

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

**Seventy-Ninth Session  
April 4, 2017**

The Committee on Taxation was called to order by Chair Dina Neal at 4:06 p.m. on Tuesday, April 4, 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](http://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:**

Assemblyman Michael C. Sprinkle, Assembly District No. 30  
Assemblyman Nelson Araujo, Assembly District No. 3

**STAFF MEMBERS PRESENT:**

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

Minutes ID: 617



**OTHERS PRESENT:**

Greg Ferraro, representing Truckee River Flood Management Authority  
Ron Smith, Council Member, Ward 3, City of Sparks; and Chair, Truckee River Flood Management Authority  
Jay Aldean, Executive Director, Truckee River Flood Management Authority  
Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada  
Jonathan P. Leleu, representing Southern Nevada Chapter, NAIOP, the Commercial Real Estate Development Association  
Stephanie Kruse, President & Chief Strategist, KPS3  
Neil C. Krutz, Assistant City Manager, City of Sparks  
Jenny Reese, representing Nevada Association of Realtors  
Craig Madole, Chief Executive Officer, Nevada Chapter, The Associated General Contractors of America, Inc.  
Kathleen A. Conaboy, representing Reno-Tahoe Airport Authority  
Danny L. Thompson, representing Nevadans for Accessible and Affordable Animal Care  
Barbara Smith Campbell, Principal, the Ferraro Group; and Former Chair, Nevada Tax Commission  
Michelle Wagner, Executive Director, Nevada Veterinary Medical Association  
Paulina Oliver, Deputy Director, Compliance, Department of Taxation  
Dean Penniman, Hospital Administrator, Las Vegas Veterinary Specialty Center  
John Bullard, D.V.M., Managing Veterinarian, Ann Road Animal Hospital, Las Vegas, Nevada  
Debbie White, D.V.M., Veterinarian, Lone Mountain Animal Hospital, Las Vegas, Nevada  
Dennis R. Wilson, D.V.M., Hospital Administrator, Animal Emergency Center, Reno, Nevada  
Doug Busselman, Executive Vice President, Nevada Farm Bureau Federation  
Bryan Wachter, Senior Vice President, Public and Government Affairs, Retail Association of Nevada  
Daniel Diaz, D.V.M., Veterinarian, Pebble Maryland Animal Hospital, Las Vegas, Nevada  
James C. Wilson, D.V.M., Owner, Cheyenne-Tonopah Animal Hospital, Las Vegas, Nevada

**Chair Neal:**

[Roll was taken and Committee rules and protocol were reviewed.] The first order of business today is Assembly Bill 375. I would like the bill presenters to come to the table. I will open the hearing on A.B. 375.

**Assembly Bill 375: Allows the imposition of certain taxes in a county to fund flood management projects of a flood management authority based on the recommendations of a flood control project needs committee and voter approval. (BDR S-473)**

**Assemblyman Michael C. Sprinkle, Assembly District No. 30:**

I am here today to present Assembly Bill 375. The other presenters will give you a very good overview of what this bill is about. I wanted everyone to understand how this bill first came to be.

This was brought to my attention several months ago. Flooding in the northern Nevada region is significant. We have a major river that runs right through downtown Reno. A lot of work has been done, but there is still a lot of work to be done. One of the problems is funding. We have the potential for a lot of federal dollars we could get through a match that will expire in the next few years. Today you will hear extensively what this means, but without that funding, we are not going to be able to move forward to deal with the significant flood problems that occur every time the Truckee River floods. On top of that, as I am sure many of you have seen because we have all been here at least since February, we have had very significant flooding issues in northern Nevada, in the Truckee Meadows, for January, February, and March, and we just had an emergency declared for one of our north valleys because of the significant flooding. Some of the things we are going to amend in, after we deal with the funding issue that brought this bill to fruition in the first place, we are also going to charge this working committee with the ability to look at some of the other flooding problems with our tributaries and water sheds—some of the things away from the Truckee Meadows—that have led to the things you have been seeing in the news.

In essence, what this bill is going to do is bring together community leaders who really have the knowledge and the expertise to look at these issues extensively. They will first and foremost figure out a new way to come up with the money needed to get the federally matched dollars we do not want to leave on the table. Secondly, they will come up with some recommendations for local jurisdictions and even here at the state level because we will receive the report as to how we can manage the tributaries and other areas we have seen just recently have a propensity to flood during times of high snow, run off, and rain. That is it in a nutshell. I am going to turn this over to Mr. Ferraro so he can walk you through this extensively.

**Greg Ferraro, representing Truckee River Flood Management Authority:**

That was a very concise summary from the sponsor, and we wanted to thank him for all his work in helping us bring this bill before you. To my left is Sparks City Councilman, Ron Smith, who serves as the Chair of the Truckee River Flood Management Authority board in Washoe County that oversees this subject. I would like to introduce him. I believe he has a short statement he would like to read, and then we will get into the presentation.

**Ron Smith, Council Member, Ward 3, City of Sparks; and Chair, Truckee River Flood Management Authority:**

I am a councilman and Mayor Pro Tempore for the City of Sparks. I have been on the Truckee River Flood Management Authority Board of Directors since 2006, and I have been the Chair for the past eight years. Assembly Bill 375 is an important piece of legislation that I urge you to pass. Assembly Bill 375 is not only critical to the City of Sparks, but also to the City of Reno and Washoe County as well. It will help protect our citizens, their property, and the economy of our region from the devastating effects of flooding.

The Truckee Meadows has a long history of significant flooding, which has caused extensive damage to the entire area. The flood in 1997 caused over \$600 million in damages throughout the Reno, Sparks, and Washoe County communities. The flooding that occurred in January and February of this year, although less extensive, has again caused significant damage and reminds us of the dangers that flood waters pose to our area. We are not out of the woods yet. We still have the possibility of more flooding in the months to come.

Assembly Bill 375 will allow us to protect our community from the damage caused during these recurring events, and it is particularly an appropriate way of doing so because it places the control of the flood project firmly in the hands of the voters of Washoe County. Assembly Bill 375 is also important in that it will allow our communities to take advantage of approximately \$180 million of federal funding. This funding offer will expire in 2021 if we cannot identify a stable funding source. I have been involved with the flood project for many years, and the efforts to secure federal authorization with the United States Army Corps of Engineers has been a monumental one. Assembly Bill 375 represents our last opportunity to secure federal financial assistance for the flood project. It would be a tragedy to allow the opportunity to pass after so much time and effort without first giving the citizens of Washoe County a chance to voice their support for the flood project.

I am grateful to Assemblyman Sprinkle, Assemblywoman Benitez-Thompson, Assemblyman Daly, and Assemblywoman Joiner for their support, and for the support of this Committee. I respectfully ask that you vote in favor of A.B. 375. I will be available for any questions.

**Greg Ferraro:**

I would like to point out to the Committee that A.B. 375 is modeled after the successful legislation you processed and passed last session, Senate Bill 411 of the 78th Session. Senate Bill 411 of the 78th Session is the legislation that created the working committee established to review and propose the question on the 2016 Washoe County Ballot Question 1 dealing with school construction in Washoe County. The model and the process we are following is a successful one, and we know that most all of you in this Legislature supported that legislation in the past, which made it easier for us to try to build something on that success.

We will now move to Jay Aldean, seated to my right. He is the Executive Director of the Truckee River Flood Management Authority. He is going to walk you through a PowerPoint ([Exhibit C](#)) that will explain briefly the history of the agency, the task at hand, and the solution that is represented in this bill. After that I will briefly walk you through the sections of the bill, and we can answer you questions.

**Jay Aldean, Executive Director, Truckee River Flood Management Authority:**

We have a problem in northern Nevada with flooding along the Truckee River. You have seen pictures of flooded areas. These are pictures of the University of Nevada, Reno (UNR) farms flooded area in 1986 [page 4, ([Exhibit C](#))], and then again in 1997 [page 5, ([Exhibit C](#))]. These were taken from two different viewpoints. You can see the amount of water that has covered the whole south end of the valley.

Slide 6 shows the substantial amount of flooding Hidden Valley has experienced [page 6, ([Exhibit C](#))] which is on the east side of the Truckee Meadows. Water went into homes, doing a significant amount of damage. As Mr. Smith mentioned, about \$600 million worth of damage was done. Those were 1997 dollars, not today's dollars. Today's dollars would be higher. Slide 7 shows the flooding in the Sparks industrial area in 1997 ([Exhibit C](#)). This is our economic engine for Washoe County. Slide 8 shows flooding in this area again in 2017, which I like to say was a minor flood event, yet water still crept into a number of businesses.

In 1997 we started looking at how we might be able to fix this problem. This problem was taken on by Senator Harry Reid with the water and energy bill of 1996 [Energy and Water Development Appropriations Act, 1996]. At that time we started studying the area hydraulically. On slide 9 ([Exhibit C](#)) I want to point out where it says that the airport runways appear to be open. That is an important factor and we will come back to that.

After about 20 years of modeling—that we accomplished in about 15 years time—we were able to come up with a very good hydraulic model of the area [page 10, ([Exhibit C](#))]. You will notice that the runways I had mentioned were opened, and they are still open. For the 2017 flooding we were able to run that same model using National Weather Service, National Oceanic and Atmospheric Administration scenarios [page 11, ([Exhibit C](#))]. We were able to give this information to our first responders—police and fire—for the January rainfall event. It worked really well. We were not perfect in our synopsis but then neither was the National Weather Service in telling us how much rain we were going to get. However, it was enough information to give those individuals a good start as to where to be and where to start their service.

The Truckee River Flood Management Authority became an agency in 2011. The interesting thing about our agency is that we are consensus-based [page 13, ([Exhibit C](#))]. Washoe County, Reno, and Sparks each contribute two of their elected officials to our board. Something that has been a challenge, but also a benefit, is all decisions of the board must be unanimous. We are currently funded with a portion of the one-quarter cent sales tax funding approved in 1998 by the Washoe County Commission. Half of the sales tax went to lowering

the railroad tracks through downtown Reno, and the other half went to flood operations and emergency management. That is what our current funding status is today. We get a dedicated one-eighth-cent sales tax.

We have worked on and completed several projects since we became an agency in 2011: We contributed about \$12.2 million to the reconstruction of the Virginia Street bridge. The state contributed about \$10 million to the construction of the bridge. The Regional Transportation Commission also contributed money. The City of Reno did a marvelous job getting it built. We were also able to partner with the Reno-Sparks Indian Colony, the state of Nevada, and Walmart to do the levee around the new Walmart on Glendale. Some work was also done in Hidden Valley. We have done restoration projects, about five of them, partnering with the national Nature Conservancy and the Nature Conservancy in Nevada. We contributed \$5 million to the North Truckee Drain Realignment Project in the City of Sparks, which is now in the final phase of completion. We purchased about \$48 million worth of property that was offered by the state through the education system through UNR. We were able to keep it undeveloped. It is property we will need for our project [page 14, ([Exhibit C](#))].

To give you a few facts [page 16, ([Exhibit C](#))], the project we want to build is a 100-year plan. It was designed according to the U.S. Army Corps of Engineers' criteria. They originally designed a 50-year plan that we rejected. The cost of the 100-year project started out at about \$300 million, ballooned to \$1.6 billion, and with some conservation and engineering measures, is now down to about \$400 million. That is where it stands today.

