this is one of those components that needs to be included in that study as we go forward looking at our property tax system. It is a mess. It is very complicated. It is more complicated than our citizens really need to deal with. We support putting the light of day on our property tax system, and really analyzing where we are by inviting an abundance of people to come to the table and talk about why it is not working, and talk about ideas that will work, then coming back in two years and hopefully beginning to implement some of those solutions.

**Nicole Rourke, Associate Superintendent, Community and Government Relations, Clark County School District:**

We testified in support of Assembly Bill 43, which was also your bill, Madam Chair, and I will reiterate our comments there because I think they also apply to S.J.R. 14. What we are seeking is a stabilized funding source. I think it is time to look at the property tax, understand that it represents a significant amount of revenue for school districts—building schools as well as operations. We are hopeful what will come out of this process is a simpler tax—as has been talked about—and a more stable revenue solution for our school districts.

**Lindsay Anderson, Director, Government Affairs, Washoe County School District:**

I am here today in strong support of S.J.R. 14. The Washoe County School District's budget situation has already been referenced, so I will not go back to that. I can tell you this is particularly important to us because it is hard to explain to families in the Washoe County School District, during a time of economic growth, why they are not seeing an increase in the level of service they are receiving. We are seeing tremendous economic growth, and they do not understand why it does not mean increased revenue for school districts. As we go forward, we think this kind of common-sense solution is very important to determining a tax structure.

**Scott F. Gilles, Legislative Relations Program Manager, Office of the City Manager, City of Reno:**

The City of Reno also supports this legislation. We believe this is a positive step in the right direction toward property tax reform. I will keep my remarks brief and to that, but I would like to extend a thank you to the sponsor and Madam Chair for the time they spent working with the local government fiscal working group to delve into these issues, which are not easy ones.

**Brian McAnallen, Government Affairs Manager, Office of Administrative Services, City of Las Vegas:**

We would also like to echo the comments of the previous testifiers. This has been an issue we have continuously grappled with for years. We think Senator Ratti has done a great job in coming up with a fair and balanced approach that will work on the reset at the point of sale, as well as address the issues related to our seniors and disabled citizens in a proper way. We also appreciate the idea of going forward with a study, so we can really crack open all the issues and look at it in an objective way heading towards the future. The one thing we know, sitting here today and going forward, is that property taxes will continue to be a challenge for this state. We appreciate your leadership on this issue, Madam Chair and Senator Ratti, and would ask for the Committee's support with this measure.

**Jeff Fontaine, Executive Director, Nevada Association of Counties:**

We, too, would like to thank Senator Ratti for bringing this measure forward. As has been described by a number of testifiers prior to me, our property tax system is certainly complex and is in dire need of modernization and stability, and of course for county governments, property taxes are one of the largest, if not the largest, source of revenue for their operations. Like the others, we also appreciate the efforts in Assembly Concurrent Resolution 7 to study the property tax system during the interim. I want to thank Chair Neal, and Senator Ratti as the Chair of the Senate Committee on Revenue and Economic Development for looking at this issue. We thank you for your consideration of this measure.

**Chair Neal:**
Thank you all for your testimony. I will now take testimony from those who are speaking in opposition to S.J.R. 14.

**Lynn Chapman, State Vice President, Nevada Eagle Forum:**
I just wanted to start off by saying my husband and I are retired and on a fixed income. Property taxes always scare us because we are worried if they go up too much, how long can we keep our home. I wanted to read you something, that I thought was funny, then realized how scary it really was. It is a poem.

> Tax his land, tax his bed, tax the table at which he's fed. Tax his tractor, tax his mule, teach him taxes are the rule.
>
> Tax his cow, tax his goat, tax his pants, tax his coat. Tax his ties, tax his shirt, tax his work, tax his dirt.
>
> Tax his tobacco, tax his drink, tax him if he tries to think. Tax his cigars, tax his beers, if he cries, then tax his tears.
>
> Tax his car, tax his gas, find other ways to tax his behind [ass]. Tax all he has then let him know that you won't be done till he has no dough.
>
> When he screams and hollers then tax him more, tax him till he's good and sore. Then tax his coffin, tax his grave, tax the sod in which he's laid. Put these words upon his tomb, 'Taxes drove me to my doom . . . .' When he's gone, do not relax, its time to apply the inheritance tax.

