MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION

Seventy-Ninth Session
March 9, 2017

The Committee on Taxation was called to order by Chair Dina Neal at 4:04 p.m. on Thursday, March 9, 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 Teresa Benitez-Thompson
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:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Jeff Fontaine, Executive Director, Nevada Association of Counties

Lorinda Wichman, Commissioner, Board of Commissioners, Nye County; and Immediate Past President, Nevada Association of Counties

Bob Lucey, County Commissioner, District 2, Washoe County

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities

Jeff Cronk, Director, Financial Services Department, City of Sparks

Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada

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

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

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

Nick Vander Poel, representing City of Fernley

Yolanda T. King, County Manager, Clark County

Mary Walker, representing Carson City, Douglas County, Lyon County, and Storey County

Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association

Gary Ameling, Chief Financial Officer, City of Las Vegas

Mark Vincent, Private Citizen, Las Vegas, Nevada

Richard A. Derrick, Assistant City Manager and Chief Financial Officer, City of Henderson

Knight Allen, Private Citizen, Las Vegas, Nevada

Stephen Augspurger, Executive Director, Clark County Association of School Administrators and Professional-Technical Employees

Cheryl Blomstrom, Interim President, Nevada Taxpayers Association

Dan Musgrove, Private Citizen, Las Vegas, Nevada

Kerrie Kramer, representing, NAIOP, Commercial Real Estate Development Association, Southern Nevada Chapter

Lynn Chapman, State Vice President, Nevada Eagle Forum

John Wagner, representing Independent American Party of Nevada

Janine Hansen, State President, Nevada Families for Freedom

Jonathan Friedrich, representing Nevada Homeowner Alliance

Edward Locke, Private Citizen, Las Vegas, Nevada

Robert Frank, Private Citizen, Henderson, Nevada

Michele Mueller, Private Citizen, Las Vegas, Nevada

Robert Gaudet, Private Citizen, Las Vegas, Nevada

Julie Hereford, Private Citizen, Las Vegas, Nevada

Bonnie McDaniel, Private Citizen, Las Vegas, Nevada

Chair Neal:
[Roll was taken and Committee rules and protocol were reviewed.] The first order of business today is Assembly Bill 43. I would like to call Mr. Fontaine to the table to present the bill.

Assembly Bill 43: Revises provisions governing the partial abatement of taxes levied on residential and other property. (BDR 32-441)

Jeff Fontaine, Executive Director, Nevada Association of Counties:
On behalf of the Nevada Association of Counties (NACO), thank you for the opportunity to present Assembly Bill 43. With me today are two members of the NACO executive committee, Commissioner Lorinda Wichman and Commissioner Bob Lucey. They will be providing additional comments. We have submitted an amendment (Exhibit C), which I will explain during my testimony.

In 2005 the Nevada Legislature determined that rising real property values were placing an unreasonable property tax burden on taxpayers. To address the problem, the Legislature adopted Assembly Bill 489 of the 73rd Session, which created a system of calculating an abatement, or a reduction of tax liability. For owner-occupied residences, that abatement is 3 percent; for all other properties it is 8 percent. The abatement is generally called a tax cap.

Assembly Bill 43 addresses an unintended consequence of those abatements. This is specifically a mechanism referred to as the secondary calculation, and that was included as a late amendment to A.B. 489 of the 73rd Session. This year, in six counties, the caps for both residential and commercial properties are actually at 0.2 percent, while in three other counties they are below 3 percent. The purpose of A.B. 43 is to correct how this secondary calculation is made, so the caps do not fall below 3 percent in the future.

I would like to take a minute to review how the caps are set. To start, the terms "commercial cap," "general cap," and "secondary calculation" really all have the same meaning and are used interchangeably. The cap for commercial property is based on a formula that takes the greater of two things: either twice the Consumer Price Index (CPI) percent change in the prior year, or the rolling percentage average change of assessed value over a ten-year period for each county. This calculation, which I will now refer to as the "general cap," can be no less than 0 percent or no greater than 8 percent. However, if the general cap is less than 3 percent, then the residential cap must be reduced to equal the general cap.

Applying these tax cap rules to the current fiscal year (FY), the annual average percentage change in the CPI was unusually low at 0.1 percent, as published by the U.S. Department of Labor, Federal Bureau of Labor Statistics for the prior year. At the same time, the ten-year rolling-average percentage change of assessed value for nine counties was lower. This was due to the effects of many years during the recession when assessed values were dropping. Accordingly, the general cap for these nine counties in this current fiscal year is less than 3 percent, and therefore the residential cap was also reduced to the same level as the general cap in those nine counties. The ultimate result is the flat or lower property tax revenue available to local governments and school districts for the FY 2016 to FY 2017.

There have been a lot of questions about the effects of A.B. 43, so I want to start with what A.B. 43 does not do. Assembly Bill 43 does not increase the property tax rate, nor does it eliminate the 3 percent cap for owner-occupied homes and 8 percent cap for all other properties. Assembly Bill 43 does not affect any factor or calculation used to determine the taxable value of property, nor does it affect the extent to which property taxes can decline because of a decrease in taxable value from one tax year to the next. Lastly, A.B. 43 does not create a windfall for the state or local governments; it just prevents a further reduction of those revenues.

The big question is, Will A.B. 43 increase property taxes? First, A.B. 43 does not mean that taxes for owner-occupied properties will always increase by 3 percent. As is currently the case, these taxes will only increase by 3 percent if the property values increase by at least 3 percent or if there is a built-up abatement from prior years that is more than 3 percent. Second, there would be no increase in property taxes for next year. That is because we have submitted in our amendment (Exhibit C) a floor for the general cap at two times the CPI, which for the next year would equal 2.6 percent. Therefore, there would be no difference in the amount of taxes paid next year. The amendment also establishes a permanent floor for the general cap at 3 percent, only when the CPI reaches 1.5 percent or higher. In the out years—2019 through 2022—the projections are that the CPI will be higher than 1.5 percent, so if those projections are accurate, taxes will not increase during that time period.

In order to predict if and when property taxes would ever increase in the future, I want to go back to the circumstances that occurred this year and will occur again next year, albeit less severely. This year's aberration in the secondary calculation was the result of a rare confluence of circumstances—the CPI was less than 1.5 percent and the average annual increase in property values over the previous ten years, in nine counties, was less than 3 percent. In fact, in five of those counties, the ten-year moving average growth rate was negative, again because of the lingering effects of the recession on property values. That is what would have to occur in the future for A.B. 43 to cause a tax increase. I would note that in all nine counties that are capped at 0.2 percent this year, the average increase in property values in all of those counties for the past two years exceeded 3 percent.

One other point to note is that $700 million in property taxes are already abated this year, and we know that amount will grow over time. That is the amount property owners are saving on their taxes. Assembly Bill 43 is designed to slow the rate at which the property tax abatement is expected to increase over time . We have every expectation the abatement will continue to grow; it will just grow at a slower pace should the unusual circumstances that existed in FY 2017 occur again at some point in the future.

If the events that created the flat-tax revenues occur in the future, what would the actual tax increase be under A.B. 43? As an example, if the 3 percent in the bill had been in place this year, a property owner with a $1,000 property tax bill the prior year would pay $1,030 instead of $1,002. The $28 increase is the difference between the 3 percent floor in A.B. 43 and two times the CPI, which for this year was 0.1 percent.

Why do we need A.B. 43 if it does not increase property taxes in the next five years? Nevada's property tax system is very complicated, difficult to understand, and makes it nearly impossible for taxpayers to predict their future tax bills. The four principles of good tax policy are simplicity, neutrality, transparency, and stability. Tax rates and bases should be transparent and easily understandable by taxpayers. I would submit that is not the case with the existing secondary cap. For local governments, stability is needed for budgeting. Assembly Bill 43 is intended to bring transparency and stability to Nevada's property tax system.

Nevada relies on property taxation to fund local governments, including school districts, and the state's bond debt redemption. Property taxes are Nevada's second largest source of state and local government revenue behind only sales and use tax. For counties and cities, a preponderance of this money is used for public safety. While the problem that occurred this year—and will occur again next year—may self-correct in future years, we want to be proactive. We want to prevent this from occurring in the future—not in ten years or so down the road after we missed an opportunity to fix a problem that we knew could occur.

I want to point out two things in our amendment (Exhibit C) because it addresses two provisions in the bill. As submitted, A.B. 43 adds a ten-year rolling average to the CPI portion of the formula. Our amendment to section 1, subsection 1, paragraph (b), subparagraph (1), sub-subparagraph (II) would return the CPI calculation back to existing law which uses only the prior fiscal year. The second amendment, which is much more complicated, is to section 1, subsection 1, paragraph (b), subparagraph (1), sub-subparagraph (III). This is a ratcheting up of the floor for the general cap starting with the calculation for the 2018 to 2019 FY, which we know will be 2.6 percent. It increases until the year when two times the CPI reaches 3 percent or higher, at which time the general cap floor is permanently set at 3 percent—no higher and no lower. That concludes my presentation of the bill. I stand ready to answer any questions. With your permission I would like to have our executive board members provide their remarks.