It will take us until about 2032 to build the project if everything is done properly—permitting, construction bids, et cetera. If for any reason it is delayed, that makes it cheaper for us, but that would be something the committee would take up and talk about. The board is interested in building this project as soon as we can, to start protecting the property.

What is our funding source [page 17, ([Exhibit C](#))]? As mentioned earlier, we currently have the one-eighth-cent sales tax funding that contributes about \$5 million annually. We would put before the board, for their approval, a direct benefit area fee. The direct benefit area would encompass the blue area on the map [page 10, ([Exhibit C](#))]. It would include individuals such as the commercial area of Sparks, the airport, areas east of the airport, and a few small smatterings of residential properties. That would provide another \$2.5 million to \$3 million, bringing us to about \$8 million, but we need about \$25 million to \$30 million annually to build this project.

We also do not want to lose the \$180 million Congress has authorized through the Water Resources Reform and Development Act of 2014 (WRRDA) [page 18, ([Exhibit C](#))]. In the Army Corps of Engineers' development of their 50-year plan, they negotiated a partnership agreement. There was an amount to be dedicated to this project, not to exceed \$180 million of federal commitment. It has to follow the allocation process. We have to

demonstrate to the federal government that we have the ability to raise our share of revenue in order to build the project. The way they felt it would be most prudent is through a vote, hence the reason for this committee to be able to generate a question that is supported by all aspects and all entities of Washoe County. As Mr. Smith mentioned, if we do not pass this, in 2021 those funds could go away, and they would.

The way Congress authorizes WRRDA projects is they defund projects as they bring new projects up to snuff. If you have no activity on a project during the period the WRRDA bill has not been passed, and the new projects come out, all projects that are inactive—they did not get any allocation, did not have any federal commitment, did not have any success—they get dropped and go by the wayside. That is a real factor. We would lose that commitment if we cannot demonstrate to the federal government our ability to raise our share of the revenue.

I will turn it back over to Mr. Ferraro now.

**Chair Neal:**

Members, do you have any questions on the presentation before we get into the bill?

**Assemblyman Kramer:**

You mentioned the one-eighth-cent sales tax you have now. It sounds like you have a deficiency between \$8 million and \$25 million, so you need to come up with \$17 million more. Are you looking at another quarter-percent?

**Jay Aldean:**

When we were looking at a sales tax we were just a little bit below three-eighths. That should give you an idea.

**Assemblyman Kramer:**

That would be the number I would come up with too.

**Chair Neal:**

Can you explain how the flood fee works?

**Jay Aldean:**

The flood fee is based upon benefits received by the individuals who are in the direct benefit area. Very simply stated, if you flood now and you do not flood after we build our project, then you are in the direct benefit area. The benefits that come along with that are the fact that you have Federal Emergency Management Agency (FEMA), U.S. Department of Homeland Security insurance you no longer have to pay. You also have no loss of damages, and if you are a business you get to stay open and manufacture the widgets necessary to keep our economy going.

**Assemblyman Pickard:**

Have you canvased those who would have to pay these taxes? Do you know how they feel about this?

**Jay Aldean:**

We certainly have. Several years ago staff, along with myself, went out to visit a number of them, probably close to 25 to 30 of the larger commercial entities. We visited with brokers, property owners, and tenants, just to get a feel for how they felt. None of them liked the notion of a direct benefit fee, and the fee we discussed with them at the time was about \$8 per thousand square feet of developed square footage. The developed square footage is structural square footage, or building square footage. They looked at it as they could probably classify it as an owner's expense, or subdivision fee, but they were willing to pay it. All of them were willing to pay it. None of them said they were going to leave by virtue of this very high fee. We felt we had hit on a number that was fairly accurate. Although the board has not officially approved the one-eighth-cent fee, they have given staff the direction to proceed as if they had, for planning purposes.

**Chair Neal:**

When you were talking about the flood management operations and you had the yields at \$5 million to \$6 million after debt service, does the yield also include whatever revenue you are generating from the property purchases in the flood management operations? In your "capital projects completed" on slide 14 ([Exhibit C](#)), you show property purchases, relocations, and demolitions that equaled \$48 million. I was curious if there is any revenue being generated from those property purchases?

**Jay Aldean:**

No. Most all those properties were in the actual floodway, which is really a bad place to do any kind of development. We have since torn down six of those structures. We would like to tear down two more. We have grants in to FEMA. They are administered by the state, but the grants would be to tear down three more structures.

**Assemblywoman Bustamante Adams:**

I want to clarify that this only applies to northern Nevada. It has nothing to do with southern Nevada.

**Jay Aldean:**

That is correct.

**Greg Ferraro:**

The way it is written, it would enable any county that has a flood management authority to follow this process. To the best of my knowledge there is no population cap on the bill. It does apply to Washoe County because they are the only one at this stage of the discussion, but it would not prevent any other county with a flood control agency to follow this process. I do not think it expressly prohibits that. As a practical matter, it is a Washoe County bill.

**Assemblywoman Bustamante Adams:**

If this were to go forth, do you have an estimate of what that would mean for commercial businesses in northern Nevada?



**Jay Aldean:**

We have not done that number. We cannot provide that today.

**Chair Neal:**

Before we get into the bill, I need a landscape of how this will go. Are we going from the original bill or the amendments [([Exhibit D](#)), ([Exhibit E](#)), and ([Exhibit F](#))], so we can help everyone follow along?

**Greg Ferraro:**

I can quickly take you through the bill, as it was introduced. I know there are others here who are going to be presenting their amendments [([Exhibit D](#)) and ([Exhibit E](#))]. I can flag those areas for you, where those will fit into the bill as it was proposed, if that is acceptable.

**Chair Neal:**

That will work for me.

**Greg Ferraro:**

I will now take you through the bill. If it looks familiar, that is because it is for almost all of you. You read this last session, although it applied to school construction. This time it applies to flood control. We made some minor adjustments to the composition of the committee, but otherwise it is substantially similar to what you processed in S.B. 411 of the 78th Session.

Beginning last summer we began to contact individual members of the Washoe County legislative delegation. We had briefings with them to introduce them to this idea and to collect their input and provide information as they needed it. We visited with Assemblywoman Benitez-Thompson and Assemblyman Kramer, who both sit on this Committee. The rest of you are from Clark County so you may not be as familiar with this as they are. What we learned after visiting with the delegation is that no one, at that stage, had raised any objections. Lots of questions were asked, as you would expect.

Assembly Bill 375 creates a committee, and that committee composition is laid out in section 1. In sections 2 and 3 are the sources of taxes the committee is able to review, analyze, break down, and ultimately decide one or more of those taxes might be necessary to place on the ballot for the voters in Washoe County to decide in November 2018 whether they support that or not. That is important to this bill, and it is why you do not see a two-thirds on this bill. You might even think this is an Assembly Committee on Government Affairs bill from what you have heard so far, not a tax bill. It is here because of that tax component. That belongs to a citizen's committee that is entrusted and empowered to place a question before the voters.

The committee will collect one and a half years' worth of public testimony. It will hear from flood experts, from citizens and activists, and will decide what question it wants to place before the voters. The committee is made up of the Executive Director, who does not have a voting capacity on that committee; one member of the Nevada Senate; one member of the

Nevada Assembly; one member of the Nevada Association of Realtors; one member of the Retail Association of Nevada; one member appointed by the board of county commissioners in Washoe County; one member of the general public appointed by the Governor; one member is appointed by the gaming industry; one member appointed by the chamber of commerce; one member is a representative of the Nevada AFL-CIO, and so on and so forth. The committee will have a balance between private sector interests, property owner interests, and elected officials accountable to the general public.

This bill and its work would commence shortly after sine die. You can see in the other sections, the duties and responsibilities are again identical to the duties and responsibilities of the school construction committee that took place over the last couple years as a result of S.B. 411 of the 78th Session.

Section 5 is where I believe you will see a proposed amendment from the City of Sparks ([Exhibit D](#)), changing what is to be collected in terms of information associated with non-Truckee River storm water flooding. Keep in mind, this tax proposal only applies to the Truckee River projects, and the federal funds are only eligible for the Truckee River projects, even though we have had extraordinary flooding. I think you are going to hear from some other witnesses today about the flooding that is taking place in Washoe County, both in the river corridor and in areas far outside the river corridor. It is an acute issue in Washoe County. In their amendment, I believe the City of Sparks wants to provide more clarity and more certainty as to what that committee will collect and how it is to do its reporting.

One other change I believe you are going to see, back in section 1, is in the composition of the committee. I believe you will hear that the Reno-Tahoe Airport Authority, who we had put in there because we know they are an affected party, are going to seek your approval to be removed from the committee as a voting member ([Exhibit E](#)), and we certainly have no objection to that. They are an important part of this puzzle.

The committee will do its work. Through the county commission, it will place the question on the ballot, and the voters in Washoe County will make a decision. If that decision is affirmative, and they choose to impose a tax upon themselves, it will also then make those federal dollars available for the project—\$180-plus million of federal funds. If they choose not to, then the practical reality is that those federal funds will most likely vanish, and that the flood project as we know it today will be suspended indefinitely. That is a judgement the voters will make, and it is not a judgement this Legislature will be required to make. The act becomes effective upon passage and approval.

If there are any questions I am happy to answer them.

**Chair Neal:**

I know Assemblyman Sprinkle also submitted an amendment ([Exhibit F](#)), and it amends section 3. Would you like to discuss that?

**Assemblyman Sprinkle:**

In section 3, at the very end, we already have the five potential sources of revenue to be looked at by this committee. I did not want to bind the hands of the committee. The amendment I have submitted is very short but, in essence, it states that any other revenue source that is already allowed within statute could be considered, so they are not just limited to the five that we have written here. This committee can look at whatever they need to do. They are still going to come up with the recommendation they come up with, once they hear all the testimony—and I anticipate a lot of testimony—in the future. This committee will be very busy, working hard, but this will allow them to look at all avenues that are currently allowed in statute.

**Chair Neal:**

Thank you for that. Members, do you have any questions on the bill?

**Assemblyman Kramer:**

I understand what you are doing and I understand you are coming to us for it. Please tell me why this could not have been done by an interlocal agreement between Washoe County, Reno, and Sparks without coming to us.

**Ron Smith:**

As Mr. Aldean said earlier, we have a consensus vote. That means all six votes have to be unanimous. One vote can kill anything we want to do. I do not believe the political will is there from all six members to impose a fee although we do have the authority to do that. That is what we are doing here.

**Assemblyman Kramer:**

I did not mean for them to impose the fee. I meant to create the committee and do the promoting of this, to show the need for this throughout Washoe County. That is what you are asking us to do, to allow this committee.

**Ron Smith:**

This bill does create the committee. The committee that was formed for the schools was very successful. They did their job. They took all the testimony they could hear. We plan on doing the same thing, if that is what you are asking me. I do not have the authority to do that.

**Assemblyman Kramer:**

That is where the basis is—who has the authority to set up the committee.

**Greg Ferraro:**

I will try to answer Assemblyman Kramer's question in a different direction. I think the essence of the bill is that this enables the committee to have the power to place the question on the ballot, in agreement with the county. Otherwise, it was done through the way in which you are proposing; I believe the county commission would be the authority that would have to do all of that work. The core essence of the bill is to let the committee do its work, but giving that committee the authority to place their work on the ballot.