This is a scary thing because we are taxed almost to death.

> Accounts receivable tax. Building permit tax. Driver's license tax. Cigarette tax. Corporate income tax. Dog license tax. Federal Income Tax. Federal unemployment tax. Fishing license tax. Fuel permit tax. Gasoline tax. Hunting license tax. Interest expense. Inventory tax. IRA interest charges and penalties. Liquor tax. Luxury taxes. Marriage taxes. Medicare taxes. Property tax. Real estate tax. Service charge tax. Social security tax. Road usage tax. Sales tax. Recreational vehicle tax. School tax. State income tax.

Although we do not have state income tax, thank you.

> State unemployment tax. Telephone federal excise tax. Telephone federal universal service fee tax. Telephone federal, state, and local surcharge tax. Telephone minimum usage tax. Telephone recurring and non-recurring charges tax. Telephone state and local tax. Telephone usage charge tax. Utility taxes. Vehicle license registration tax. Vehicle sales tax. Watercraft registration tax. Well permit tax. Workers' compensation tax.

None of these taxes existed 100 years ago, and our nation was the most prosperous in the world. We had no national debt and had the largest middle class in the world, and moms stayed home to take care of the kids. The question is, What happened? Well taxes.

It is very hard on families with all these different taxes piling on. My daughter and son-in-law are trying to buy a house. What happens when their kids try to buy a house? How high are the property taxes going to be? Will they be able to afford it? This is what the problem is.

**Chair Neal:**
Thank you for your testimony.

**Janine Hansen, State President, Nevada Families for Freedom:**
I would like to say that I do support an interim study. I think that is the most important thing, and this legislation is getting the cart before the horse We should have an interim study to look at the alternatives to see what other solutions might be there.

We heard earlier from some of the people representing government, how are they to keep up with the cost of increases in schools. They only have this much—$150 in increase. The real question is how do citizens keep up with the increases in cost of everything when they have less and less disposable income? In terms of real purchasing power, real wages for Americans have not increased since 1979. This is alarming, but that is what the facts show.

The average family already pays 60 percent of its income in federal, state, and local taxes—many of them hidden. I will explain what I mean by that. My brother had a roofing company and when he would sell a roof he would say, okay the roof is going to cost $5,000, but $2,500 of that is in taxes, fees, permits, and regulations they had to meet. A lot of those, although we do not see them every day, are included. We have a huge number of hidden taxes. They are paying more in taxes than they are pay for housing, health care, transportation, education, and food combined. Taxes are the major expenditure for most Americans.

They say this will not immediately increase our taxes, and that is true because it has to go through the process. It has to go through another legislative session. It has to go on the ballot, and then it has to go to implementation. I have 14 grandchildren and 4 children, and they will be the ones paying this tax. Anyone buying a home or business will be the ones paying this tax. Your friends, neighbors, family, children, and grandchildren will have much less to spend on food, clothing, health care, transportation, and housing—pushing many Nevadans into poverty. If you have a business, your customers will have less to spend. If you work for a business, its customers will have less to spend. You may not get a job, get a raise, or be able to keep your job.

How much is enough? There is a point at which those who are paying the taxes and supporting those who are not paying the taxes can no longer continue to support them. Nevadans spend nearing $70 million annually to educate the children of illegal immigrants in schools. That is a 2008 figure. An additional $45 million is spent annually on programs for children with limited English. The Federation for American Immigration Reform "FAIR" estimates the annual fiscal burden on Nevada taxpayers associated with illegal immigration to be about $630 million, again in 2008 when the study was done. This equates to an annual average cost of $763 for each native-born, headed-household in the state.

**Assemblywoman Benitez-Thompson:**
Ms. Hansen, I am not seeing the relevance to this specific bill. I think we will take your opposition, but if you could site the specific section of the bill you are opposing, that would be more helpful.

**Janine Hansen:**
I am happy to do that. I am trying to make a point about the incredible burden each individual family in this state has for taxes, and the fact that although this does not go in immediately, it will impact our children and our grandchildren. I am sorry it is hard to hear the facts.

For the purpose of this particular amendment, what it does is eliminates the depreciation which we now have in property taxes. It would be helpful to someone like me, who plans to stay in my house until I die. Hopefully, I will be able to do that, but when it is transferred or sold to children, grandchildren, the next door neighbor, or whoever, their property taxes go up. The same thing happens with a business. What this does is overall everyone will have less money to spend because these property taxes are going up.