Lorinda Wichman, Commissioner, Board of Commissioners, Nye County; and Immediate Past President, Nevada Association of Counties:
I am an executive on the board of directors for NACO. I have been a part of NACO for the last eight years [Reading from prepared testimony (Exhibit D)]. In the near future, Nye County is facing the additional expense of replacing our 30-year-old data system that many of our departments count on. The company that has been providing updates and support is going out of business and will no longer provide support after December 2018. This could cost the county as much $1 million. The county also must be ready to change out all the voting machines before the 2018 election. This additional expense has not yet

been calculated. In past legislation, the burden of providing the lion's share of the presentence investigation cost has been placed on the county. The state currently pays 30 percent of that cost, even though the state is the prosecution rather than the county. The county is also responsible for providing 100 percent of the indigent defense by mandate.

With the housing market crash in 2008 and the following reassessment of property values, the county took huge hits to one of our major funding sources. Since 2008 we have lost over 9 percent of our revenue from property taxes. I have an example of one household that was reassessed after the drop in the market and their resulting tax bill was reduced by 45 percent. It was brought to my attention by a property owner who asked how we could do this when we are reducing staff and cutting services to balance the budget. I did not have an answer. Some people see A.B. 43 as a tax increase. This is the same as getting upset at the grocery store when they do not give you a discount on the listed price when you get up to the cash register.

The 2008 property tax revenue to Nye County was $20,619,381. The 2016 property tax revenue to Nye County is $18,800,840. Since 2008 Nye County has reduced its staff by 25 percent and has eliminated nonmandated services. That means that we no longer subsidize our senior nutrition, there are no subsidies to veterans services, and there is no animal shelter assistance because those services are not mandated by law.

Our staff has been working at the same pay for many years. The bargaining units have been very helpful in keeping our cost to a minimum. The board voted on a one-half cent sales tax to help stabilize law enforcement and fire response.

Tonopah lost the privately owned medical facilities late in 2015. Although emergency services are not mandated by *Nevada Revised Statutes* (NRS), we operate a volunteer emergency medical service (EMS) in which many members can no longer keep their names on the rotation due to the long run times. One community in Nye County that once had a 20-man roster is now down to 7. The county is not able to help this situation due to the deep cuts we have already made and the continued decline in the expected revenue sources. Two other districts gave up 20 percent of their revenues in order for Nye County to establish a hospital district.

Nye County is at the maximum allowable tax rate of $3.67 in all communities except one. That is a cap set by the state, and Nye County cannot change it. By state regulations we are not able to increase a property tax by more than 3 percent in one year, even if a reassessment indicates that we are well below the proper taxes due. I agree with this model as it protects retired folks from losing their homes due to tax increases; however, no one ever thought that the property values would dive as they did, and no one built in reassessment protections for the counties on the bottom end.

Nye County's property taxes this year cannot increase by more than 0.2 percent due to the one-directional formula used to establish our rates. How long do you think it will take to recover a 45 percent loss of the taxes due when we are only able to increase the property tax by 0.2 percent in a year?

Assembly Bill 43 would allow the counties to more accurately budget and only allow for a safety net by simply stating the property tax will not increase by more than 3 percent in one year, but will also not be reduced by 45 percent in one year should by some slim chance a similar downturn occur as the one in 2008 to 2009. Nye County's ad valorum values had steadily increased by 6.3 percent in 2015 to 2016 and by 11.1 percent in 2016 to 2017. However, due to the ten-year rolling average calculation, Nye County is suffering nearly as much this year, with a restriction of 0.2 percent cap as we have in the past.

Using this amendment to A.B. 43, the individual property owner would never see an increase in his bill over the 3 percent already protecting our taxpayers. This amendment (Exhibit C) would provide the counties with the ability to plan ahead when considering their budget, and realize some measure of stability in a flawed tax structure.

Bob Lucey, County Commissioner, District 2, Washoe County:
I am the Chair of the NACO legislative committee, and I also serve as part of the executive committee. I sit in front of you today to testify on A.B. 43 as this is a bill of significant importance to all counties in the state of Nevada.

As counties continue to provide all regional services to their respective areas, it is paramount that we are able to provide the services to our residents and our citizens of this great state. Without the ability to properly stabilize the funding mechanism we so desperately count on in the counties, it makes it difficult for us to prioritize what we are going to do for our citizens as we move forward.

As we continue to see growth in our state, not only north and south but also in our rural areas, it is paramount that we continue to improve our infrastructure. The only way to accomplish this is through stabilization of our primary tax revenue. I would highly recommend and ask for your support of this amendment to A.B. 43. We are looking for continued support in our counties and the continued ability to service our residents and meet the needs they expect from our governments.

Assemblyman Pickard:
I am a little confused on one point, the retroactivity. If I understand correctly, the tax assessments would not be retroactive. We would not be going back and trying to increase the tax on prior tax years. It would be prospective only, but we are still looking back at least one year in the calculation. Is that correct?

Jeff Fontaine:
There is no retroactive application of this bill or the provisions in this bill. The reason you might think we go back one year is because you have to use the prior year's CPI to make that calculation for the next fiscal year.

Assemblywoman Bustamante Adams:
Regarding the proposed amendment (Exhibit C), in your opening statement you said it does not increase the property tax for the average citizen. Can you explain to me how it does not increase property tax because all the emails we have gotten over the last couple of days implicates that it does.

Jeff Fontaine:
The amendment sets the eventual floor at 3 percent—at whatever two times the CPI is in future years or the calculation is for future years. We know the CPI that will be used to set the calculation for the general cap for the next fiscal year will be 1.3 percent, so two times that is 2.6 percent. The amendment basically says that next year, whatever two times the CPI is will be the floor. It is a moving floor. Next year it will be set at 2.6 percent, so there will be no net effect. What will happen next year in ten counties is property owners will still pay less than 3 percent because of the way the floor moves up to 3 percent. Only when the CPI reaches 1.5 percent or more does the floor then become 3 percent permanently, no more and no less. Based upon projections of the CPI in future years, at least up until 2022, the CPI is projected to remain above 1.5 percent. If those projections are accurate and hold true in future years, there would be no increase in property taxes. If that does not happen, or if it happens beyond 2022, then there could be an increase in property taxes; but remember we are still keeping the 3 percent cap in place. The increase is actually a reduction in the amount of savings that property owners will realize in that tax year.

Assemblywoman Bustamante Adams:
When you are talking about projections of CPI, where did you get that information?

Jeff Fontaine:
I will have to get that information and send it to you, if that would be okay.

Assemblywoman Bustamante Adams:
Yes, that is fine. I want to make sure we understand where those projections are coming from. You also said it does not create a windfall for the counties. Did I hear you correctly?

Jeff Fontaine:
I can tell you that when we were discussing this bill with other local government and with the NACO board, it was never the intent to bring in additional dollars to do new things. The intent here is to stabilize a revenue source that counties and other local governments rely on. Again, this is about reducing the amount of taxes that are abated and eliminating a reduction in the amount of taxes that counties have budgeted for.

The Department of Taxation does their general cap factor analysis, usually some time in March, and the counties are already starting their budgets for the next fiscal year, so I do not know if the 0.2 percent cap was a surprise for the nine counties. This is about not having those county revenues reduced. It is not about bringing in more county revenues for other purposes.

Chair Neal:
Could you explain section 2 and section 3 in your amendment (Exhibit C)? There were some concerns about the legislative declarations being struck out. Can you put that on the record?

Jeff Fontaine:
I am probably going to need some help from your fiscal staff, if I may ask that. When we saw the strikeout language for section 2 and section 3, we also had concerns. My understanding is because this is a mock-up of an amendment to a bill, what this is doing is basically eliminating or deleting language in the original bill, but because of the way it is mocked-up it is confusing. My understanding is that this does not change the original law. Those provisions in section 2 and section 3, specifically the legislative findings and declaration, remain in existing law with this amendment.

Chair Neal:
Mr. Guindon, would you like to add to that?

Russel Guindon, Principal Deputy Fiscal Analyst:
When we draft legislation it is proposing changes to the law. It is not the law. When we created the mock-up (Exhibit C), we struck out the amendments that were proposed in section 2 and section 3 of the original bill. If you go back and look at the original bill, you will see blue and red language which was proposing to make amendments to NRS 361.4723 and NRS 361.4724. To align this bill with the amendments in this mock-up, section 1 needs to undo those proposed amendments in section 2 and section 3 to be consistent, so in a mock-up it all becomes purple language. As I said, if you do not like the purple language, look at the green language, which says "deleted by amendment," which means we are striking it out of the bill and are no longer proposing to amend those two sections of the law. Thusly, they will remain as is in the current law.