**Assemblyman Pickard:**

I would not have asked this question except you said there is not the political will to do this. That causes me concern. If there is not political will within the people who are directly affected by this, why should I impose my will on them?

**Jay Aldean:**

If we were to calculate a direct benefit fee, it has to be based upon the amount of benefits received. If we were to force the commercial area in Reno and in Sparks to pay that direct benefit fee, based upon the benefits—taxes are not based upon benefits but the direct benefit fee is—in about 10 to 15 cases we looked at, it would be more than their taxes. The fee would be so great that we felt it would really blight the area, that people would actually leave the area, and that is counterproductive to the overall goal of the project—to stimulate the economy and maintain that area as an economic engine.

**Assemblyman Pickard:**

If I understand your answer, what you are saying is that this would impose a tax on a broader area, not just those who are affected, who are within the purview of the existing commission.

**Greg Ferraro:**

Maybe I can answer that and then add some additional information that might clarify the point. The agency Mr. Smith chairs has the taxing authority to impose a fee countywide. They have already decided to narrow that scope down into the direct benefit area, which you saw Mr. Aldean describe to you [page 10, ([Exhibit C](#))]. That is one issue. That authority already exists. However, I think in the wisdom of this effort, to get to this place, they do not want to substitute their judgement for that of the voters. That is an important point. The second issue is they want to create a committee that creates community conversation. They need to build awareness. There is no question that for some people flooding is on top of their minds, but for some people it is not. They want to take advantage of a year and a half's worth of public hearings and public testimony to help the community understand what is at risk. Then the community will get to decide. I think that is an important step in our small democratic process in Washoe County, so they are not substituting their judgement for the voters, but letting the voters have a year and a half to really examine the issues and be educated on the subject, and to make a final judgement.

**Assemblyman Pickard:**

The piece that is missing in my mind is probably because I am from the south and we do not deal with this. We rarely flood, and if we do, it is fairly localized. What I am missing is the piece that it sounds like the counties already have the authority to do this. They can already put a question on their ballot to determine whether the voters want to do this. It seems to me, based on the statement that was made, that the thinking is we are going to kick this to the Legislature so we have political cover. I am not personally interested in giving you that cover unless it makes sense for the state—if there is some rationale that means this really should be a state question. That is what I am driving at. What is missing at your level that requires the state to step in?

**Greg Ferraro:**

I realize this is your first session and you were not here for the epic battles related to school construction in Washoe County. Those of us that were here watched several different attempts to find a way to resolve that issue, to ultimately again put it in front of the voters so they have the final word. What we are proposing is the same positive prescription that was applied last session. This committee concept is not new, and it worked beautifully. It brought together all the diverse interests in a public process, where the public, the media, interest groups, and stakeholders got to focus on something for a year and a half. That is the answer from that perspective. From the Legislature's perspective, you are asking yourself why are we even doing this. Why does the county commission not do it? Simply, we are running out of time. As you know, there is an expiration date on those federal funds. If we do not get something on the ballot in 2018, it is highly likely, and in fact mostly probable, we are not going to make it. We did some creative thinking, borrowing a page of what was successful in last year's Legislature, by which a majority of this house, a unanimous vote in the Senate, and a Governor's signature said yes, that works. We are following a very successful process that we think could also be beneficial here.

**Assemblywoman Benitez-Thompson:**

This is probably more of a comment, if you would indulge me. Having served on the committee that used the same structure to contemplate what was a very difficult question for us at the Legislature to figure out how to solve—which was a local area needing more money for revenue—and ultimately having served and gone through what ended up being a year and a half process, there was an elegance that came with letting the community make a decision about what they wanted with the membership of a committee that was based mostly on community representatives and not chock-full of elected officials. The conversation took on a very different tone in the types of questions that were asked, and the type of work that was done was commendable. I think it was myself, then-Senator Debbie Smith, and County Commissioner Marsha Berkgigler who were the only elected officials who sat on that committee; otherwise it was all public members. It was a lot of diligent work done and a way for a local community to come up with a local answer—to put before the local voters a question about whether they wanted to impose a tax on themselves, and whether they would get a benefit from that. I was skeptical of the model at first and sat on the committee for that point.

When we saw the voters support it, for the last initiative, I was pleasantly surprised. There was so much dialogue, so much fact finding, and so much more work that we could never do—you do not know how it is going to turn out. Much like the legislative setting of 120 days, it was a successful result. That is my input about what the experience was like to sit on that kind of committee, outside of the legislative session—to take it outside of a political context and hand it to community members.

**Chair Neal:**

We appreciate that information. Members, do you have any additional questions or comments? [There were none.] Do the presenters have any additional comments?

**Greg Ferraro:**

I have one comment in conclusion. We look at this in three phases, and this is phase one—getting the committee established. Phase two will be the year and a half in which the committee does its work. Phase three will be that short campaign period leading up to a final decision point in the fall of 2018. We are seeking your approval to get us through phase one and get us to the point where we can really begin to dig into these issues.

**Chair Neal:**

I will now take testimony from those in support of A.B. 375.

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

We support this bill. We want to thank Assemblyman Sprinkle and the Washoe County legislative delegation for bringing this forward. As most of you have heard before, we were very involved in the ballot question that came out of S.B. 411 of the 78th Session. This committee mirrors that process, so you will see that the Chamber of Commerce has a seat at that table. We will be able to study this very real issue that affects commerce in northern Nevada. We would urge your support for this bill.

**Assemblywoman Cohen:**

Can you tell us percentage-wise how many members of the Chamber are affected by flooding regularly?

**Tray Abney:**

That is a good question. We have about 1,500 members spread across Washoe County, so we definitely have several who are in that Sparks industrial area, which you heard about earlier. I do not know the exact number. As Mr. Aldean called it, it is kind of the economic engine of the county. It is a big section of our community where a lot of people work and a lot of things are made, goods are sold and shipped out of there, and it is vitally important that we take care of this problem. I am sure someone has a list of the total number of businesses that are in that district. I can certainly get back to you.

**Jonathan P. Leleu, representing Southern Nevada Chapter, NAIOP, the Commercial Real Estate Development Association:**

I was listening to Mr. Ferraro's testimony and thinking what an amazing state we live in. I was testifying an hour and a half ago on a bill where we were talking about not having enough water, and now I am talking about a bill where we have too much. We strongly support this bill. I would like to thank Assemblyman Sprinkle for bringing the bill. We think this bill protects businesses. Assemblywoman Cohen asked how many businesses within the area are Chamber of Commerce members. Most of those businesses are NAIOP members. It is all commercial real estate in this area. I would also like to thank Mr. Ferraro for being available to answer all of our questions, and our member's questions.

We did have one technical issue which came to me via text about five minutes ago, and that is we were graciously afforded a seat at the table, as was the Chamber, Reno-Sparks-Northern Nevada, with respect to membership on the committee. We would like to thank Mr. Ferraro and Assemblyman Sprinkle for that; however, apparently our name was wrong in the section. It should read NAIOP Commercial Real Estate Development Association. I will work with Mr. Ferraro on a technical amendment for that. I want to thank the Chair and Committee for your consideration of this bill.

**Assemblyman Pickard:**

This is more of a comment. When the people who are going to potentially be paying this are at the table supporting it, that makes me feel a lot better.

**Stephanie Kruse, President & Chief Strategist, KPS3:**

I am a long-time business owner in Reno and Las Vegas. I have been an intrepid economic development volunteer for northern Nevada for many years, serving on the board of Economic Development Authority of Western Nevada for many years, and before that on many committees. I want to emphasize, from an economic development standpoint, how important this bill is and how important it is to the northern Nevada community to really address the issue of flooding. There are many issues that impact economic development, but no one has really addressed flooding appropriately and its impact on the economic engine. Mr. Aldean just said there are 25,000 jobs in that area of Sparks he was talking about, in the economic engine component. That is a lot of jobs. For one major flood to impact that over a period of time is incredible. I would encourage the Committee's support of the bill.

**Neil C. Krutz, Assistant City Manager, City of Sparks:**

I am here today to share Sparks' strong support for this bill. Speaking of those 25,000 jobs, about 20,000 of those occur in the City of Sparks so we have a lot at stake here. We are excited to have a long-term solution in front of us. We are anxious to take that first step of the final three to get us across the finish line. The future of the City of Sparks and its economic engine lies in a Truckee River Flood Control Project that is constructed and putting a big portion of our city back to work.

I would like to cover the amendment ([Exhibit D](#)) the City of Sparks is proposing, but first I want to give you some background, so you can have a better appreciation of the level of seriousness that we take for this project in Sparks. In Mr. Aldean's presentation, he showed some of the early implementation projects that have occurred. He showed you the North Truckee Drain Relocation Project, where the Truckee River Flood Management Authority had put in about a \$5 million stake into the relocation work that needs to be done. That is about a \$40 million investment overall. We are under construction right now with the third and final phase of that effort. The other \$35 million came from our ratepayers in the City of Sparks. They pay it through our storm drain utility fund, with a dedicated rate for river protection. We have a lot at stake here and a lot invested in seeing

a broader solution. Certainly the North Truckee Drain Realignment Project, while it does benefit the City of Sparks directly, also benefits the Truckee Meadows more broadly in terms of lowering the flood levels that are experienced along the east side of the valley.

To me that colors in around the edges that none of the three local governments can do this project on their own. The City of Sparks is not in a position to implement a flood control project inside of its boundaries that is going to solve the problem. Neither is the City of Reno, nor Washoe County as a whole. We need to work together. We have been working together for several years, with our Truckee River Flood Management Authority. We are excited to be here today to ask that you move us forward to the voters—to ask them to help us support the solution.

I want to reiterate that the Truckee River Flood Management Authority was created under a Joint Powers Agreement and is specifically limited to flooding along the Truckee River and its flood plain. Yes, we do have flooding all over northern Nevada, but what we have the Joint Powers Authority for—what we have lined up through the federal government funds—is a project along the Truckee River and things that flow directly to it. That is where we need to focus first. That leads me to the amendment ([Exhibit D](#)) we are seeking.

In reading [A.B. 375](#), as it was drafted, we felt there was an opportunity for the public to become confused. We are asking you to create a committee to study flooding, but that is going to throw the doors open to talk about flooding that is happening in other hydrologic basins. While we certainly concur that those discussions need to happen, they need to be developed, and we need to figure out funding, we need to start with the big project in front of us, and that is the Truckee River project. We need to get that underway before we lose that federal funding.

There are four changes in the amendment ([Exhibit D](#)) I will walk you through. The first one is in section 1, adding a subsection 8, which speaks to the definition of a "flood management project" and "flood control projects," limiting to "projects that have been agreed upon unanimously by the flood management authority to regulate the flow and control of floodwaters and management of floodplains along the Truckee River." We feel that tightens up the scope of the initial question that we are asking to put in front of that committee: How are we going to pay for that?

The second change is in section 5, subsection 1. We believe the primary purpose of the committee created under the authority of this bill is to prepare a recommendation related to funding the existing flood control project, and once that task is accomplished, and not until that task is accomplished, should they move on to additional flooding issues. We would like that laid out, up front, rather than starting off with a mixed bag of dealing with all the flooding issues in the area. To that end, Reno, Sparks, and Washoe County have all adopted flood management plans. Each one of those documents, in part, does provide good technical information and proposed capital projects we believe would help this committee, and give them a starting point for addressing some of the flood control issues outside of the Truckee River corridor.