The other problem, in my thinking, is that it gives more money to government. The more money government has, the less money people have to take care of themselves. This is a significant problem to me because we all want to be responsible for ourselves. I know all of you do. We want to be able to take care of ourselves. As we become less able to pay for those things and become more dependent on government, our independence is destroyed and our liberty is eliminated. We feel that this, as it stretches out into the future and into the generations, will be a detriment to the growth of our state because it will impair the ability of individuals to have capital, start businesses, and take care of themselves.

I just wanted to mention one other thing. I listened to the entire hearing in the Senate. It was held late in the evening. No citizens were there at all, and today's meeting time had been changed. I understand it is the last week of the session, and everything is being posted late, but with the changes in meeting times, it is very difficult for citizens to have an opportunity to participate, and in the Senate, there were no citizens participating there at all although the government representatives were there. I appreciate your indulgence.

**Chair Neal:**
We will hear from those down south in opposition to S.J.R. 14.

**Jonathan Friedrich, Private Citizen, Las Vegas, Nevada:**
This is my second appearance here today. The first time I showed up at 1:30 p.m. only to be told that it was going to be at 4 p.m. Fifteen years ago I decided I was going to retire. I lived in New York. I could not remain living there in a retired state because of the high real estate taxes. They were outrageous. I then decided I was going to sell my home and move. I did some research and found out about Las Vegas in Nevada. When I came out here house-hunting, the first question I asked the realtor when we pulled up to a house that was for sale was not what the price was, but how much the taxes are. As a retired individual, I could not afford increases in taxation on the property.

The way I understand this measure, once the property is sold, the taxes would escalate. What will that do to other retirees and other people who want to move here? One of the attractions of moving to the state is the low real estate tax. We are paying higher and higher prices for water, higher and higher prices for gasoline. Businesses are paying fees and taxation to operate their companies here. This will only hurt the economy in general. It will keep people from moving here. I ask you not to push this measure through. Let this quietly die.

**Chair Neal:**
Is there anyone else speaking in opposition down south?

**Jonathan Friedrich:**
I have the room all to myself. There were people here earlier, and they left because of the change in time. The only reason I was able to get back here is because I am retired.

**Chair Neal:**
I know our meeting was always scheduled for 4 p.m., and then got moved to 3 p.m. because floor was adjusted to 4:30 p.m. We are on a tight timeline. I apologize if you got a notice for 1:30 p.m. because I was not aware of that. We will move back to Carson City for those in opposition.

**Julie Moore, Private Citizen, Gardnerville, Nevada:**
I am representing myself. I apologize for being late, but I thought it was at 4 p.m. I am against the bill, and whatever Janine said, I am with her.

**Chair Neal:**
Is there anyone else speaking in opposition to S.J.R. 14 in Carson City. [There was no one.] I will now take testimony from those who are neutral on S.J.R. 14.

**Joshua J. Hicks, representing Southern Nevada Home Builders Association:**
We actually have no quarrel whatsoever with the policy behind this legislation, and what it is trying to do. The only real concern, as this goes down the line, is it applies to sales or transfers of real property. The very important question is, what is a sale or transfer? This measure leaves it up to the Legislature to define.

One thing we think is trying to be captured here is that sales or transfers are primarily arms-length sales or transfers, or for consideration. There are a lot of ways property can get transferred. It can be taken from an individual into a family trust. It could be taken from one wholly owned affiliate into another. It can be taken from a sole proprietorship into a limited-liability corporation (LLC). All those are legal transfers and sales, which may or may not trigger this.

As this resolution goes through the process—if it is passed and put into our *Constitution*, and this body is asked to define those terms—that it is clear there is some flexibility to actually get into that. We would suggest as this continues to progress that statements of legislative intent are clear that those are the types of transfers that should be explored in future legislation, so the terms "sale" and "transfer" are not inadvertently construed too strictly down the road, and potentially capture some of those things.

**Ray Bacon, representing Nevada Manufacturers Association:**
You have our written comments (Exhibit E). The only thing I will say is that basically we advocated for the comprehensive study instead of the constitutional amendment going back to about 2005. We think that is overdue.