Chair Neal:
Thank you for your presentation. Seeing no further questions from the Committee members, we will move into support of A.B. 43. I would like testimony to be kept to around 3 minutes each.

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:
We are in support of the amended version of the bill. I would like to thank our friends from NACO for bringing this bill forward. Over the interim there have been many meetings trying to come up with a solution to fix what, as Mr. Fontaine said, we believe are unintended consequences of the secondary calculation on commercial property. It has been a struggle.

Jeff Cronk, Director, Financial Services Department, City of Sparks:
I have submitted prepared testimony (Exhibit E), but this will be an add-on. I would like to pivot just to the amendment (Exhibit C). We reviewed it and we understand it. We have given our input and are absolutely in support of the amendment. We see it positively addressing a technical flaw that created an extremely low property tax cap in 2017, which we would not want to repeat. It would provide an amount of stability and reliability going forward, and we need that very much when trying to balance our budgets.

Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada:
We support the concept behind this bill because our property tax system is broken. This bill only deals with one small piece of a much larger problem, whether it be how we assess property, depreciation, the list goes on. We are the only state in the nation that assesses and taxes property this way. We must fix our broad-based taxes, property tax, and sales tax for that matter. Several of you have heard me talk about Washoe County Question 1, which was our campaign last year to raise sales tax on everybody in Washoe County to pay for school construction. The reason we had to do that is because our revenue sources, like property tax, do not work. To those who want to talk about tax increases, I cannot emphasize enough the fact that we need to stabilize this revenue source, and these revenue sources, because they are unstable. Property tax is not stable. This building tends to look at modified business tax increases and commerce taxes to fill the inevitable gap when we have our next budget hole because it is easy. It is easy to do business taxes. It is very hard to talk about these broad-based taxes that affect every Nevadan. We believe that for services that benefit every Nevadan, whether it is education or mental health—these broad-based services—every Nevadan should pay for it. This is one small piece to start talking about that problem.

Lindsay Anderson, Director, Government Affairs, Washoe County School District:
I feel it is only appropriate to be up here in support of this bill today after you were patient to sit through the presentation with my trustee, Ms. Holland, giving you some insight into the issues we are facing in our budget, of which property tax is a piece. I do not feel enough emphasis has been given to the local government-fiscal working group we have been participating in for approximately two years. There has been a lot of work that has gone into this and as a result of that, we appreciate NACO bringing this bill forward. We are naturally here in support. Again, this is a small piece, but this will help us minimize future situations such as we are facing right now, a situation in which we are trying to explain to our parents and constituents about why we are not increasing or improving educational services during a time of economic growth because our property tax revenue is flat. It is very confusing and hard for people to understand why during economic growth they are not seeing big increases in spending in their schools. This is one reason that is happening, so we are here in support of trying to limit those future occurrences.

Chair Neal:
Thank you for your testimony. Do the members have any questions? [There were none.]

Nicole Rourke, Associate Superintendent, Community and Government Relations, Clark County School District:
As a member of the Department of Taxation's Committee on Local Government Finance, and advocating for stable funding in order to provide quality services to schools and communities, we are here to support A.B. 43. Because we cannot generate our own revenue, it is imperative the funding streams we have are at least predictable. Our property tax revenue is roughly at the 2006 level, with current dollars having significantly less buying power. The state's FY 2017 education budget was built on the expectation that property taxes would increase 3.5 percent between FY 2016 and FY 2017. When the FY 2017 revenue came in at 0.2 percent, that loss was $17.7 million to the Clark County School District. Ten million dollars of that loss was for operating taxes that could have funded textbooks and online curriculum for approximately 72,000 students. On the capital side, $7.6 million could have generated over $87 million in bond capacity. That could have built one new elementary school, replaced two heating, ventilation, and air conditioning systems, and installed two new chillers in elementary or middle schools where those are needed. These revenue losses will not be made up in future years and for that reason we believe that A.B. 43, as amended, will prevent this anomaly from occurring in future years.

Scott F. Gilles, Legislative Relations Program Manager, Office of the City Manager, City of Reno:
The City of Reno supports A.B. 43. We are also part of the Department of Taxation's Committee on Local Government Finance. I want to first thank NACO for bring this bill. This is a very complicated topic, as we have all found over the last year and a half working on this issue, and thank you for the amendment (Exhibit C) which cleared up the concerns we had at the City of Reno. We do not see this bill as a complete fix to the problems we are facing with our growing abatement and property tax revenue that is not keeping up with our economic growth, population growth, or the demand for services we have in our city and for the other local governments. However, this bill does provide things that are key for us going forward, which is some predictability and stability with the caps and our budgeting process. I appreciate your time hearing this bill.

Nick Vander Poel, representing City of Fernley:
We would like to thank NACO for this bill. On February 16, Mayor Roy Edgington sat in this room for a presentation regarding how the City of Fernley operates their municipality on a $6 million budget and their efforts to provide expected services to the residents. Chair Neal, even you commented how shocked you were by the figures presented to you. During public comment, Mayor Edgington addressed the Committee regarding how dysfunctional our property tax system is. In Lyon County, the property tax is currently capped but there are 6 cents remaining, which was requested for the North Lyon County Fire Protection District. In a long complicated formula the City of Fernley received an increase of 1/900 of a cent, which represents a total increase to the City of Fernley of approximately $3,000. This has been their annual increase for two years in a row. A formula that goes to 1/900 of a cent is simply unacceptable for a city that is growing and cannot meet the needs of its citizens. The system is broken, and it needs to be fixed. The City of Fernley is not here

asking for a handout, but simply asking for a solution so they can meet the ever-growing demands of a growing community. The City of Fernley and the people they serve support A.B. 43.

Yolanda T. King, County Manager, Clark County:
I simply want to echo the support that has been made by the local governments here at the table in support. We do support the amendment (Exhibit C) as submitted by NACO, and would also like to thank NACO for this bill, presenting it, and bringing these issues to the table for us.

Mary Walker, representing Carson City, Douglas County, Lyon County, and Storey County:
We rise in support of A.B. 43 and the amendment (Exhibit C). Basically, when you think of local governments, they have two primary revenue sources. One of them is the property tax, and the other one is the consolidated tax (CTX). This year we became painfully aware that both of these primary revenue sources are unstable. In looking at CTX, it is primarily made up of sales tax, which is one of the most unstable revenue sources that government can rely upon. Consider when 9/11 happened. People stopped flying. We did not have visitors coming to Reno or Las Vegas because people were not flying. After 9/11 we went into a recession that lasted about 18 months. That could happen again.

The property tax cap of 3 percent and 8 percent went into effect in 2005, and we did see ongoing stable increases until this year, when the fluke of the secondary cap happened—the cap that no one quite understood how it worked until it triggered. All of a sudden we went from what we thought was 3 percent and 8 percent, but all of a sudden we had 0.1 times 2 equals 0.2 percent. That was our increase in the current year. It is very volatile. All we are trying to do with this amendment is to stabilize one of our primary revenue sources, property tax. The CTX is always going to be unstable, but we need to have one of them that is stable. We would sincerely appreciate your consideration of this bill. I think it is very modest, and NACO did a great job in pulling this together.

Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association:
The Nevada State Education Association represents 40,000 educators across the state. We are working to ensure high quality public education for every Nevada student. We are in support of A.B. 43 to refigure how property tax is calculated. We think A.B. 43 is the bare minimum that the Legislature should be engaged in.

It is interesting when you listen to what people say. Just about everyone will say they do not want to pay more taxes; just about everyone will say they want better schools or want improved government services. Unfortunately here we have a math problem. It is a simple math problem. For those of you who sit through hours of testimony in the Assembly Committee on Education, there is no shortage of great ideas about how we can improve our schools. I am sure on the city and county side there is no shortage of ideas of how to improve government services. There are shortages of resources. Getting the property tax stabilized and getting it right, that is a good step. We also need to take more steps to find additional revenues (Exhibit F).

Chair Neal:
We will go to those in Las Vegas in support of A.B. 43.

Gary Ameling, Chief Financial Officer, City of Las Vegas:
Although I am new to Las Vegas, I have 27 years of government finance experience. I previously served as Director of Finance for the City of Santa Clara, California. I was Director of Administrative Services for the City of La Mesa, California; and I spent 13 years in the finance department for the City of Bellevue, Washington. Having been intimately involved with property taxes in both the state of Washington and California, I can say that I have found the way property taxes are levied and annually adjusted, based on the current law in Nevada, to be difficult for the public to understand and extremely challenging for local governments.