The third change is in section 5, subsection 1, paragraph (b), subparagraph (1). It obligates the committee to examine the existing flood management plans adopted by the county and two cities, and the related policies in those, as they look to determine how to come up with solutions for areas like Swan Lake in Lemmon Valley and other areas north of the Truckee Meadows proper.

The fourth and last change is to section 5, adding subsection 2 and subsection 3 in as much as the committee will be comprised primarily of community representatives who are not necessarily hydrologists or civil engineers. The committee will be laypersons and they will also not have financial resources necessary to commission a multibasin study that is going to tie this up, and they need a way to dissolve themselves. We believe it is appropriate that they have this, rather than be tasked with producing a perfunctory report, one they are not really resourced to put together. We think there needs to be a way for them to draw their own work to a conclusion. I would be happy to answer any questions you have.

**Assemblyman Pickard:**

Any time I see a requirement for a unanimous agreement it makes me a little nervous. Is there confidence that all of these agreements, as to what the flood management projects are, will be unanimous?

**Neil Krutz:**

The unanimous requirement is in our flood management authority as it exists today. I do not believe that we are proposing to have this committee work in that manner at all. I have been working for the City of Sparks for almost 20 years, and my first project as a civil engineer was cleanup from the 1997 flood. Working under that unanimous requirement has been very challenging.

**Assemblywoman Bustamante Adams:**

I wanted to make sure you spoke with the bill sponsors about your amendment ([Exhibit D](#)) and they accepted your recommendations. Is that correct?

**Neil Krutz:**

Yes, it is correct. We met with them at length. I am sure they would be happy to confirm that if you would like.

**Chair Neal:**

Are there any additional questions? [There were none.] Is there anyone else speaking in support of A.B. 375?

**Jenny Reese, representing Nevada Association of Realtors:**

We appreciate the bill sponsor bringing this forward. Our association also appreciates a seat at the table, and we will support the bill.

**Craig Madole, Chief Executive Officer, Nevada Chapter, The Associated General Contractors of America, Inc.:**

We, too, fully support this bill. We think this conversation is long overdue—doing something about the flooding we have had in northern Nevada—particularly this year.

**Chair Neal:**

I will now take testimony from those who are neutral on A.B. 375.

**Kathleen A. Conaboy, representing Reno-Tahoe Airport Authority:**

We are neutral on the bill at this point in time. You will notice in the bill that the Reno-Tahoe Airport Authority (RTAA) has a seat at the table. There was some concern that because the committee is going to be asked to recommend the imposition of a tax, and because the board of the RTAA is composed of appointees of political bodies, that a position taken by any one member of that committee might be construed, or imputed, to the political board, which may or may not hold the same position. Our amendment ([Exhibit E](#)) asks that we be considered ex officio. You heard Mr. Aldean mention earlier that the airport is certainly affected by flooding, and the RTAA felt we could add value to the committee.

I had a conversation with Mr. Sprinkle today. He was concerned about them not participating in the voting and thought maybe we should just be technical advisors to the committee. I would like the opportunity to work through that with him as the technical amendments are being processed.

**Chair Neal:**

I will now take testimony from anyone who is speaking in opposition to A.B. 375. [There was no one.] I would like to call the presenters back to the table for closing comments.

**Assemblyman Sprinkle:**

In closing, I think you have heard the necessity of what we are trying to do here, both from a fiscal or financial point of view, and that there are timelines that necessitate our need to accomplish this. There is also the fact that this has been a continuing problem in the Truckee Meadows area. I think the ability to bring these individuals together and truly examine what the issues are in greater depth and detail will be fundamentally important to the future growth, from both an economic standpoint and the lifestyle of the Truckee Meadows. I ask you all to look favorably upon this bill.

**Greg Ferraro:**

I was remiss. I would like to recognize two other members of the agency who are here today. Reno City Councilman Paul McKenzie is with us, as well as Washoe County Commissioner Jeanne Herman. I did not want to neglect recognizing them.

**Chair Neal:**

I will close the hearing on A.B. 375 and open the hearing on Assembly Bill 439.

**Assembly Bill 439: Revises provisions governing taxation of the sale, storage, use or other consumption of certain property by a licensed veterinarian. (BDR 32-1017)**

**Assemblyman Nelson Araujo, Assembly District No. 3:**

I am here today to present Assembly Bill 439. I sponsored this bill at the request of a coalition of over 240 veterinarians statewide. Nevada has historically classified veterinary professionals as service providers and, therefore, as consumers of the products they purchase and support other services. Recent developments in the area of tax policy have caused confusion and concern in the veterinary profession. Assembly Bill 439 is meant to create certainty and stability for all veterinarians and pet owners in Nevada by codifying existing tax policy and permanently defining veterinarians as service providers in the state of Nevada.

With me today are Danny Thompson, on behalf of the coalition of 240 veterinarians that comprise Nevadans for Accessible and Affordable Animal Care; Barbara Smith Campbell, who served as a member of the Nevada Tax Commission for over 20 years, including serving as Chairwoman of the board of the Nevada Tax Commission; and Michelle Wagner, with the Nevada Veterinary Medical Association. They will help me present A.B. 439.

Before I turn it over to Mr. Thompson, I would like to bring to the Committee's attention a friendly amendment I submitted ([Exhibit G](#)). This amendment adds the following language into section 1 and section 2. The language reads as follows: "Veterinary over the counter sales of tangible personal property such as dog food, drugs administered by the pet owner, pet supplies are retail sales and the veterinarian will charge sales tax on the sale of those products." I will now turn it over to Mr. Thompson.

**Danny L. Thompson, representing Nevadans for Accessible and Affordable Animal Care:**

We represent 240 veterinarians and veterinary professionals. We signed up 12 more today. They represent 121 animal hospitals throughout the state. I want to read you the list where these hospitals are located, to not miss anyone. They are located in the following Nevada cities: Boulder City, Carson City, Fallon, Gardnerville, Henderson, Las Vegas, Logandale, Mesquite, North Las Vegas, Pahrump, Reno, Sparks, Spring Creek, and Winnemucca. Of the 12 who signed up today, I am sure we can add more to that list.

There are really three questions about this bill. Why is the bill needed? What does the bill do? What does the bill not do? The bill is needed because the Department of Taxation issued a tax note in January 2007 ([Exhibit H](#)) that basically codified the way veterinarians and veterinary hospitals operated as it relates to sales tax. In October 2013 they issued another tax note ([Exhibit I](#)). This was put online and not distributed or mailed to the veterinarians or the hospitals, changing the way it was done. There were subsequent audits of these veterinary establishments. In recent audits, some were found deficient and some were not because they were doing it the old way versus the new way at the same time. The Department of Taxation is doing this both ways.

I served on the Advisory Council to the Division of Industrial Relations, Department of Business and Industry for 14 years, and chaired the committee for almost 7 years. I have changed thousands of regulations in this state. There is a process you go through. It involves open hearings that are noticed, that adhere to the Open Meeting Law, and that are held statewide and not in just one municipality. After the regulation is agreed upon, it is sent to the Legislative Commission and they approve it. This was not done in this process.

What this bill does do, and what it is meant to do, is to codify the status quo. It models off of other service providers that have sought protections from the Department of Taxation doing this such as advertising agencies, barbers, beauty shops, broadcasters, construction contractors, court reporters, desktop publishers, and hospitals. These providers have all sought clarification on the way they are taxed. What this bill does not do, it does not reduce tax revenue to the state of Nevada, and it does not change the law. It preserves a longstanding Nevada policy to not tax services.

I have been here a long time, and taxes on services have been considered hundreds of times. We have never done that because it is a rough row to hoe. This, in effect, is a backhanded tax on services. This does not exempt veterinarians from paying taxes, however, and we have some of our coalition members here today.

If you will indulge me, I want to tell you a story. My mother-in-law is 78 years of age. She lived in Sheridan, Wyoming, and about five years ago I decided it was time for her to move here with me. I got a U-Haul and I drove to Wyoming. While I was on my way there she hooked up with a guy named Nelson, who was, in fact, a convict. I brought her and Nelson back home with me. It turns out that Nelson is a Shih Tzu and Bichon Frise mix. He is a small dog but is not afraid of anything. My mother-in-law will sit at the table and listen to me talk. I have come home and talked about the stadium project, Tesla project, and Faraday project, but when I came home and told her about a tax on Nelson, there are not enough pitchforks and torches in this state to deal with her and all her friends who all have their own Nelsons because this is a "pet tax." As evidenced by the fact that now 252 veterinarians are asking you for clarification, we have not even talked to pet owners yet.

I am not an expert in taxes and I do not pretend to be. Barbara Campbell Smith is here with us today. She is a former member of the Nevada Tax Commission, for over 20 years, and she served as the Chairman of the Nevada Tax Commission for years. I am going to turn it over to Barbara and she is going to give you a historical perspective on this bill.

**Barbara Smith Campbell, Principal, the Ferraro Group; and Former Chair, Nevada Tax Commission:**

As Mr. Thompson indicated, I was first appointed to the Nevada Tax Commission in 1986 by U.S. Senator, then-Governor, Richard Bryan. I sat on the Commission for 20 years and was chairman for 10 of the 20 years. I am here today to give you a historical perspective of the veterinary medicine industry.

As noted earlier, this industry is not here to ask for a change in the law. They are not asking for a form of tax avoidance, but they are asking you to reaffirm the historical treatment and status as a consumer when they purchase tangible personal property in the course of providing medical services to their clients. Examples of these types of tangible personal property would be sutures, vaccines, and anesthesia. These are all tangible personal property that is used by a veterinarian in the course of their business. Veterinarians pay use tax on these purchases from an out-of-state vendor, or pay sales tax to a registered vendor here in the state.

As you all know, the Sales and Use Tax Act was created by referendum in 1955. At that time, the *Nevada Administrative Code* (NAC) had not been created, and the administration of the statutes was a compendium of rules established by the Department of Taxation. Eventually, those rules became the NAC, which adopts regulations that guide the Department of Taxation. If you ever look at the NAC you can see the carryover. As an example, NAC 360.020 states, "Commission" defined. (NRS 360.090) "Commission" means the Nevada Tax Commission [Tax Comm'n, Practice Rule No. 8, eff. 11-15-77]."

The compendium of rules ([Exhibit J](#)) gives us good examples of industry groups that are consumers. The list is not all-inclusive, but you can see the parallels between businesses who are, and should be, defined as consumers. Ruling No. 20 pertains to watch and jewelry repairmen [page 6, ([Exhibit J](#))]. They are consumers of parts and materials. Ruling No. 10 pertains to oculists, optometrists, and dispensing opticians (page 5). They are consumers of ophthalmic materials. Ruling No. 8 pertains to taxidermists (page 4). They are consumers of the materials used in repairing, stuffing, and mountings. Ruling No. 6 pertains to gun clubs (page 3). They are consumers of clay pigeons. Ruling No. 5 pertains to dentists and dental laboratories (page 2). They are consumers of the materials and supplies used in performing their services. Ruling No. 3 pertains to barbers, beauty shop operators, bootblacks, launderers, cleaners, garment and fur repairers, alterers and remodelers (page 1). They are the consumers of the supplies used in the performance of their services.