**David A. Dawley, Assessor, Carson City Assessor's Office; and representing the Nevada Assessor's Association:**
We are neutral on S.J.R. 14, but we have some concerns we would like to make you aware of. First off, I met with Senator Ratti on a number of occasions to discuss a lot of these issues. Naturally I appreciate the fact that she was willing to sit down with me and discuss these.

The assessor's job is educating. We are educators for the Legislature. We are also educators for the taxpayer. By passing S.J.R. 14, there needs to be a lot of legislative changes made.

Currently, we are in a mass appraisal system. In Carson City we reappraise all parcels on an annual basis. We did a quick study on the first three months of 2017 and what happens. If you take away the depreciation and the abatement on a sale of a property, depending on the county itself and how close they are actually to the land value portion of it, then it is determined whether that property is going to be over market value if you remove all the depreciation. In Clark County, in the first three months of 2017, there were 14,180 sales. Of those sales, 10,911 would be over market value. For Clark County that is 77 percent. In Churchill County that would be 80 percent, and in Nye County, it is actually 91 percent of all of those properties that sold in the first three months. Because the current statute says that the taxable value cannot exceed the full market value or the full cash value of that property, we would have to put obsolescence on each and every one of those properties, and each and every one of those properties would have to be reviewed on an annual basis to determine whether that obsolescence is appropriate. By doing that, you are creating more of a fee appraisal portion and not a mass appraisal portion.

The second issue we have is when this is actually going to take effect. If a property sells in March 2017, based on the current law, the actual tax increase would be July 2018. We would actually go for 15 months before any kind of a property tax increase would take effect. Because the deadline to appeal a value is January 15, if they did not own the property as of January 15, they would have no ability to appeal that property.

One of the other huge issues we are concerned about is, what happens with corporations? In California, when a property sells, it is very similar to this. It goes up to a full cash value. That is what the property taxes are based on. Corporations sell 49 percent of the shares in their corporation. That does not trigger a reassessment of their taxes. There are ways to get around that to where the corporations are not paying increased taxes. It is all resting on the single-family residence, or the residence owners and not the corporations. Again, we are neutral to this, but we do believe there could be a lot of statutory and administrative code changes if and when this does pass.

**Chair Neal:**
Thank you all for your testimony. Members, do you have any questions? [There were none.] I will ask Senator Ratti back to the table for closing remarks to address clearly the statutory changes, which I know you stated in your introductory remarks that you expect to happen, and then also on page 4, your intent around the sale and transfer language. Before you do that, Assemblyman Marchant has a question.

**Assemblyman Marchant:**
Mr. Hicks brings up a good point. What do you have in mind as it relates to land transfer within corporations, trusts, and that type of thing? What is your intent?

**Senator Ratti:**
I have my personal beliefs about how that should be handled. I personally believe that an estate transfer, as was asked earlier, should not be included. If you are willing it to a child in your family, it should not be included. I believe we need to make sure our comprehensive regulations are more strict than what we are seeing in California, so corporations are not allowed to create entities in order to get around these laws.

I am not smart enough by myself to work through all of those issues. I very much believe in Chair Neal's request for a property tax study [Assembly Concurrent Resolution 7], and we should get the best minds in the room to a place where that it is defined before we pass this again in the next legislative session, and before it goes on the ballot.

My intent certainly would be arms-length transactions. It would not affect families. Again, I think this is the start of the process, not the end of the process. There were comments made earlier about public engagement, and I think knowing we are going to do this is something we talk about a lot in this building, which is allowing the voters to decide. There needs to be significant public engagement to see what is important to them as well. Certainly, if I was the queen of the world, there would be some ideas I would bring forward. I really do believe deeply that if we are going to do a comprehensive reform of the property tax system, bringing subject matter experts to the table in a public engagement process has to be a part of how we get to those final answers. I know it is frustrating to not be able to say to a constituent, this is how it will work. Good policy is keeping broad language in our *Constitution* and greater detail in statutes, so if there are any unintended consequences, we could come back through a statutory process and make adjustments. This is drafted with that spirit in mind. I think it is going to be important that we get the process started.

**Assemblywoman Cohen:**
Were there any other organizations that had come in support of the bill in the Senate or that you have heard from that are in support that were not able to testify today?