I understand the intent of the prior legislation to establish reasonable caps on property tax growth, to protect property owners, and to provide some certainty to agencies in the share and distribution of the tax collections. However, based on the way the secondary cap formulas have actually worked, government agencies, including the City of Las Vegas, have seen their property tax collections severely restricted.

At a time when the economy has rebounded and most government agencies throughout the country have been able to restore services that were reduced as a result of the Great Recession, Las Vegas had to cut its budgets in FY 2017 due to the 0.2 percent property tax growth for this year. If the current formulas are not adjusted, providing already reduced service levels will continue to be a challenge for us. Although A.B. 43 does not fix all the problems, it is a step in the right direction, and the City of Las Vegas strongly supports its passage. We also strongly support the Legislature undertaking a comprehensive study of all the challenges and possible solutions to property tax issues that have been raised, and we look forward to participating in these conversations.

Mark Vincent, Private Citizen, Las Vegas, Nevada:
I am here as a private citizen today. I am the retired Chief Financial Officer for the City of Las Vegas. I am in support of A.B. 43 as amended. I was looking at the "Applied Analysis Tax Timeline" provided to the Joint Meeting of the Senate Committee on Revenue and Economic Development and the Assembly Committee on Taxation on February 14. There were a couple of statistics in there that caught my eye (Exhibit G). Jeremy [Aguero, Principal Analyst, Applied Analysis] had reported that the property taxes on a per capita basis, as well as on a per housing unit basis, had dropped over 21 percent since FY 2006.

Economic data has shown that for the same 10 to 11 years since 2006, the Las Vegas-Henderson-Paradise Metropolitan Statistical Area personal income increased 22 percent and population increased 19 percent. I find the diversion of those two numbers remarkable. From a Las Vegas perspective though, since the tax revenue peak of 2008—and that is the abated peak, net of abatements—Las Vegas' property tax revenues have decreased 24 percent. As a result of that, their full-time nonpublic safety staff had to decrease 20 percent. For that same period of time, the Las Vegas population increased 6.8 percent. They added four new fire stations, making it a 24 percent increase in fire stations. They went on 133 percent more EMS runs to respond, and they added over 10 percent additional park and trail acreage.

As we have been talking about the 0.2 percent cap, the impact for the City of Las Vegas for FY 2017 is about $2.7 million. I know that seems like a relatively small number, but to bring it home I will give you one example. For FY 2017 the Las Vegas Metropolitan Police Department (LVMPD), which the City of Las Vegas and Clark County jointly fund, had a $11.7 million deficit. The city shared that deficit. It would have been $4.3 million. The city and the county were able to get the LVMPD to access one-time monies to plug that gap, but that gap will need to be filled in FY 2018, and that is a $4.3 million shortfall just to stay constant. That tax revenue would have come in handy for that.

Richard A. Derrick, Assistant City Manager and Chief Financial Officer, City of Henderson:
I want to thank the Committee for hearing this important legislation and to thank NACO for sponsoring the bill. The City of Henderson is in support of A.B. 43 with the inclusion of the proposed NACO amendment (Exhibit C). By supporting this legislation, the city is hopeful this important revenue source for local government will become more reliable and sustainable for providing public services. As you know, property tax is an important component of the city's ability to provide public services such as police and fire, recreational opportunities for youth and seniors, and critical maintenance to city facilities and infrastructure. I want to be clear that this bill does not increase the property tax rate and does not eliminate the 3 percent cap on residential tax bills; however, it will help to add stability to this important revenue stream.

Chair Neal:
Do the members have any questions? [There were none.] I appreciate your testimony. It was very good. Is there any further testimony in support of A.B. 43 from Las Vegas?

Knight Allen, Private Citizen, Las Vegas, Nevada:
I am willing to support A.B. 43 without the amendment. With all this conversation here today about the rolling CPI, the secondary cap, and what have you it is imperative, ladies and gentleman, that you understand that those of us who supported the caps back in 2005 never asked for this CPI business, and we never asked for the secondary cap. That was inserted into the bill by people who did not want the cap to work. It was inserted into the bill with the assumption that the CPI would ultimately erode and wipe out the advantages and the protections the caps provided to the people, and that is why it was put in. It was not put in by those of us who supported the bill. You need someone to stand up because all the discussion from NACO, the Nevada League of Cities and Municipalities, and other folks from the local governments, they are all coming to you with the assumption that this

is a terrible thing that is in the bill and it all ties into the caps. It does not. We did not ask for it. They put it in the bill and the only way the bill was going to get passed is if that was included, and now look where we are.

They keep talking about tax stability. My tax bill reflects stability at 3, 3, 3, 3, and 3, all the way through. That ladies and gentleman is tax stability. My new tax bill reflects 3, 3, 3, 3, and now you getting this 0.2 percent that everybody is hollering about because of the CPI business. Now it is all nonsense folks. You cannot blame us and the caps for what has happened with the CPI. The CPI was supposed to erode the caps, but we had a few little things happen like the financial crisis, the implosion of the housing market, the worst recession in 80 or 90 years, and zero-percent interest rates. All of this turned the CPI into this thing in which not only did it not erode the caps the way it was supposed to, but it turned around and bit the people who put it into place, and now we are getting all this whining and crying.

I addressed the Legislative Commission at their last meeting and I have looked at A.B. 43. More important is what I have found. The people I know, trust, and respect on this subject told me that A.B. 43 as put together originally was all right, but do not let anybody amend it. No amendments because in one way or another the amendments are going to jerk this around some more and you cannot let that happen. I am here in support of A.B. 43 because there is no reason in the world why I should get a tax increase of 0.2 percent. I did not sign on for that and neither did my fellow citizens. Three percent, three percent, and three percent—that would have been fine, and the local governments could make their budgets based on that stability that was given to them, but now we have all these problems with the CPI. I do not think so folks. I am asking you not to fall all over yourselves, and perhaps most important of all, to understand that those of us who supported the caps still support the caps, but not this fooling around with the CPI. We did not ask for it. If it has turned into a nightmare and a mess, that is the problem of the people who put it into place, people whose names I could not tell you, whose positions I could not tell you. But I will tell you one thing, it was not Tinker Bell coming down and slipping it into the bill after midnight.

Stephen Augspurger, Executive Director, Clark County Association of School Administrators and Professional-Technical Employees:
We, too, stand in support of this bill and the amendment (Exhibit C). I am in particular support of most of the comments I have heard here today. I would like to focus on two I think are important to keep in mind as we work forward. This is a difficult issue. It can be an emotional issue, and certainly an ideological one. I think it is important to remember that the circumstances which existed in 2005, circumstances which necessitated and even cried out for this bill, are gone. Those circumstances are no longer here. The economy is becoming more robust, and we have a growing population. That population is in need of services. I think what Tray Abney said a few minutes ago resonated with me as well. We all share in providing those critical services to our population, young and old—services associated with police, fire safety, education, services to the aging and elderly, and welfare services. Every single Nevadan shares and can be a recipient of those services. We all need to share in the expense of those, and that is what this bill will do.

Chair Neal:
I appreciate your testimony. Do the members have any questions? [There were none.] Is there anyone else signed in down south in support of A.B. 43? [There was no one.] If there is anyone in Carson City or Las Vegas signed in as neutral on A.B. 43, please come to the table.

Cheryl Blomstrom, Interim President, Nevada Taxpayers Association:
Unintended consequences, right? In 1981 we had the tax shift and it took ten years—five legislative sessions—to fix the largest of the unintended consequences. This is those same chickens coming home to roost from 2005. We support what NACO is doing in concept. We absolutely support finding a way to stabilize what our taxpayers see, so they do not see the spiking up and down tax bills that we were looking at in 2005. We do not want taxpayers to have to wonder what their tax bills are going to be like. We are very interested in seeing this bill go forward. We are very interested in continuing to work on it. I will stand for questions.

Assemblywoman Benitez-Thompson:
I want to make sure I am understanding everything right. As we look at this and we look at the proposed change to the formulas, different counties are going to start hitting the 3 percent floor at different times. It looks like probably Storey County, in the first year this would be enacted, would probably hit that 3 percent floor first, then potentially Churchill and White Pine Counties coming on-line in the following year. Once the counties hit that 3 percent floor, we essentially have a flat tax—with the ceiling and floor being 3 percent we have a flat tax. Is that correct?

Cheryl Blomstrom:
Essentially yes. We have a 3 percent floor. Arguably we will see that in the next year. The Department of Taxation is forecasting that most of the counties are going to be at 2.6 percent this year. In the following year most of the counties will go to about 3 percent.

Assemblywoman Benitez-Thompson:
So within Year One and Year Two would we expect all 17 counties to essentially be at a flat tax?