Once the rules were converted to the NAC, these consumer classifications also flowed to the NAC. Although the veterinary industry was not specifically called out in either the rules or the NAC, the Department of Taxation did create several notices in its monthly/quarterly publication called *Nevada Tax Notes*, and there have been multiple cases on appeal before the Nevada Tax Commission.

In 1986 a veterinary taxpayer appealed a decision of a hearing officer regarding the taxability of veterinary supplies. The Commission affirmed that the veterinarian was a consumer of the tangible personal property used in the practice of his medical business. The Commission further sent the case back to the Department of Taxation to sort out the retail sales that were subject to sales tax. The Chairman instructed the Department of Taxation to notify the industry group on the differences between being a consumer and a retailer, as a veterinarian can be both.

In January 1997, Issue No. 117 of the *Nevada Tax Notes* was issued by the Department of Taxation and sent to all taxpayers ([Exhibit K](#)). The Department of Taxation clarified that veterinarians who consume tangible personal property in the course of their business must accrue use tax or pay it to the vendor. It reaffirms that drugs are not exempt. It also clarifies that over-the-counter sales are retail sales and subject to the sales tax. This is the position the industry group has been operating under and supports.

In the January 2007, Issue No. 157 of the *Nevada Tax Notes* ([Exhibit H](#)), the Department of Taxation again states that veterinarians are the consumers of tangible personal property they use in the treatment of animals and are required to pay sales tax on the purchase price of the property to their Nevada registered vendors. The notice also restates that retail sales, or over-the-counter sales, are subject to sales tax. Again, this is the position the industry has been operating under and supports.

In the October 2013, Issue No. 184 of *Nevada Tax Notes* ([Exhibit I](#)), the Department of Taxation begins to restate its position for the veterinary industry and defines veterinary as a retailer of tangible personal property they are using in the treatment of animals. It also advises the veterinarian that businesses must change to line item invoicing in order to conform with the new interpretation, or the lump sum invoice, which also includes the veterinarian's services, will also be subject to sales tax. This change in position did not come with a notice of workshop for development of rulemaking, or an explanation for the change.

In August 2016, the Department of Taxation published Tax Bulletin SUT 16-0006 ([Exhibit L](#)). The bulletin was produced by the Department of Taxation and placed on the agenda of the Nevada Tax Commission for approval. There is a three-day notice, as required by law, but no notification to the industry group. Bulletin SUT 16-0006 restated the position in the *Nevada Tax Notes* dated October 2013, ([Exhibit I](#)).

Historically, if there is a major change to the administration of a tax law, the change comes as a result of that change in the statute, a referendum passed by the electorate, or possibly a published court case. Historically, in all of those cases, the Department of Taxation would typically enter into rulemaking under *Nevada Revised Statutes* (NRS) Chapter 233B, first to clarify the change and receive industry input and comment and, secondly to educate the industry group.

In looking at the sequence of events, it is clear that from 1955 until 2013, the veterinary industry was treated as a consumer of those supplies used in the business of their medical practice. The taxable transaction was when the veterinarian bought the supplies he would consume. It is also clear that veterinarians who sold products over the counter were retailers and subject to charging sales tax.

We are here today to ask you to reaffirm the 58-year interpretation for veterinary medicine providers to be consumers. Thank you for the opportunity to testify today. I am happy to answer any questions.

**Michelle Wagner, Executive Director, Nevada Veterinary Medical Association:**

I have been the Executive Director of the Nevada Veterinary Medical Association (NVMA) since January 1994. The NVMA was formed in 1919 and we currently have approximately 400 members. The NVMA is a coalition partner of Nevadans for Affordable and Accessible Animal Care, and supports the passage of A.B. 439.

We have sought clarification of the current interpretation of sales tax laws for over two years without a satisfactory conclusion. When this issue was first brought to my attention, the veterinary practice that contacted me was being told they had to charge sales tax on vaccines and injectable drugs. The majority of the charge they were being told to charge sales tax on was the service of administering the drug or vaccine, and the cost of the tangible personal product being used was de minimis.

Over the next one and a half years, I was contacted by several other practices who were going through sales tax audits and were being told they had to charge sales tax on other services provided in the veterinary practice, such as anesthesia. It became very apparent to the NVMA that the Nevada Department of Taxation was casting a wider and wider net over items they wanted sales tax charged on. The most recent practice I spoke of told me they were informed by their auditor they needed to charge sales tax on surgical packs. This is incorrect information, as this is an item used only in the veterinary hospital, and does not go home with the pet.

The NVMA believes A.B. 439 will provide the clarity needed to allow Nevada veterinarians to continue to provide the high level of service and patient care they have dedicated their lives to. The NVMA supports the passage of A.B. 439 and urges you to vote yes on this very important bill.

**Chair Neal:**

Thank you for your testimony. Members, do you have any questions?

**Assemblyman Pickard:**

I want to make sure we do not tax this twice. Can we be assured that they are paying as a consumer? It sounds like we are, but it makes me wonder. Can you tell me what is happening in other states? How do other states manage this?

**Danny Thompson:**

No other state does this. States that have a tax on services, which we do, and there are some others, would do this. This is a tax on a service you cannot explain, and it is actually a tax on pets. No other state currently does it in this fashion.

**Assemblyman Pickard:**

Maybe I need to clarify. For states that do not tax services, is it still that there is no state that taxes a veterinarian as a consumer only and does not pass along with the sales the sales tax requirement?

**Danny Thompson:**

That is my understanding.

**Assemblyman Marchant:**

I want to clarify. For 58 years veterinarians did not pass the tax on to the consumer, is that right? Then in 2013, a Tax Note from the Department of Taxation said they decided they wanted veterinarians to have a line item on their bill where the consumers pay the pet tax, as you are calling it. Is that correct? How did the Department of Taxation come up with that, to decide to do that? Does anybody know? If they are breaking it out in a line item, there are services in there too. Did that get included in the tax calculation?

**Barbara Smith Campbell:**

The way the transactions worked for the last 58 years is like this: If I were the veterinarian, I buy sutures, I buy vaccines, I buy whatever I need for the medical treatment of the animals I am going to take care of. The taxable event is between the veterinarian—me—and my vendor—whomever I buy from. If they are registered in Nevada, that person is going to charge me sales tax. If they are in California, and not registered with Nevada, I am going to accrue use tax and pay that to the state. The taxable transaction ends at that point. As a veterinarian, if I decided I also wanted to sell dog food, leashes, training manuals, and things of that nature, I would put on my retail hat, which would say I am selling as a retailer. When a consumer comes in and buys a \$50 leash, I am going to charge that person the appropriate sales tax on that transaction. That is how it has been done for the last 58 years.

I cannot honestly tell you why the methodology started to change in 2013. I do not know what the underlying circumstances were. What I can tell you, from a historical standpoint, is that if there was a change in statute, if there was a court case that changed things that the Department of Taxation had done, the Department of Taxation typically would start inviting that industry group in to start a conversation with them, wanting to educate them on why they are having to change. The Department of Taxation would need to learn how that industry group functions, so they can adopt the appropriate regulation.

**Assemblyman Marchant:**

In 2013, when they issued that Tax Note stating the way you bill your customer, did the services get included in the total you charged tax on? For example, let us say you had a vaccine, but there are other supplies that go along with it like gloves, gauze, or whatever. When you did a line item on your bill, you have services and you have products you had to charge sales tax for. Did the services get included in the total you charged the tax on? If so, that may have been one of the reasons they did that, to increase their tax base.

**Barbara Smith Campbell:**

I have had client relationships where I can see certain audits. This is prior to 2013: a client will come in, they need a rabies shot for the dog that entails also a physical for the animal, and the exit charge may be \$60. It is an all-inclusive charge. The veterinarian already paid



the use tax on that rabies vaccine when they purchased it. In 2013 the Department of Taxation wanted the veterinarian to itemize—the physical exam and the vaccine, and then the vaccine would have the sales tax charged to the customer at that time. There may not have been a markup at all. It may have been 10 cents when I purchased it and 10 cents when I charged it to the customer, but what it is doing is forcing a new accounting system on the veterinarian. If the veterinarian continued to do a lump sum, the Department of Taxation was taking a position that everything was going to be subject to the sales tax.

**Chair Neal:**

I will remind the Committee we do have the Department of Taxation here to answer any questions for clarification. Members, do you have any additional questions?

**Assemblywoman Bustamante Adams:**

If the state would ever go to a service tax, then this would be a different conversation, correct?

**Barbara Smith Campbell:**

You would be correct. If the state adopted that type of tax policy, all things would change.

**Chair Neal:**

In looking at the 1997 *Nevada Tax Notes* ([Exhibit K](#)), and the 2007 *Nevada Tax Notes* ([Exhibit H](#)), these are pretty similar. They are basically saying that prescription drugs prescribed by a veterinarian for treatment of an animal are not exempt from sales or use tax. Over the counter drugs, including vitamins, minerals, supplements, as well as veterinary supplies are also subject to the tax. Feed additives are also subject to the tax. Feed for any form of animal life is subject to the sales and use tax.

When I look at the language in the amendment ([Exhibit G](#)), the blue language in section 1, subsection 1, I see the statement ". . . dispensed by him or her in the performance of his or her professional services . . . ." I want an explanation of what the word "dispense" means. If a prescription was given to me, that is "dispensing," and that is also subject to the sales and use tax. True?

**Barbara Smith Campbell:**

I think your legal counsel could help you on what the legal definition of "dispense" is. In a layman's language, to me, a veterinarian dispensing a medication to an animal during a medical procedure may be an oral pill of some sort. The amendment ([Exhibit G](#)) was put in place to reassure the Committee that anything that is over the counter is subject to the sales tax. If the veterinarian prescribes to me 30 pills for an anxious dog, and I buy it at the counter and walk away, it is subject to the sales tax. Drugs are not exempt for animals as they are for humans. We wanted to make a clear line there, that anything considered an over-the-counter purchase would be subject to the sales tax that happens in any retail establishment.

**Chair Neal:**

In the examples you cited to the rulings that came from the Sales and Use Tax Act of 1955, and that were revised in 1968 ([Exhibit J](#)), if these changes were allowed to happen by the Nevada Tax Commission, why did the veterinarian additive not go through that process as well?

**Barbara Smith Campbell:**

As I stated in my testimony, the list is not all-inclusive. I think the questions that came up in 1955 dealt around these industry groups, and it did not appear to be anything that dealt around veterinarians.

**Chair Neal:**

In reading the definition of retailers, which were associated with the Sales and Use Tax Act of 1955 ([Exhibit J](#)), they gave specific descriptions such as ophthalmologists who are exempt because they are selling glasses, but they are not necessarily the retailer because they are buying in bulk. For example, if you are an eye doctor, when you buy the glasses for your display, in that situation you are not a retailer, but actually a consumer because you bought these in bulk; they are part of your practice. Would this be a substantive change to the law or an administrative change to the 1955 Sales and Use Tax Act by adding in the information for veterinarians.

**Barbara Smith Campbell:**

It is the historical application of the law that has been in existence for 58 years that veterinarians have always been defined as consumers. The 2013 *Nevada Tax Notes* brought about a restatement from the Department of Taxation that they felt veterinarians were going to now be retailers. I think from a standpoint of the industry group, there has not been a change of law. We are not aware of any published court case. We do know that there has not been a referendum of the electorate to change the sales and use tax law.