**Senator Ratti:**
I cannot recall off the top of my head. What I will say is I have been very gratified by the number of people who have raised their hand and said, I want to be a part of the conversation in the interim, and again, I am committed to making sure we have this process—whether we get the property tax interim committee study or not. I know there are others who are committed in the south and the north to making sure that we have this process. Off the top of my head I cannot say if there was anybody else, but they would have been similar parties to what you saw today. I did have some answers for the other questions you brought forward.

**Chair Neal:**
Go ahead.

**Senator Ratti:**
Madam Chair, you had asked about the existing "circuit breaker program." It is called the Senior Tax Assistance Rebate Program. It was originally set to expire on June 30, 2015, but because there were additional dollars, it was extended to October 31, 2016. It did have several limiting factors in the program. The first one was that the claimant must be 65 years of age. The income levels, from all sources, both claimant and spouse—the maximum income per year 2015 for an individual was $23,540. If it included, a spouse it was $31,860.

In addition, there was a residency requirement. If the residence assessed greater than $500,000, it required a credit report for the claimant and the spouse. It required that the claimant and the spouse cannot own, or their names appear on any other property than their primary residence —this had to be the only property that they owned. It required that the claimant or spouse could not have liquid assets in excess of $150,000—retirement accounts, bank accounts, et cetera—no greater than $150,000. That gives you an example of how prior legislatures have structured a circuit breaker program. This would certainly be a starting point for the discussion.

**Chair Neal:**
That is good to know. This is something we definitely need to think about in the future—you have to be dirt poor and have no money in the bank.

**Senator Ratti:**
I want to express my gratitude to Ms. Chapman for the poem. I love to see the arts and humanities inserted into any discussion here at the Legislature. I want to briefly talk about the reality that I faced as a Sparks City Council member. Many of you know I came from the city council, for the past eight years, and this is an area where Ms. Chapman and I are in 100 percent agreement. When you do not have a stable, broad-based tax structure, local governments still will have costs. They will figure out—it is an unintended consequence—where to get the revenue they need to meet basic service levels. What you see are local governments will go after the one area they do have control over and those are fees. You see increased business license fees. You see increased fees for health district inspections. All of the areas where we still have to provide the service, either to protect the health of our neighborhoods, or to maintain quality of life, that is the unintended consequence. That is what happens. Part of the reason you see an escalation in every other type of fee, and the nickel and diming I think Ms. Chapman's poem intended to point out, is because there is not a stable, broad-based structure for local governments to rely upon.

We know, between depreciation and the 3 percent and 8 percent caps, we have disconnected our property tax system from the economics of the community. When you overlay that with the fact that local governments are impacted by CPI, just like everyone else, costs will continue to go up, and you have a hole in the bottom of the bucket. We know for the abatements that hole was the equivalent of the entire tax package passed by the Legislature last session.

The other unintended consequence we see, and for those of you who are on the money committees, every year we try to figure out how to put more and more money into the DSA. In the meantime, those very same school districts have a hole in their property tax bucket, and a structural deficit is created at the local level. We beat them up for not being able to balance their budget, but we have given them a tax structure that makes it nearly impossible to do so.

I am absolutely committed to saying we cannot kick this bucket down the road any longer, and while I know there is frustration about not having all the answers, I completely agree with Mr. Leleu's testimony that said we need to have all of the solutions on the table. The only way to get this particular solution on the table for consideration is to start the process to amend our *Constitution*. If we go through the interim session and it does not look like this is the right solution, we do not have to pass it again in the next legislative session.

If the voters do not agree with us that this should be part of the solution, they will not vote for it. We like to get people to vote in this building when we can, and that is exactly what this does.

I urge you to get the process started. I can tell you there are many people who have raised their hand who want to be a part of the discussion, and that I am personally committed to making sure that discussion happens before we are back here again. Thank you so much for your time, and if there are any other questions, I am here to answer them.

**Chair Neal:**
Members, are there any additional questions? [There were none.] I do want to try to move this bill out of Committee today. Is there any consternation against that because I want to put it on work session and take a vote? Is everyone okay with doing that today?

**Assemblyman Pickard:**
I am not going to be able to support this bill. I do not mean to speak for any of my Republican colleagues, but we have had this conversation many times. I am actually in support of the interim study piece, but I cannot support it unless we amend out the piece that would actually raise the taxes.