Cheryl Blomstrom:
I cannot say all of them, but I think most of them will.

Assemblywoman Benitez-Thompson:
I think right now eight counties are set for no change because they are already at 3 percent, and then nine counties are under. Is that the time frame we are going to see?

Cheryl Blomstrom:
Yes.

Assemblywoman Benitez-Thompson:
With removing the ten-year average aggregate in the formula, by moving it to the immediate preceding year, all counties had positive growth in the immediate preceding year. Is that right? I do not want to make any assumptions.

Cheryl Blomstrom:
I do not know, but I will get back to you.

Assemblywoman Benitez-Thompson:
I will save that for Mr. Fontaine, but he is nodding his head. Effectively, after we get to a flat tax point—potentially in one to three years of enactment of this—that immediate preceding year becomes moot because the floor is 3 percent, the ceiling is 3 percent—we are flat. Essentially that part of the formula becomes almost moot. Is that right?

Cheryl Blomstrom:
Therein lies the stability.

Assemblywoman Bustamante Adams:
I wanted to make sure I heard you correctly. We are in the neutral position, but I heard you say you support the concept through there is more work to be done. Did I heard that correctly?

Cheryl Blomstrom:
I am interested in being included in the work that needs to be done, but we are supportive in concept, yes. We had some concerns when we came today with the purple strikeouts—the massive strikeouts. It appeared to me, and to our council, that it might be undoing the 3 percent residential. I understand that now, but I did not then, so we decided to be neutral.

Assemblywoman Bustamante Adams:
Based on the explanation from our fiscal team, did that clear it up for you and your council?

Cheryl Blomstrom:
Yes, and I am comfortable with that.

Assemblywoman Bustamante Adams:
You would like to be included because there is additional work that needs to be done, but that is long term. Is the short term to stop the hemorrhaging and not raise the rates for taxpayers?

Cheryl Blomstrom:
Correct. This creates measureable stability for taxpayers. That, ultimately, is a very good goal.

Assemblywoman Bustamante Adams:
Thank you for clearing that up.

Assemblyman Frierson:
Is it your position that you are currently neutral but if other things are addressed, you could be in support? Or are you saying you are going to be neutral but you want to be at the table the whole time?

Cheryl Blomstrom:
I think that we probably could be in support, yes. I came neutral and supporting in concept, so we are moving towards it.

Assemblyman Frierson:
I understand the confusion about the mock-up as well.

Chair Neal:
Did you say what changes you wanted to see in the A.B. 43 amendment?

Cheryl Blomstrom:
No. I wanted a clarification on the purple strikethroughs.

Chair Neal:
Which we already established.

Cheryl Blomstrom:
That is on the record now, but it was not when I came to the meeting.

Chair Neal:
Should I be shifting you to support?

Cheryl Blomstrom:
Yes. I think so.

Chair Neal:
Is there anyone else signed in as neutral?

Dan Musgrove, Private Citizen, Las Vegas, Nevada:
I have not signed in yet but I will. I am taking off my badge today to speak as a private citizen. As many of you know I have been a lobbyist since 1999, and for most of those sessions, I represented local government. One of the things that I learned as a local government lobbyist was that the local school support tax (LSST), as we have all talked about today, goes to schools, but the issue is this: we have a Nevada Plan for School Finance that says if the LSST does not meet the Nevada Plan then the State General Fund has to make up the difference. This is a state issue, ladies and gentleman. This is not just the local governments. I think that is one of the points that has been missed here, at least in the testimony I have heard today. We do not know what is going to happen with the Affordable Care Act right now. We are facing a challenge with Medicaid, and funding that is beyond our comprehension right now. The fact is, if the state

does not take this opportunity to stabilize revenue throughout the state, you are missing the opportunity for a revenue source that potentially could make up some of those differences we are all going to face when we have to provide services to our citizens. Again, it is not just a school district issue or local government issue—it is a state issue. If property tax does not make up the dollars, you need to fund education the way citizens demand, with General Fund dollars. I will take any questions.

Assemblyman Frierson:
Knowing your experience, I appreciate your perspective. I want to make it clear because, as Assemblywoman Bustamante Adams mentioned earlier, we have been getting a lot of communication about the concerns of raising property taxes and raising taxes. It seems to me with this mock-up, not only is it potentially decreasing taxes because it is the lesser of a couple of cycles, but keeping it stable moving forward. It would prevent our having to close a hospital or shut down services during another economic downturn, even in going from 3 percent down to 0.2 percent. This is not raising property tax but keeping it stable.

Dan Musgrove:
I appreciate your comment. I think what you are talking about is stopping the further erosion. That is what this is an opportunity to do. We meet every two years. We do not know what is going to happen with the federal government when it comes to Medicaid, Medicare, and those kinds of issues. It is going to fall on the back of the state to meet the services our citizens are going to need.

Chair Neal:
Before we move into opposition I just want to acknowledge our former speaker, Marilyn Kirkpatrick, because today is her birthday. We will move to those in opposition to A.B. 43. Folks in Carson City and Las Vegas, come fill in the chairs. We will do three minutes each and flip-flop back and forth between Carson City and Las Vegas. We will start with Carson City.

Kerrie Kramer, representing, NAIOP, Commercial Real Estate Development Association, Southern Nevada Chapter:
I signed in as opposition, but now I may be neutral. I am going to let the Committee tell me. We stand in opposition of A.B. 43 as written. The reason why is that we do not believe this bill, in its current form, is complete. While we are supportive of putting a reasonable floor in place to shield projected tax revenue from losses caused by another economic downturn, it does not raise the revenue the municipalities have stated they need. We believe there will be other legislation, or should be other legislation, that addresses that need, and we would like to be part of those discussions to help structure a fair and balanced approach in revising our property tax caps. We look forward to continuing those discussions with members of this body and we thank you for your time.

Lynn Chapman, State Vice President, Nevada Eagle Forum:
This is not my area of expertise, except when we have to pay property taxes. My husband retired on July 4, 2016, and we are on a fixed income, which is no fun at all. We worry about bills. Everything keeps going up. My husband did not get any raises the last ten years he worked, so we have been living off of the same amount of money all these years, yet our property taxes kept going up until the bottom fell out, and then they did go down. That was the first time ever, and we have owned our home in Sparks for 32 years. I keep hearing about how the cities and counties want stable amounts coming in. We do not always have stable amounts coming in to our homes, and we have to pay for higher food prices and higher water bills. Keep in mind, people on fixed incomes have a heck of a time trying to make sure that things work out. The property taxes, we hear, will only go up about $30 next year. Being on a fixed income, I have to find $30 extra dollars somewhere in the small budget I have to work with. Please keep us in mind.

John Wagner, representing Independent American Party of Nevada:
I must say it boggles the mind. It is written in legalese, and you have accountants talking about money and so forth. They say it is not going to raise property taxes, so why are the counties here? They are talking about a revenue stream. Are they expecting to get money just flowing out? Where is the money going to come from? If there is a downturn again, are you going to keep the cap? Does that mean they are going to stabilize? It is going to be fixed there, then no matter what happens to our housing values it is going to go up 3 percent anyway? I do not understand what is going on with this bill. I hope you people do. The money has to come from somewhere. The counties are trying to get more money, and if there is not going to be a tax increase, where is that money going to come from?

Janine Hansen, State President, Nevada Families for Freedom:
This is a difficult bill to understand, so I do not pretend to completely understand it. I do have a couple of observations I would like to make. For most workers, real wages have barely budged for decades. In other words, even though in terms of the dollar, wages have gone up, purchasing power has not increased since 1979. We are trying to pay our bills with money that in purchasing power equals 1979. When you talk about stabilizing this tax, it is nice for government to be able to stabilize things, but for us and our families, it is not stabilized. Several of my friends in Elko have lost their jobs this year. My good friend's husband lost his job at the mines. He is now working at a job that pays half as much, after a year of trying to find a job, and she was working three part-time jobs, now down to two. For my family, my husband lost his job this last year. He worked part-time for an entire year. My son lost his job in El Paso. He, his wife, and his nine children [ages 4 months to 14] have been living with us for nine months. We did not have any increase to take care of what we needed to stabilize, which we needed a lot more. Individual families' lives are not stabilized with this economy. There are a lot of problems. Ninety-two million adults of working age are not working in America. The unemployment figures are erroneous because they do not count many who have quit looking for work and many who have just fallen off the unemployment rolls. They might say the economy is a lot better, but in terms of real people it is not. We are concerned about the fact that if you stabilize these taxes, which might seem like a very good idea to government, when our

income goes down, those taxes never go down—it just goes up every year. If it is only 3 percent, that is 3 percent that people on incomes that are not rising cannot afford to pay. We hope you will keep in mind the concerns of individual people whose lives do not have the advantage of having any kind of a cap to stabilize them. We appreciate your concern and are very concerned about any increase in tax because of the fact that people out there are suffering. Many people are underemployed and working several part-time jobs and have not been able to reach their potential.