**Chair Neal:**

What is the difference between a "Tax Note" and a "Tax Bulletin?" I will probably also ask this of the Department of Taxation. Is a Tax Note more guidance and a Tax Bulletin more of a clarification on the law?

**Barbara Smith Campbell:**

The technical bulletins were approved by the Legislature in 2013 [[Senate Bill 7 of the 77th Session](#)], so they are a new animal for the Department of Taxation to use in order to give guidance to taxpayers. I think it is a wonderful tool. I think the Department of Taxation has been using it in many instances and in a fashion I think is appropriate because it is further information on an existing regulation. Sometimes regulations get pretty technical and you need that extra information coming down the line for taxpayers to understand.

The Department of Taxation has a couple of tools they can use. One of them is the technical bulletin. There are also classes the Department of Taxation puts on for taxpayers to further educate them in new tax policy or complicated tax policy. The Tax Notes have been used in the past as a way of informing taxpayers about things that are going on in the Department of Taxation. It does not have the full weight of law or the weight of an administrative regulation.

**Chair Neal:**

What is the legal value of the Tax Note and the Tax Bulletin that comes out? The central argument to this conversation is there have been inconsistencies. If I have a veterinary practice that has been in business for a period of time, a new director is hired and the practice changes. Instead of being the consumer we believed we were, we are now being identified as a retailer. I want to know what value it should hold for a veterinarian, or any person placed in those Tax Notes, in terms of it not being legal guidance but just information. What is it worth in order for you to say this is the truth and this is how we are going to abide by a rule?

**Danny Thompson:**

That is exactly the point. If you have a practice that you as a business person are following for 58 years, and it changes through some mechanism without a public hearing—it is not relayed to you personally, to your knowledge the Legislature did not act on it, there has not been a court case, and there has not been a ballot question to change it—then you have a subsequent audit and are found deficient for having always done it this way, you are left holding the bag as a business person.

There are currently veterinarians in the state who have been audited, who did not know about this, and have been found deficient. If you are a small business owner, a sole proprietor, that could literally put you out of business. We need the Legislature to clarify this—it has been done this way for 58 years, apparently it has worked, so continue doing it that way. Without your intervention these veterinarians are at risk, as are pet owners having uncertainty in their bills.

**Assemblyman Pickard:**

I am concerned. You testified earlier that the rules were not propagated in a way consistent with NRS Chapter 233B, the Nevada Administrative Procedure Act. You testified there were no hearings and no official publications. Aside from the public hearings and the normal procedures under NRS Chapter 233B, how is it that the veterinarians would normally get this information? Would they be given a letter written specifically to them, or would they rely on public notification? Under the rules as you understand them, how would they normally get notice?

**Danny Thompson:**

I am going to let Ms. Smith Campbell talk to you about specific rules with the Nevada Tax Commission, but every business I have been involved with, changing the rules has significant consequences without some ability to have input. Whatever mechanism that is presented to fix this needs to be done. All this does is codify a practice that has been

going on for 58 years. If the Department of Taxation decides to put out a Tax Note, or put it online, and they do not send you a letter, call you, or invite you to a meeting, and you are operating a business, how do you know?

**Assemblyman Pickard:**

That is actually my question. I recognize the requirements of notice and hearings under the Nevada Administrative Procedure Act, and I suppose I can let the Department of Taxation answer the technical question, but as I understand your testimony, you are saying that you would have expected a letter to be sent to you directly, and by no other means would you be held to a rule change except in that type of notice. Is that correct?

**Danny Thompson:**

If you are not notified somehow.

**Assemblyman Pickard:**

I am agreeing that notice is required. I am just wondering if you believe that the letter alone is sufficient notice?

**Danny Thompson:**

The way it was done is not sufficient notice. If you put out a Tax Note online and you rely on me to look at it, when I do not know about it, that is not sufficient. The way it was done was not sufficient, especially when these people have been following the law for 58 years and are now being audited, found deficient, and are being fined. That would be a good question for the Department of Taxation. Exactly how did this happen?

**Chair Neal:**

Before we take testimony from those in support, I want to call the Department of Taxation to the table to get some questions answered.

**Danny Thompson:**

We do have some veterinarians here who would like to testify after the Department of Taxation.

**Paulina Oliver, Deputy Director, Compliance, Department of Taxation:**

I would like to say we are neutral on this bill but I wanted to give you some information on the circumstances we have now. I cannot speak for the past 58 years; in reviewing our statutes and our regulations, like we are supposed to every 10 years, we found there was absolutely no statutory authority for us to allow the veterinarians to be the consumers rather than retailers of the items they sell. There is a statutory authority for ophthalmologists, but there is nothing for veterinarians.

**Chair Neal:**

When you say there was no statutory authority, are you referring to the Sales and Use Tax Act of 1955 which defined "retailer?"

**Paulina Oliver:**

Yes.

**Chair Neal:**

I wanted to clear that up. Now that makes sense. You may continue.

**Paulina Oliver:**

During our review, we found nothing saying that the veterinarians should not be treated as ordinary retailers, as the way all other retailers are. That means when they buy a taxable item and resell it, the tax is imposed on the full retail value, which includes the markup of the item being sold. The measure for the tax would always include not just their cost of the item, but also the markup of when they sell the property to the end consumer.

In 2013, during the period of time when we found this out, whenever we had an audit of a veterinarian, they were told they had to start changing how they are reporting their tax. In 2013 we came up with the Tax Bulletin. The Tax Bulletin's purpose is to explain how the Department of Taxation views a regulation or a statute. It is supposed to be written in layman's terms, and it is supposed to have examples, which are regulations. It is supposed to be a further explanation of how the Department of Taxation views the statute or the regulation.

I cannot speak to specific audits, of course, but the audits currently in process started after the 2013 Tax Notes first came out, letting everyone know they should be charging tax on the full retail value. The billing veterinarians do is not unlike an automobile repair shop; they do itemize their services separately from what they actually sell—from the tangible personal property they are actually selling—so when we pick up tax we are not picking up any of the services. We are just picking up the items of tangible personal property that were sold. When we pick them up for tax purposes, we pick them up with their markup as well.

The main issue is the vaccinations because the vaccinations are detailed out. They are a line-by-line item. That is the bone of contention, whether there are services involved in the giving of the vaccination. We feel that the price being placed on the vaccination is the cost, plus the markup, and that is what we are picking up as a taxable measure.

**Chair Neal:**

Thank you for that information. When you said there was no statutory authority, does that mean you were not able to create any kind of regulations? What we see in the NAC for barbers, beauty shop operators, et cetera, there was an NAC that allowed for distinguishing between a consumer versus a retailer. What happened in this circumstance where you were not able to create any regulations? The Department of Taxation issued the Tax Notes, but on whose authority? Could you explain that a little more?

**Paulina Oliver:**

We issued it under the authority we had in 2013, allowing us to issue Tax Bulletins to explain. We felt we did not have the authority to prepare a regulation that would allow them to be consumers rather than retailers.

**Assemblywoman Benitez-Thompson:**

What prompted the Department of Taxation to take a look back and reconsider interpretation of consumer versus retailer in 2013?

**Paulina Oliver:**

It was a review of our regulations. We are supposed to review regulations every ten years, and that is when we found there was no statute or regulation.

**Assemblywoman Benitez-Thompson:**

At what point is it fair to make an interpretation about a law that has been in statute if that law has been in statute for a significant amount of time? If you look back and there is an area of law where it is silent, there is no statute, there is no regulation, and there is no direction from the Legislature to do this, why take it upon yourself to do it—to change the practice as it had been? Was there some type of direction you were under—federal, state, or otherwise—that would have prompted this kind of a look back? It sounds like there was nothing specific.

**Paulina Oliver:**

We just have the statute that requires us to look back every ten years at our regulations. You are right. Our main emphasis is to follow the statute of regulations, and even though they had been followed incorrectly does not mean we should allow it to continue. That was the main reason we decided we had to correct the issue.

**Assemblywoman Benitez-Thompson:**

As a legislator I get nervous about that. I see how it can be problematic in the real world example we have before us today in which there was nothing specific that prompted a reconsideration of the statute. There was nothing specific in which there was direction given from the Legislature or from the federal government that compelled the Department of Taxation to reconsider its practice. The question I am left with is how much discretion ought the Department of Taxation have to take a look back and change practice? That is the question I have in trying to figure this out. Thank you for your responses. It is helpful.

**Chair Neal:**

We appreciate that as well. I will allow Assemblymen Paul Anderson and Pickard to ask their questions, and then we will move to those in support from the veterinarians who flew up for the hearing. We will then come back to you, Ms. Oliver.

**Assemblyman Paul Anderson:**

We heard testimony that there was no public hearing or input from the industry. Can you walk me through the process of how folks are given notice when a bulletin issued.

**Paulina Oliver:**

There is a sense of public notice in that they are brought before the Nevada Tax Commission, as an agenda item, and the Nevada Tax Commission actually approves it. We do sometimes get more information from the industry than we actually did in this particular case. There are times when it is almost like a regulatory workshop, but it is not; it is just a Tax Bulletin. That did not happen in this case.

**Assemblyman Paul Anderson:**

So you did not necessarily go out to the industry and ask them what their concerns may be or explain to them what prompted the change?

**Paulina Oliver:**

Correct.

**Assemblyman Paul Anderson:**

If I am purchasing a vaccine and I pay sales tax on it when I purchase it as a veterinarian, that tax is done and paid. If I do a markup on that vaccine then that creates another taxable event. Is that accurate?

**Paulina Oliver:**

That is accurate. All retailers have to charge tax on the markup value.

**Assemblyman Paul Anderson:**

If I have a sales and use tax license and I purchase something and use it in my own office, I have to pay that use tax if I bought it wholesale and did not pay the tax on it. If I buy it for a client and just pass the full cost through, a printer that has sales tax on it, there is no taxable event that has happened at that point, other than the initial purchase.

**Paulina Oliver:**

Correct. If you had no markup, and for whatever reason you decided to sell it for the same amount you purchased it for, there would not be any additional tax.

**Assemblyman Paul Anderson:**

In the event I add a service to that, for the printer that is already taxed and compiled, I think I read in your bulletin that as long as I do not bundle that together, there is still no taxable event. Is that correct?

**Paulina Oliver:**

If you had a bundled transaction, we would look to see whether the tangible personal property is de minimis compared to the service you are providing, less than 10 percent, or whether the service is the main object of the transaction. The thing with the veterinary

bills is they do not bundle them. They do itemize them. For example, a wellness check will be separate and a surgery will be separate. We can see what items, including the vaccines or any pills dispensed, are clearly tangible personal property, and that there are no services involved in that.

**Assemblyman Paul Anderson:**

What I am hearing is it is difficult to audit and see if there is compliance without a line item. Is that what you are telling me?

**Paulina Oliver:**

That is generally true, and in this situation we do have line items.

**Assemblyman Paul Anderson:**

Is that possibly what triggered a discussion about the change in the policy?

**Paulina Oliver:**

It could be, yes.

**Assemblyman Pickard:**

I want to go back to the notice and the hearings. Starting at NRS 233B.045, the statute goes through the steps any regulatory body has to go through in order to promulgate their regulations. Is it an accurate statement to say you did not go through all those steps and put it out in a bulletin once you decided internally? Or did you go through all those steps and the bulletin was a result of the overall discussion?