I recognize the arguments. Mr. Leleu's comment, this does not raise taxes, and Senator Ratti's comment, cities need the increased revenue. Those are truly mutually exclusive statements. If we are not raising taxes somewhere, we are not raising any revenue for anybody.

I understand what we are trying to do. I do think it deserves some study. I do support that, but I cannot vote for it unless we amend out the other.

**Assemblywoman Benitez-Thompson:**
I am ready to vote on this. This is my fourth session, and I have served on the Assembly Committee on Taxation every session. Every single session there has been at least one bill to talk about property tax in some shape or form, whether it is addressing depreciation or talking about point of sale. I will say this in terms of fairness, what is fair? Is it fair that I just bought a house in old southwest Reno, so because of where I bought the house and because of the abatement attached to that house, my property taxes are really low, and people who are buying new houses up the street are paying more? It is a fairness issue. It is about fairness in taxation. It is about begging the question about how this tax could be better applied, more fairly applied, and more evenly applied. An abatement attached to a house is a great thing, but ultimately to whose detriment and to what detriment? I see this as any conversation we have about tax—what is fair and what is fair to most people? I think having S.J.R. 14 continue the conversation is the right thing to do.

**Chair Neal:**
I will entertain a motion to do pass S.J.R. 14.

ASSEMBLYWOMAN BENITEZ-THOMPSON MOVED TO DO PASS SENATE JOINT RESOLUTION 14.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

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

THE MOTION PASSED. (ASSEMBLYMEN KRAMER, MARCHANT, AND PICKARD VOTED NO. ASSEMBLYMEN PAUL ANDERSON AND FRIERSON WERE ABSENT FOR THE VOTE.)

[(Exhibit F), (Exhibit G), (Exhibit H), (Exhibit I), (Exhibit J), (Exhibit K), (Exhibit L), (Exhibit M), (Exhibit N), (Exhibit O), (Exhibit P), (Exhibit Q), (Exhibit R), and (Exhibit S) were presented but not discussed and are included as exhibits for the meeting.]

[Chair Neal assigned herself for the floor statement on S.J.R. 14 after the meeting adjourned.] I will close the hearing on S.J.R. 14 and open the hearing on Senate Bill 414 (2nd Reprint).

**Senate Bill 414 (2nd Reprint): Revises provisions governing the taxation of certain property owned by nonresidents. (BDR 32-935)**

**Michael Nakamoto, Deputy Fiscal Analyst:**
The members should have in front of them a one-page work session document (Exhibit T) on Senate Bill 414 (2nd Reprint). This bill was heard last Thursday, on May 25, 2017, and was sponsored by Senator Hammond.

Senate Bill 414 (2nd Reprint) revises the current exemption from property taxes for personal property owned by nonresidents of Nevada, which is currently located in *Nevada Revised Statutes* (NRS) 361.068, to specify that the following types of property that are located in Nevada by a nonresident are exempt from taxation: An exhibit that is used in a convention or tradeshow located in Nevada; or a display, exhibition, carnival, fair, or circus that is transient in nature, and which is located in Nevada for not more than 30 days.

The primary testimony was given by Mr. Leleu. On the work session document (Exhibit T), you can see those who testified in support or neutral. There are no amendments that were submitted in writing. There was, however, discussion of a potential amendment to add Assemblyman Pickard as a joint sponsor on this bill. I am happy to answer any questions you may have.

**Chair Neal:**
Are there any questions from the members on the work session document (Exhibit T)?

**Assemblyman Pickard:**
I do not want to hold this up in any respect, so I will withdraw that request.

**Chair Neal:**
It does not hold it up. We just add you on.

**Assemblyman Pickard:**
It just means we have to do an amendment on the floor, and it is probably easier to just do pass and get it off the floor. I appreciate the opportunity though.

**Chair Neal:**
I will entertain a motion to do pass Senate Bill 414 (2nd Reprint).

> ASSEMBLYMAN PICKARD MADE A MOTION TO DO PASS SENATE BILL 414 (2ND REPRINT).
>
> ASSEMBLYMAN FLORES SECONDED THE MOTION.

Is there any discussion on the motion?

**Assemblywoman Benitez-Thompson:**
I have had the conversation with you, Madam Chair, and this is not specific to this bill, but a stance I have taken from the beginning of session—if we are going to be talking about how we fix the property system and how we have a property system that is wonky, then at the very minimum I do not think creating more exemptions to the property tax system is the right direction to go until we get the property tax system as a whole fixed and in the right spot, then we can talk about exemptions. I feel like we are just putting more holes in the Swiss cheese. That is where I am personally.