Assemblywoman Bustamante Adams:
Ms. Chapman, you mentioned something about $30. I did not hear that in any of the testimony. Where did that number come from?

Lynn Chapman:
Mr. Fontaine spoke about how the taxes would go up, possibly $30 for the first year, and that is when I wrote that down.

Assemblywoman Bustamante Adams:
I must have missed that, but my colleagues are nodding and said they also heard that. Ms. Kramer, as the bill is written, your organization is in opposition, but do you have a position on the amended version NACO brought forward?

Kerrie Kramer:
For us, as amended, it is the same. I think what we would like to see is something that hopefully incorporates if there is going to be an increase in revenue to the municipalities, more the complete bill.

Assemblywoman Bustamante Adams:
That is in a perfect world. I would love to be able to say we are going to be able to take care of property tax in one session, but that is not going to happen. Is your organization comfortable in the first step, that this would be the first step in that direction, knowing that we need to take care of so many other issues?

Kerrie Kramer:
Yes. We believe 3 percent is a reasonable floor and is a very good step. Like I said, knowing that there have been discussions of other proposed legislation coming down, we were hoping to maybe have a complete bill that perhaps includes this as one of the steps.

Assemblywoman Bustamante Adams:
Mr. Wagner, you said that the counties are trying to get more money. Where did that come from? I did not hear that in the presentation.

John Wagner:
If there is not going to be a property tax increase, how are the counties going to benefit from this to get revenue? The whole thing is about revenue. They want revenue. Where is the revenue going to come from if they do not raise the taxes? This is what I do not understand.

I am not an economist. My daughter is the master of business administration, but she is not living here, so I do not have anybody to talk with to figure out where this money magically comes from.

Assemblywoman Bustamante Adams:
I understand the assessment.

Assemblywoman Benitez-Thompson:
I appreciate all the testimony. When I look at this, it is like a ten-step calculus problem. I feel hopelessly overwhelmed. I appreciate the sentiment. My questions are on the commercial side. If I am understanding this right, with the floor being set at 3 percent, only one county is there right now—Lander. We potentially have nine counties that could ratchet up into the 3 percent floor, and eight counties that are good. The way I see it is any type of substantial growth in revenue would come from the commercial side. Once you hit the floor at 3 percent, moving up, that fluctuation is between 3 percent and 8 percent. When you talk about a more comprehensive package, do you mean that you would want the 8 percent cap to be higher or the floor to be set higher?

Kerrie Kramer:
I think what NAIOP, Commercial Real Estate Development Association is looking at is not knowing exactly where it needs to be. They use the terms "fair" and "reasonable" when we were here during their legislative day with legislators. Again, this is a very good step because it sort of stops the "hemorrhaging," which I believe was the term used earlier. If there is another piece of legislation that perhaps revises the caps, so revises the 8 percent, or it blows them off, which I do not think we are going to see happen. Jeremy Aguero, in his presentations [Joint Meeting of the Senate Committee on Revenue and Economic Development and the Assembly Committee on Taxation, February 14, 2017], provided many alternatives for us as we go down this road with property tax caps. I think the concern is just putting a 3 percent floor and an understanding that it can raise revenue. What is the initial cap going to do, and is there legislation that will be proposed that will change that cap and increase revenue even more?

Chair Neal:
I appreciate your testimony. Do the members have any additional questions? [There were none.] We will now move down south.

Jonathan Friedrich, representing Nevada Homeowner Alliance:
Fifteen years ago I decided to retire. I could not afford to remain in my home in Nassau County on Long Island because of the high real estate taxes. I looked for an area in this country that had low real estate taxes and was affordable for a retiree. The first question I asked my realtor when he was showing me homes was how much were the real estate taxes. Then and only then, if I liked what I heard, I asked what the price of the home was. There are tens of thousands of old people living here in Clark County. Living in

our state, we cannot afford higher taxes. In 2017 I understand our taxes will increase in Clark County two-tenths of 1 percent, a modest increase. A projected 2.6 percent increase is scheduled for 2018. If this bill goes forward, in three years we will have almost a 10 percent increase.

If A.B. 43 is approved, the minimum increase will be 3 percent until it is changed again in the next legislative session. This state is going crazy raising taxes. In the last session we had the commerce and margins tax, which translates into higher costs to our residents for goods and services. We were told that money would be for the schools. Well, where is that money? We have had an increase in the gas tax. We have had car registration fees increased. Clark County has increased the sales tax. There is the proposed room tax. We cannot afford these higher taxes. Enough is enough. Think of the residents and do not tax us to death.

Edward Locke, Private Citizen, Las Vegas, Nevada:
I am a homeowner in Las Vegas. I know that the government employees were talking about a stable income. In a perfect world that sounds good. I had my own business as a hard money lender for 14 years and I built it out of nothing. In 2007 I lost my business. This is not a recession, it is a depression. I had a good income. I am down to $17,000 per year. That is what I make. There is no hope of my business ever coming back. What people do not realize, and what you are not talking about, is the big elephant in the room. What is that? Fifty percent of property taxes go for public schools. Thirty percent of those public school students are illegal aliens from around the world. That is why we elected President Donald Trump. If we did not have 30 percent illegal students here, we would have a 30 percent savings. We would not even need the schools we have now. We would not need the high taxes were have now.

A gentleman said before, working for the government, he said there has been a 24 percent decrease in taxes from I guess probably 2002 to 2003. I have two homes. I pay $8,000 per year in property taxes. I have no children, so I am paying for everybody else's children. On one house alone, in 2005, it was $10,000 per year. This sounds really good, but when you have government people with their hands out who have never had a business on their own, have never invested their own money, just give me more money, it does not work that way. I started my business from nothing and built it up until 2014, as I said, when the crash came that was the end of the business. You cannot continue to raise taxes all the time. Leave the bill the way it is. Stop what you are doing. Every time you turn around, we are nickel and dimed to death. What is wrong with you people?

Robert Frank, Private Citizen, Henderson, Nevada:
I am Colonel Robert Frank, United State Air Force-retired, from Henderson, Nevada. I have lived here for 12 years. I represent NevadansCAN.net, which is a coalition of organizations supporting civil rights and constitutional rights. One of our main organizations that supports us is the Congress of Racial Equality, with thousands of members. My reason for telling you that is because surely by now everybody in this country is aware of the fact that the country is changing in its attitudes toward government, toward elected officials, and toward

government employees. The attitude right now is, live within your means. Do not let your conflicts of interest drive your goals for raising taxes unreasonably. Our people do not understand why there is any reason to change the tax rules. Leave it alone. It is not broken. It does not need to be fixed. Taxes in this area do not need to be raised. As Mr. Friedrich said, I also, like he, came to live in Henderson from California because I was fleeing excessive taxes and excessive burdens of taxes. I believe you know, from your own demographics, that somewhere between 40 percent and 50 percent of the homeowners in Clark County, I am told, represent seniors over 50 years of age. If you did a poll of them, I would predict to you that a high majority of them who are here came from out of state. Myself, Mr. Friedrich, and tens of thousands of others who came from other states, we came to a state that promised us stability in our taxes, and stability is a two-way street. Stability for you and your bureaucrats, and I used to be a bureaucrat when I was in the Air Force and when I served in the Department of Energy, and I understand how that business works, but my point to you is each one of you are also citizens. You also have families. You also have senior members of your community, and you have to be more concerned than you appear to be for what the impact is going to be on this very large population in this county, as well as in the north, living as retirees. You may wind up killing the golden goose that created the bonanza of property development and real estate business in this state for the last 20 years. You could be killing the golden goose by making taxes unstable for retirees and for other people who are coming here. I urge you, do not change the tax system. It is not broken. It would be the worst possible year that I could imagine that you might want to play with taxes with what is going on in Washington, D.C., which could roll downhill.

Chair Neal:
Thank you for your testimony. Do the members have any questions? [There were none.]

Michele Mueller, Private Citizen, Las Vegas, Nevada:
I represent NevadansCAN, the Las Vegas Valley Tea Party, and myself. One thing I want to make sure I understand is that once the tax under these new formulas reaches 3 percent, it will stay static. It will be 3 percent every single year. It will never go down, so that is a floor but not a ceiling. If I do not have that correct, someone please correct me.