**Paulina Oliver:**

We did not promulgate a regulation. It was not our intent to do a regulation. Our intent was to explain how the Department of Taxation views the statute.

**Assemblyman Pickard:**

You testified earlier that no regulation existed, and now you are holding them to one. That is the part I am missing here.

**Paulina Oliver:**

I am sorry if I misspoke. There is no regulation. We did not make a regulation for the veterinarians. There is no regulation or statute that specifically deals with veterinarians. We did not do the workshops. We did not start the process.

**Assemblyman Pickard:**

But you are still holding them to the opinion that was described in the bulletin, correct?

**Paulina Oliver:**

Yes. We are holding them to the opinion we feel is a proper interpretation of the statute.



**Chair Neal:**

Thank you for that information. We will now take testimony in support of A.B. 439. I would like to take testimony first from the veterinarians who flew up from Las Vegas.

**Dean Penniman, Hospital Administrator, Las Vegas Veterinary Specialty Center:**

We have been providing specialty care in southern Nevada for 12 years. We are a specialty hospital so all our cases come to us through referral from general practice veterinarians. We currently provide specialty services in a variety of fields, including surgery, internal medicine, oncology, cardiology, ophthalmology, neurology, and radiology. We have an anesthesiologist and we have criticalists. A lot of the material that goes into us delivering the services we deliver are very expensive. Hip implants, chemotherapy, the safety equipment we use when we are mixing our chemotherapy and administering it, again, are all very expensive. We are fortunate to have served thousands of people over the last 12 years who were seeking advanced treatment, surgery, and care for their animals. Unfortunately, we cannot provide service to everyone because what we do is very expensive. It is very expensive because of the drugs and supplies I gave examples of. I am here because a lot of people are not familiar with specialty veterinary care and what goes into it—computerized tomography, magnetic resonance imaging, ultrasounds, et cetera. Our scenario is very different. Some people just literally cannot afford it.

We support this bill because we think if the tax situation is not clarified, then we would be taxing more people on these expensive supplies. For us it is more than just pet food, leashes, or vaccines. I just wanted to share that with you and I appreciate your time.

**John Bullard, D.V.M., Managing Veterinarian, Ann Road Animal Hospital, Las Vegas, Nevada:**

I am here to give a different perspective of my feelings, and some of my colleague's feelings, on the law as it exists now. I grew up in the Bahamas. When growing up, I was not the most social kid. I was pretty poor but the one thing I always had was a pet. I always had my dog, who was my best friend. Through hard times when my father lost his job, my dog was there for me all the time. I think that is when I first got familiar with the human-animal bond—the bond that makes a dog your best friend, or your child.

In talking to other veterinarians and looking at our numbers, my worry is if we were to try and tax our clients, or the pet parents, as the Department of Taxation wants us to, we are probably looking at increasing our bills somewhere from 18 percent to 20 percent. Like I said earlier, my clinic is in North Las Vegas, and I service middle- to lower-class income families. These families will not be able to pay the extra money that comes with this increase. I have clients who live in a low-income area and on fixed incomes. They tell me their pet is their life—without their pet they cannot exist.

We realize this is something the Department of Taxation came up with on their own. If we allow them to collect these taxes from us, it will force our lower-income families to stop a lot of the things we consider preventative care, things that prevent not only the pet from

getting sick, but also prevent humans from getting sick—like getting your pets dewormed, taking fecal samples to check for parasites, the things we do as a service—but because there is an item involved with it, we will have to increase that cost.

I am here as a pet advocate. I want to make sure every pet has the ability to at least get the preventative care that not only protects the pet, but also protects the kids and the older members of the family who depend on these animals, and that we are able to provide those services for them—protecting them and their loved one.

**Debbie White, D.V.M., Veterinarian, Lone Mountain Animal Hospital,  
Las Vegas, Nevada:**

I am a small animal and exotic animal veterinarian in Las Vegas. I own two practices in northwest Las Vegas, employing about 20 veterinarians and about 100 staff members. I am here today in support of A.B. 439. I am asking the Legislature for protection. I am concerned, as a business owner and a veterinarian, that we are at risk. The Department of Taxation is not providing the adequate explanation for our business practices. I am afraid the type of line itemization and tax detail they are requesting is going to take a priority over my patients' care, and it is going to affect patient safety and ultimately add to the bottom line of what my clients are going to have to pay.

The relationship our clients have with our veterinarians is based on trust. The additional concern I have with the line itemization that would occur, as they are requesting, is when we do perform a service, there are a lot of different things that go into it. For a client to see that—those small things such as gauze, suture material, sponges, those kind of things—almost gives the appearance of nickel and diming. That could really harm a trust relationship where a veterinarian is counted on to provide health care for their pets.

I would like to give you a real-world scenario. Taco, a Chihuahua, came into my office and was the victim of a coyote attack. He was in shock and had lacerations. Through the course of the emergency, he required intensive-care-unit care. He received an intravenous catheter, fluids, and important medications to treat his shock. He also had his wounds bandaged and eventually had surgery. Through the course of his care, I can outline 30 consumable items that were utilized within the service of his care. The problem is, that kind of service is not standardized. It is unpredictable between patients, emergencies, and different situations. It is hard to warn a client that at the tail end you are going to have to pay the additional tax on those other services because his condition depended on that.

The additional time this type of accounting is going to require is going to take important time away from the veterinary team members. I will have to dedicate a person to sit there and be a pencil pusher, to account for all those items that are utilized in that emergency, when instead they could be taking care of the pet in that situation.

As a business owner I already pay the use tax on those products. I am happy to do that and feel the veterinarian is the best person to do that. I do not want my clients to have to assume that additional unknown cost because it is uncertain. It is going to damage that veterinary bond we have with those clients.

**Chair Neal:**

Members, do you have any questions for them? [There were none.]

**Dennis R. Wilson, D.V.M., Hospital Administrator, Animal Emergency Center, Reno, Nevada:**

I have been a Nevada-licensed veterinarian for 32 years and the Hospital Administrator for the Animal Emergency Center in Reno for 24 years. When we started the Animal Emergency Center in 1992, I was instructed by our certified public accountant (CPA) on Nevada sales and use tax law. Sales tax was to be charged to the client on items dispensed from our hospital. Services performed in our hospital, including the medications and supplies used to perform these services, were not to be assessed sales tax. We paid sales tax to our vendors when we purchased medications and supplies for in-hospital use.

Over the decades I was aware of a number of practices that followed this scenario and when they were audited by the Department of Taxation, they were told they were correctly assessing and reporting sales tax. I became aware of the Department of Taxation's change in the interpretation of Nevada sales tax law in 2014 through my involvement with the Nevada Veterinary Medical Association (NVMA). Practices audited by the Department of Taxation were being assessed massive adverse determinations if they did not follow the new interpretation as set forth in the Department of Taxation's October 2013 *Nevada Tax Notes* ([Exhibit I](#)). Differing determinations were being levied on various practices, depending on the interpretation of the auditor.

I brought this to the attention of my CPA and was advised to work toward compliance. Our business could not afford the kind of massive adverse determinations that were being assessed. Out of an abundance of caution, the Animal Emergency Center is now compliant, to the best of our knowledge.

To protect and inform Nevada veterinary practices, the NVMA attempted to get clarification on the new interpretation. This met with further frustration and confusion over the next 18 months, until the Department of Taxation developed its August 2016 Tax Bulletin ([Exhibit L](#)). Since the NVMA finally had something to work with, the Department of Taxation was thanked for its clarifications.

I need to make this clear because I believe that the thanks to the Department of Taxation for their clarification was misinterpreted as approval of the new interpretation. We were simply trying to protect our businesses. I believe the correct interpretation of Nevada sales tax law is found in the Department of Taxation's 2007 *Nevada Tax Notes* ([Exhibit H](#)), which is

the way Nevada veterinary practices have been functioning for decades. I find it baffling and concerning why veterinarians are now singled out from other professional medical providers as retailers. Assembly Bill 439 will correct this situation, leaving no doubt as to the proper interpretation of Nevada sales tax law for Nevada veterinarians.

**Doug Busselman, Executive Vice President, Nevada Farm Bureau Federation:**

I am not a veterinarian. We want to go on record as supporting this bill as a needed action to respond to the decision made by the Nevada Department of Taxation for how to treat veterinarian services. As we have heard throughout the testimony that has unfolded this afternoon, I think this bill is even more important in establishing a legislative record that this is what the Legislature deems to be appropriate. Our farmer and rancher members, and other members who require veterinarian services for their animals, do not need their veterinarians caught up in the hassles associated with a tax process envisioned by the Nevada Department of Taxation without going through due process and coming up with the interpretation they came up with. We urge you to support this bill and look forward to its passage.

**Chair Neal:**

Are there any questions from the Committee? [There were none.]

**Bryan Wachter, Senior Vice President, Public and Government Affairs, Retail Association of Nevada:**

I am going to throw away my testimony and instead just try to answer some of the questions the Committee members brought up earlier. I am going to also say that I am on record supporting A.B. 439 and the Department of Taxation, and I am going to do it in this way. The Department of Taxation was probably directed by the Office of the Governor to review all the regulations, and the reason I know this is because I sit on several of the other boards and commissions that were directed to do the exact same thing. I think in terms of the Department of Taxation looking at regulations, they discovered they indeed did not have statutory authority to be doing what they were doing. In 2013 a group of business lobbyists, myself, Ms. Vilardo, and others probably made the system more complicated when we asked the 2013 Legislature to authorize the Department of Taxation to start issuing Tax Notes [Bulletins] [S.B. 7 of the 77th Session]. The intent of that note was to bridge the gap between a full-throttled regulation and the 27,000 meetings that have to occur because of the regulatory authority being enacted, and just a simple "we need a clarification on what you think on lines X, Y, and Z." To give you a good example of that, if you are purchasing an energy drink and on the back of it there is a nutrition label, it is taxable; if it has a supplemental label, it is not. Go ahead and write a Department of Taxation regulation that deals with that level of auditing and we will elect you Tax Commissioner.

Assemblyman Pickard asked for the reason none of this was brought forward through a regulatory process. It is because it is not subject to the regulatory process. It is outside of that, which was the intent of the Tax Notes [Bulletins] to begin with. Where I think the Department of Taxation erred was determining that when they discovered they did not have the statutory authority to continue a tax practice, instead of then electing to go through the

regulatory process, they used their new tool they had, which were the Tax Notes [Bulletins]. If anything, I think this further draws attention to perhaps there should be some additional clarification on what a Tax Note [Bulletin] could be, should be, and how it differs from a subject that should trigger the statutory authority to follow through with regulations.

Assemblyman Paul Anderson had some of the same questions, in terms of when you would be notified. You would not be notified technically under this because it is not subject to that administrative act. You are encouraged—I think all groups are encouraged—to go to the Department of Taxation and be part of the messaging, the web group—there are a whole lot of things you could do to be proactively involved—but just to receive a notice on a Tax Note [Bulletin], again maybe a flaw in the law is there nonetheless. On the comment from Assemblywoman Bustamante Adams, yes, please, we would like a services tax, and if we could get that done, we should be taxing all of this differently.