**Chair Neal:**
Is there any other conversation or discussion on the motion? [There was none.]

> THE MOTION PASSED. (ASSEMBLYWOMAN BENITEZ-THOMPSON VOTED NO. ASSEMBLYMEN PAUL ANDERSON AND FRIERSON WERE ABSENT FOR THE VOTE.)

I will assign the floor statement to Assemblyman Pickard. I will close the hearing on S.B. 414 (R2) and open the hearing for public comment. Is there anyone here for public comment? [There was no one.] We are adjourned [at 4:23 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 copy of a PowerPoint presentation titled "Senate Joint Resolution 14," presented by Senator Julia Ratti, Senate District No. 13.

Exhibit D is a document titled "Inflation Before and After Adjustment for Depreciation," presented by Senator Julia Ratti, Senate District No. 13.

Exhibit E is a letter dated May 30, 2017, in opposition to Senate Joint Resolution 14 to Chair Neal and Members of the Taxation Committee, authored and submitted by Ray Bacon, representing Nevada Manufacturers Association.

Exhibit F is a letter dated March 30, 2017, in support of Senate Joint Resolution 14 to the Senate Committee on Revenue and Economic Development, submitted by the Nevada State Education Association.

Exhibit G is a letter dated May 9, 2017, in support of Senate Joint Resolution 14 to Chair Ratti and the Senate Committee on Revenue, authored and submitted by Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada.

Exhibit H is testimony in support of Senate Joint Resolution 14 to Senator Julia Ratti, authored and submitted by Jane Gruner, Advocate, Senior Coalition of Washoe County.

Exhibit I are emails dated May 24, 2017 in support of Senate Joint Resolution 14 to Assemblywoman Dina Neal and the members of the Assembly Committee on Taxation, authored and submitted by Andrew D. Durling, Principal, Wood Rodgers, Inc.

Exhibit J is an email dated May 25, 2017 in support of Senate Joint Resolution 14 to the Honorable Assemblywoman Neal, authored and submitted by Harry Hobson, Private Citizen, Reno, Nevada.

Exhibit K is an email dated May 25, 2017 in support of Senate Joint Resolution 14 to Assemblywoman Dina Neal and the members of the Assembly Committee on Taxation, authored and submitted by Ken Krater, Private Citizen, Reno, Nevada.

Exhibit L is a document dated May 16, 2016 titled "Flawed Tax Structure Drives School Capital Needs," submitted by Ken Krater, Private Citizen, Reno, Nevada.

Exhibit M are emails in support of Senate Joint Resolution 14 to Chair Neal and the members of the Assembly Committee on Taxation, authored and submitted by John D. Ramous, Private Citizen, Las Vegas, Nevada.

Exhibit N are emails dated May 24, 2017, in support of Senate Joint Resolution 14 to Chair Neal and the members of the Assembly Committee on Taxation, authored and submitted by Jill Morrison on behalf of Shirley-Folkins-Roberts, Panattoni Development Company, Inc.

Exhibit O is an email dated May 31, 2017, neutral on Senate Joint Resolution 14, authored and submitted by Meredith A. Levine, Director of Economic Policy, Kenny Guinn Center for Policy Priorities, Las Vegas, Nevada.

Exhibit P is a documented titled "Property Taxes in Nevada, An Overview," submitted by Meredith A. Levine, Director of Economic Policy, Kenny Guinn Center for Policy Priorities, Las Vegas, Nevada.

Exhibit Q is a document titled "SJR14 the "Brilliant" Plan to Get More Blood out of the Taxpayer Turnip," authored and submitted by Janine Hansen, State President, Nevada Families for Freedom.

Exhibit R is a document titled "SJR 14," submitted by Julie Moore, Private Citizen, Gardnerville, Nevada.

Exhibit S is a letter dated May 30, 2017, in opposition to Senate Joint Resolution 14 to Chair Neal and the Assembly Committee on Taxation, authored and submitted by June Ingram, President, Charleston Neighborhood Preservation.

Exhibit T is the Work Session Document for Senate Bill 414 (2nd Reprint), dated May 30, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.