The counties should investigate what services can be provided by the private sector for less than what is being charged by counties right now because they are hamstrung by public employee labor unions and ongoing pensions that are out of control and unsustainable. The public trough is not bottomless. People on Social Security do not see their income rising by any 3 percent. My mother sees her Social Security check go up by maybe $3 per month every year, if she is lucky, and if Medicare does not take that amount right back. I would like to reiterate that the growth of the public sector is not sustainable. Private sector growth will drive increases in taxes to the public sector. The public sector has to rein itself in and find other ways to pay for things.

Robert Gaudet, Private Citizen, Las Vegas, Nevada:
I have lived here for almost 50 years so I kind of consider myself a native. I raised my daughter here. I lost my wife here. I consider this my home. Why did we the people send you to the Legislature? We sent you there to represent us, not to raise our taxes again. It was just two years ago the Legislature stuffed down our throat the biggest tax increase in Nevada history. Do you guys ever consider cutting taxes or cutting spending? No. It does not look that way to me or anyone else. It seems that you do not have a problem giving big tax breaks to companies that are reportedly filing bankruptcy. You do not have a problem doing that or spending our tax dollars on a stadium that the average person will not be able to take his family to because of the price of the tickets. Please, I urge you, do not pass this bill. This bill will remove the property tax cap and lead to tax increase. They are even telling you that. Why do we not put it to a vote of the people and see what they say? History shows that it will not pass if you do that.

Assemblywoman Bustamante Adams:
Thank you so much for your testimony. Mr. Gaudet, in your statement you said that last session the Legislature passed the biggest tax increase? What were you referring to?

Robert Gaudet:
The commerce tax [Senate Bill 483 of the 78th Session].

Assemblywoman Bustamante Adams:
So are you one of those businesses that makes $4 million or more?

Robert Gaudet:
I do not know. All I know is it was a big tax increase, over a billion dollars. It was just another tax increase. Every time we turn around, you guys are increasing the taxes on us. The average family pays 60 percent in taxes—state, local, and federal. We are just tired of it.

Assemblywoman Bustamante Adams:
I just wanted to get that clear.

Chair Neal:
Ms. Mueller, you had asked the question about the 3 percent?

Michele Mueller:
Yes.

Chair Neal:
The 3 percent is the ceiling for residential, but it can go down. It will not go up. Does that help?

Michele Mueller:
You are saying it can go down? That is not what I heard.

Chair Neal:
Yes. For residential your ceiling is 3 percent. You will not go above that.

Michele Mueller:
Right, but say if there is another implosion in the market, would property tax rates actually go down below that 3 percent?

Chair Neal:
Your tax bill could go down, that is what I am saying. That is actually not a negative for you.

Michele Mueller:
That is not what I heard in earlier testimony. I heard 3 percent would be a floor. Once your county reaches that point, where it is charging 3 percent, it is going to go up every year your property taxes are going to go up 3 percent?

Chair Neal:
Mr. Guindon, could you explain this?

Russell Guindon:
I can certainly try. You are correct that for the secondary abatement this bill could eventually set the floor at 3 percent once inflation got to 1.5 percent or above, and then you could not fall back below that 3 percent. That is the factor that says how much your taxes can go up. You could be in a situation where you do not have any partial abatements on the books that could be recaptured, so if the assessor would say you should go down 3 percent, then you could go down 3 percent. If the assessor said you should go up 5 percent, you could not go up any more than 3 percent, if 3 percent ended up being that floor cap. Again, for the secondary caps this would set the floor at 3 percent and 8 percent if inflation increases by more than 1.5 percent some time here in the future.

For single-family, owner-occupied, this does not change the 3 percent cap factor such that your taxes cannot go up more than 3 percent in any fiscal year. Again, if you did not have any partial abatements that were sitting on the books to be recaptured and the assessor came out and said you were only supposed to go up 1 percent, then your tax bill would only go up 1 percent. It is not that you have to go up that much. You cannot increase more than that. Hopefully that clarifies.

Michele Mueller:
I guess so.

Chair Neal:
Is there anyone else in opposition in Carson City? [There was no one.] Down south?

Julie Hereford, Private Citizen, Las Vegas, Nevada:
I reside in Assembly District No. 2 and Senate District No. 8. I came to register my opposition for this bill. I think the government should live within its means just like we the citizens and taxpayers live within our means. After I sat here listening for two hours, I do not believe this bill should be voted on at all. I do not think most of the members in your Committee even understand it. At this point, I am not clear whether that 3 percent is a floor or a ceiling, or if the 3 percent is the floor, what is going to be the ceiling? I do not know if at this point I should stop and let somebody answer that question.

Russell Guindon:
As I have stated, this bill would make absolutely no changes for FY 2018 under the proposed amendment. As Mr. Fontaine testified, we know that the inflation rate for calendar year 2016 was 1.3 percent, thus two times that is 2.6 percent, but this bill does not do anything to change the conditions for FY 2018. Going forward, for the secondary cap factor, and remember that is the non-single-family, owner-occupied stuff, it could set the floor at 3 percent. Depending on what the assessor said your assessed value would go up, it could not go up by any more than 3 percent or 8 percent because the two times CPI rule, ten-year moving average, and the assessed value growth are going to determine what your taxes could go up in between the 3 percent and 8 percent.

On the single-family, owner-occupied side, it is not changing anything with regards to that law with the 3 percent. It is true that under this factor, some time in the future, if inflation were to fall back, such that two times the CPI was less than 3 percent, at that point in time it would have an effect with regard to potentially increasing peoples property taxes, but that would be something in the future. That is the uncertainty with regard to what the inflation rates will be.

It is not changing the 3 percent partial abatement factor on single-family, owner-occupied homes. It is just changing the floor for the secondary cap, which is for non-single-family, owner-occupied homes. Hopefully that answered your question.

Julie Hereford:
I do not believe I received an answer on whether there is a ceiling. As I understand, everyone is talking about 3 percent being the floor. Maybe he answered it, but it is so convoluted I do not understand. What is the ceiling going to be?

Russell Guindon:
The secondary cap factor, which is for nonsingle, owner-occupied property, the ceiling will remain at 8 percent. That would be the most that your property taxes could ever increase by under the secondary cap. With this proposed amendment the least they could increase by is 3 percent.

To give an example, if 3 percent was the floor but the assessor said that your property taxes were supposed to go up by 5 percent, they could not go up by any more than the 3 percent. If you reach the maximum partial abatement cap factor of 8 percent—again for nonsingle, owner-occupied property—and the assessor said the value of your property was supposed to go up by 10 percent, you could not go up by more than the 8 percent. If the assessor said that your property was supposed to go up by 5 percent, but the abatement cap was 8 percent, you would still only go up by the 5 percent the assessor said.

Hopefully that will answer your question about what is the floor and the ceiling for the non-single-family, owner-occupied property. For single-family, owner-occupied property the ceiling is the 3 percent. Your property taxes cannot increase by more than 3 percent for a single-family, owner-occupied home.

Chair Neal:
In short, for residential—the house you live in—the ceiling is 3 percent.

Julie Hereford:
The ceiling is 3 percent.

Chair Neal:
That is right, 3 percent. Mr. Guindon was explaining the difference between commercial and residential. For residential, the ceiling is 3 percent, and that is it.

Assemblyman Pickard:
This question is for Mr. Guindon as well. I want to lay out a hypothetical instance. Assume for the moment that neither property values nor the CPI go up significantly or are stable. If that were the case and we reached the point where the number reached 3 percent after the previous year's CPI change, is it then locked in at 3 percent every year, provided that the CPI does not drop below 1.5 percent in the future?

Russell Guindon:
Yes. As proposed in the amendment to this bill, if you ever have a calendar year where the CPI increases from the preceding year by 1.5 percent or more, then yes, that would set the 3 percent factor, and then you could not fall back below 3 percent.

Assemblyman Pickard:
To clarify, the 3 percent is both a ceiling and a floor in that scenario. Is that correct?

Russell Guindon:
Yes. You could make that statement.

Chair Neal:
Do we have a new person in Las Vegas signed in?

Bonnie McDaniel, Private Citizen, Las Vegas, Nevada:
I am in opposition of this bill. Listening to everyone speak in favor of A.B. 43, it sounds like everyone in Nevada has done really well and has made lots of money since 2005. They all want more of everyone's dollars for their schools, cities, counties, and whatever else. Two years ago, when the commerce tax was passed, these additional taxes were supposed to go to the schools but did not. We do not really know where it went. If you ask the small business owners if their businesses have done much better since 2005, you will find that they have not done all that well, even if they are not in that $4 million status.

Most of us living on a limited income could not afford this 3 percent ceiling, 3 percent floor, 3 percent whatever you want to call it. We do not, by any means, have a robust community or economy in Nevada. Only those who get their money from the taxpayers have that robust economy. More and more Nevada residents live on limited incomes. The economy in Nevada sucks, to put in mildly. Costs for everything have gone up. Because of the commerce tax, they have passed that on to everybody else.

I am going to suggest to all of you that you take this bill, put it on the secretary's desk, and leave it there. Do the right thing for the people and quit having all this discussion about charging everybody for everything and then making everybody else pay. We are paying your wages. We sent you there. Do the right thing for the people of Nevada.

Chair Neal:
Is there anyone else in Las Vegas signed in?

Michele Mueller:
May I ask one more question?

Chair Neal:
Go ahead.

Michele Mueller:
In the course of the answering the questions about ceilings and floors I came up with another question. If you are a homeowner, but you also own a rental house, your rental house would have that 8 percent per year cap. Is that right? You may be able to charge more for your rental house, but maybe not, and your taxes would continue to go up at some rate?

Russell Guindon:
Under the rental provisions for a single-family, owner-occupied home, if you are renting the property at or below the housing and urban development rates that are in the statutory provisions, you would be eligible for the 3 percent abatement factor. If you are not, you would be subject to the abatement factor, just like all the other non-single-family, owner-occupied properties. You would be between the 3 percent and the 8 percent cap factors.

Chair Neal:
If you would like to submit written questions and get written answers we would be willing to do that.

Michele Mueller:
Okay. Maybe that is what I should do.

Chair Neal:
Is there anyone else in Las Vegas signed in? [There was no one.] Is there anyone else in Carson City signed in? [There was no one.] Mr. Fontaine, could you come back to the table please? Do you have any final comments?

Jeff Fontaine:
I think we can all agree on one thing, and that is our property tax formula is very difficult to understand. I am wondering if some of the folks who expressed opposition to this bill, judging by the questions and hopefully from the answers they received, have a better understanding of what this bill does and does not do.

I want to clarify a couple things. Mr. Guindon did an excellent job, but I just want to emphasize that this bill does not remove the 3 percent cap or 8 percent cap. It does not mean that property taxes for owner-occupied residences would automatically increase by 3 percent. It would remain the way it is in existing law. If your property value, as assessed by your county assessor, did not increase by 3 percent or more, and you did not have some abatement from prior years, then your property tax bill would not increase by 3 percent, so it is not automatic.

This is about stability. This is about fixing a broken system. This is not about creating a windfall by getting new revenue for counties or other local governments. This is about reducing an abatement that today is a savings to all taxpayers. Today it is $700 million, and that is growing.

While I certainly appreciate and recognize that folks who are on fixed incomes, who have moved to Las Vegas, or who have moved to Nevada because of low property taxes, I cannot imagine that this bill would affect our standing in terms of favorable property tax rates in this state relative to other states in the country.

I am not sure I know what else to say except that there is a bigger discussion about property taxes, and there have been suggestions about possibly doing something else with this bill. That was never our intent. We certainly understand how difficult this issue is to talk about. We are just trying to make one small incremental step toward correcting a system that we know needs to be corrected. It is a step in the right direction and we would urge your support of this bill. I would be happy to answer any questions.

Assemblywoman Bustamante Adams:
Obviously there is a lot of confusion about the difference between the commerce tax and the property tax, and the difference between residential and commercial property tax. Has NACO had discussion about a communication plan for Nevadans if this goes forward? I do not know if that is in your conversations, and not to put it so technically because I am not sure if I could explain it to my mom.

Jeff Fontaine:
We knew this was going to be a very difficult conversation. Believe me, even among the people who work in this arena, it is very difficult to understand sometimes. Your point is well taken and we certainly learned a lot in this hearing about why we would need to put together a communications plan and explain in some schematic or logic chart or whatever it is we need to do to make this clear. If you stopped 1,000 taxpayers on the street and asked them why their property taxes were what they were this year, I cannot imagine that one of them would understand it. Part of what we are trying to do here is to simplify how all of this works because I think most people would think their property tax bill is going to increase by 3 percent. You heard at least one of the folks who testified, Mr. Allen, say that is what everybody thought it was, and when the caps were put into place back in 2005 that is what everybody agreed to. This secondary calculation has really complicated all of that. If it were simply a matter of a 3 percent cap or an 8 percent cap, people understand that. Your point is well taken, and we would certainly endeavor to work with folks to put together that kind of communication plan.

Assemblywoman Cohen:
So no one's tax bill is going up until their home value goes up more from where we are now? Correct?

Jeff Fontaine:
No one's tax bill will go up next year. I can say that with certainty. Beyond that, the projections are that no one's tax bill would go up through at least 2022. Again, that is based on the projections of where the CPI would otherwise be. Beyond that, I cannot predict the future. I hope that answered your question.

Assemblywoman Cohen:
We are going back to information we are all getting from the county assessor. Everyone's individual county assessor is dealing with home values. The point I am trying to make is people's homes are going to be assessed at values coming from the individual assessors from their individual county, not decisions being made in Carson City is the point I would like to have confirmed.

Jeff Fontaine:
That is absolutely correct. There is nothing in this bill that would change the way the county assessor assesses your property. There is nothing in this bill that would change the tax rate, depreciation factor, or anything else. That is why those who came and testified in support of

this bill indicated that this really is a very small step. This does not do anything other than set the floor eventually at 3 percent so that we do not have this unintended consequence result in property tax revenues going down to 0.2 percent, like they were this year.

Assemblywoman Benitez-Thompson:
When you said people's tax bills will not go up next year, they do go up, but they go up under the status quo. What you meant is if this language were to be passed, then it starts to take effect the year afterwards. There is going to be a small increase in property taxes next year, and I believe the number that was first referenced by our first trio of opposition will be the 2.6 percent CPI for the 2018 calculations. That is not a result of this bill and this change, that is just what it is going to happen in the status quo.

Chair Neal:
To wrap this up, all A.B. 43 and the amendment do is stabilize the property tax, so when we see these dips over a period of time, we are leveling out and going to see a stable flow. It will be 3 percent; that will be the floor and the ceiling with no adjustments. It is like everybody gets to walk forward, and they do not see a negative drop, which is what we saw in the past. We are providing stability so we can plan around our needs and goals. We may not get growth but we will get stability. Would that be an accurate assessment of what the A.B. 43 amendment does?

Jeff Fontaine:
I think you summarized it very well. I would just add one condition to that. The dips in the property tax revenues that you referred to have happened once this year, and they will happen again next year. It is a rare occurrence. This is not a cyclical thing where since 2005 we have seen dips. We have seen dips, but not because of the secondary calculation. What this bill does is prevents a rare occurrence from ever happening again, where it will result in property tax revenues below 3 percent.

[(Exhibit H) and (Exhibit I) were presented but not discussed and are included as exhibits for the meeting.]

Chair Neal:
We will close the hearing on A.B. 43. I will open the hearing for public comment.

Robert Frank, Private Citizen, Henderson, Nevada:
I could not resist coming back to help you. I know we would all like to go home and not hear more debate on this thing, but the fact of the matter is that the audience down here in Las Vegas is still quite confused on when and under what circumstances would the taxes go up. It is still unclear to a lot of people. For example, I am 77 years of age. I would like to think I might be able to live another five or ten years, but I could not afford another 3 percent or 5 percent increase to property taxes on my fixed income, and there are thousands and thousands of people that would worry about that. Even if they are wrong, you are going to have a real public relations problem with this thing. If I were you, and I am no politician, I would put this on the shelf until next year if I could find a way to do it, because this is a really bad time to do it.

Chair Neal:
Thank you for your comments. We are adjourned [at 6:05 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 a proposed amendment to Assembly Bill 43, presented by Jeff Fontaine, Executive Director, Nevada Association of Counties.

Exhibit D is written testimony presented by Lorinda Wichman, Commissioner, Board of Commissioners, Nye County, and Immediate Past President, Nevada Association of Counties, regarding Assembly Bill 43.

Exhibit E is written testimony dated March 9, 2017, presented by Jeff Cronk, Director, Financial Services Department, City of Sparks, regarding Assembly Bill 43.

Exhibit F is a letter dated March 9, 2017, in support of Assembly Bill 43 to the Assembly Committee on Taxation, presented by Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association

Exhibit G is graphs from a presentation titled "Property Taxes in Nevada, A Review and Analysis," from Jeremy Aguero, Principal Analyst, Applied Analysis, Las Vegas, Nevada, regarding property tax revenues, referenced by Mark Vincent, Private Citizen, Las Vegas, Nevada.

Exhibit H is a document titled "Local Government Fiscal Working Group, Property Tax Talking Points," submitted by Jeff Fontaine, Executive Director, Nevada Association of Counties.

Exhibit I is a document titled "Nevada Department of Taxation, Division of Local Government Services, Final NRS 361.4722 Tax Cap Factors, Fiscal 2016 – 2017," published May 2, 2016, submitted by Jeff Fontaine, Executive Director, Nevada Association of Counties.