Something I have been saying throughout this entire session, the Legislature should ask the voters to repeal the 1955 Sales and Use Tax Act and put it back into statute and out of the *Nevada Constitution*. We go through so many testimonies and so many hearings based on that subject alone, and you as legislators do not have the ability to make those changes. If you did, this should be an easy exemption that should qualify under the rest of the health care community, and we would be done. You would not have just sat through two hours of testimony.

**Assemblywoman Spiegel:**

In listening to the testimony, one of the things that has me confused is some of the disparate treatment that could be going on in the veterinarian's office, depending on whether the veterinarian is using medication on a pet. Let me give you a concrete example, and I would love your thoughts on this. I have an insulin-dependent cat and I board her at the veterinarian's office. I usually bring her insulin with her and I am not charged a separate fee for administering the insulin. According to testimony I heard, if I forgot her insulin and the veterinarian used some of their insulin, and charged me for the insulin, the Department of Taxation would want to then insist on charging a markup and charging tax on that transaction, even though the insulin is not leaving the veterinarian's office, other than being inside my cat. It seems like tax would be charged on the service of administering the insulin if I were buying it from the veterinarian, because they are talking about it as far as the markup goes, yet if I brought it myself, then there would be no charge for that. It seems disparate and unfair. Could you speak to that.

**Bryan Wachter:**

I agree with you. It is unfair. One of your colleagues mentioned the word "dispense" earlier. I think what complicates this even further is we are not the patient. The medication is not being dispensed on us. It is being dispensed on a dependent.

One of the veterinarians spoke about emergency situations. You are not consulted on whether medications are dispensed or not dispensed. They do not pull you into the room and ask you to give the medication to your dog so they can make sure you are taxed. I do think

that there are huge questions to that, which is why I think A.B. 439 should be passed, and perhaps, after that is done, a review through the regulatory process that A.B. 439 will trigger we can answer some of those questions. I think in order to clarify and be fair to everyone we must pass A.B. 439, and that will trigger a regulatory process.

**Assemblyman Pickard:**

I appreciate your testimony. I just want to clarify one thing. When you say that we are outside the scope of the Nevada Administrative Procedure Act, I am assuming you are saying that the Tax Notes [Bulletins] were created such that they would fall outside the scope of the act, not that the Department of Taxation does not have to follow the Nevada Administrative Procedure Act. Is that correct?

**Bryan Wachter:**

Yes. I was not suggesting that the entire Department of Taxation itself is outside the scope of the Nevada Administrative Procedure Act, but rather the Tax Notes [Bulletins] process was. We did not feel it was a process that everyone should have—a 30-day notice, followed by a 45-day notice, followed by if you have a blue sticker, et cetera. We just thought if we could ask a question and get clarification, it would be much easier. It turns out there were some unintended consequences and we need to look at that further.

**Assemblyman Pickard:**

Given your familiarity with NRS Chapter 233B, I would venture you would agree that you cannot clarify a statute or regulation that does not yet exist, but that we probably should have followed that in the first place. Is that correct?

**Bryan Wachter:**

I do not have an answer for that question. The Department of Taxation could tell you whether they should or should not have done that.

**Chair Neal:**

We will now go down south to Las Vegas for testimony in support.

**Daniel Diaz, D.V.M., Veterinarian, Pebble Maryland Animal Hospital, Las Vegas, Nevada:**

I am a veterinarian in Las Vegas, Nevada. I moved to Las Vegas in 1998, right after I finished veterinary school. I have practiced here for almost 20 years. I am a single-business owner, single-practice owner. I am here to show my support for A.B. 439.

I believe that the taxation of vaccines and other services will have a detrimental effect on our profession and also the care of our patients. Many of my clients are retired and live on a fixed income. By taxing vaccines and services, we more than likely may have to pass that cost along to the clients. This will negatively impact my clients and their ability to properly take care of their pets.

It is difficult to quantify the actual effect this taxation will have on our profession. By not having a set standard for the tax it becomes complicated to estimate the cost, a cost that again will have to be transferred to the clients. Additional staff members may be needed to calculate and categorize the amount of material used and which of these materials would be taxable. It is somewhat confusing to me. More than likely, software and time needed to implement these changes would also add to the cost. Doctors' time, which is best utilized with patients and clients, will be taken away to try to manage and figure out how to do this taxation.

In veterinary medicine we rely on what is called "herd immunity." It means the larger the number of vaccinated pets we have in a single community, the chances of the disease resurfacing decreases. My fear is that clients will be somewhat reluctant to provide the needed care for their pets, in fear of cost, especially for diseases and conditions that would be easily prevented by a simple yearly vaccination, thus resulting in more ill pets if they did not get vaccinated, and less clients being able to properly care for them.

**Bryan Wachter:**

May I clarify something on the record? I was just corrected by the former Chair of the Tax Commission. I have been saying Tax Notes and what I have been meaning is Tax Bulletins. I apologize for the miscommunication, but I wanted that clarified for the record.

**Chair Neal:**

I appreciate that. Go ahead, down south. State your name for the record.

**James C. Wilson, D.V.M., Owner, Cheyenne-Tonopah Animal Hospital, Las Vegas, Nevada:**

I came to Nevada and have been practicing for a period that spans four decades. During that time I have provided veterinary services and have paid the taxes due to the Department of Taxation, and I will continue to do so. I have provided jobs and created jobs, and I will also continue to do that.

The services we provide are valuable, not only to the health of the animals in the community, but we are the gateway to public health in that we are primary care providers in the prevention of rabies, parasitic diseases, and other things that affect humans. My concern in that vein is that by impacting the price point of our services, there will be members of our community who do not take care of their animals the way they would like to. I think the concomitant increase in lack of animal health could also spread over to public health, especially in the case of rabies.

Throughout my tenure in the state, we have considered ourselves service providers, which is what we trained for. We did not train to be retailers of products. In 2013, in an audit of my practice by the Department of Taxation, I requested of the auditor a clear definition of what was taxable and what was not. His reply was that if the customer can carry the item

out of the business in their hand, it is taxable; otherwise it is not. To address Assemblywoman Spiegel's point, conversely, if I am taxed on something, should I not be able to return it if I decide I do not want it? In the case of a vaccination, that would be a very difficult thing to do. I thank you for your time this afternoon.

**Chair Neal:**

Members, do you have any questions? [There were none.] We appreciate you taking time out of your day. Is there anyone else down south testifying in support of A.B. 439? [There was no one.] I think we heard neutral, and we will call the Department of Taxation back to the table. I will now take testimony from anyone speaking in opposition to A.B. 439 in Carson City or Las Vegas. [There was no one.] I would like to call the Department of Taxation back to the table. We will switch back to neutral, even though we heard her testimony. She was answering questions and giving clarification. Please provide us your testimony on neutral, and also try to answer some of the questions to further clean up the lack of regulatory authority and the statutory issues you could have dealt with in the interim.

**Paulina Oliver:**

As stated before, there is no statute that allows the veterinarians to be treated as a consumer rather than a retailer, even though we all know they do provide a service, but their invoices are separated out so the services are not being captured by the tax. As far as the regulatory process, it is not that we would oppose doing a regulation, it is just that we did not and have not done a regulation. As I mentioned, we are neutral on the bill.

**Chair Neal:**

Thank you. Are there any additional questions for the Department of Taxation? [There were none.] We will call the presenters back to the table for closing comments.

**Assemblyman Araujo:**

I wanted to thank the Committee for allowing us to present A.B. 439. As always, I remain available for any questions or concerns after this hearing, and I look forward to earning your support.

**Danny Thompson:**

One point that was not made here is if you do not fix this, the cost to adopt animals is going to increase. If you have had any dealings with shelters, you know what a heartbreaking thing that is. It is tough enough to get those animals adopted now. Adding additional costs to that is just going to make it worse. We urge you to pass this bill.

**Chair Neal:**

I will close the hearing for A.B. 439. The next item on our agenda is the work session. Assembly Bill 231 has been pulled off the work session today.



**Assembly Bill 231: Revises provisions relating to economic development. (BDR 18-294)**

I will open the work session on Assembly Bill 62.

**Assembly Bill 62: Revises provisions relating to the supervision of manufacturers and wholesale dealers of tobacco products. (BDR 32-390)**

**Michael Nakamoto, Deputy Fiscal Analyst:**

The Committee members have the work session documents in front of them ([Exhibit M](#)), ([Exhibit N](#)), and ([Exhibit O](#)). They are also available on the Nevada Electronic Legislative Information System (NELIS). Assembly Bill 62 was heard in this Committee on March 28, 2017 [page 1, ([Exhibit M](#))]. This bill was sponsored on behalf of the Attorney General and it makes various changes to Chapter 370 of *Nevada Revised Statutes*, for the purposes of enforcement of the Tobacco Master Settlement Agreement. I will not go through all the testimony that was given on this bill. What I will note is that there were two sets of amendments brought forward during the hearing.

The first set of amendments begins on page 4 of the work session document ([Exhibit M](#)), and were brought forward by the Office of the Attorney General. These were testified to during the hearing, primarily dealing with confidentiality requirements, additional reporting requirements that would be brought forward by persons who import tobacco products into the state, including roll-your-own tobacco and smokeless tobacco, as well as extending the maintenance and retention requirement for certain documents from three years to five years. There were also provisions governing the licensure of cigarette vending machines.

There was a second set of amendments, brought forward by Mr. Horne and Mr. Melendrez [page 12, ([Exhibit M](#))] on behalf of RYO Cigarette Inc. and Vegas Brothers, Ltd., that would change the definitions of "cigarette rolling machine" and "manufacturer" to exclude cigarette rolling machines that manufacture fewer than 30 cigarettes per minute. That concludes the work session document on A.B. 62. I am available to answer any questions.

**Assemblyman Pickard:**

My question is about the last set of amendments you mentioned ([Exhibit M](#)), the ones regarding the cigarette rolling machine. As I go through the amendment documents, I do not see that. I am assuming that because it is in the summary the intent is to include that as an amendment. Is that correct?

**Michael Nakamoto:**

The amendment itself is located on page 12 of the work session document ([Exhibit M](#)). It is behind the letter submitted by the Office of the Attorney General [pages 10 and 11], explaining their amendment. It is included in the work session document for the sole purpose that it was testified to and introduced. It is completely at the purview of this body whether to incorporate that amendment as part of a motion or not.

**Assemblyman Pickard:**

I do not know if it is appropriate, Madame Chair, but can I make a motion?

**Chair Neal:**

You can make the motion and then we will have discussion on the motion.

**Assemblyman Pickard:**

I would move that we amend and do pass A.B. 62 with the amendment from the Attorney General's Office, but exclude the second set of amendments regarding the cigarette rolling machines.

ASSEMBLYMAN PICKARD MOVED TO AMEND AND DO PASS  
ASSEMBLY BILL 62.

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

**Chair Neal:**

A motion was made to amend and do pass, accepting only the Attorney General's Office amendment for this bill. Is there any discussion? [There was none.]

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

The floor statement will be assigned to Assemblyman Pickard. I will close the hearing on A.B. 62 and open the hearing on Assembly Bill 137.

**Assembly Bill 137: Revises provisions relating to tax credits for film and certain other productions and certain credits against the insurance premium tax. (BDR 32-68)**

**Michael Nakamoto, Deputy Fiscal Analyst:**

The next bill on today's work session is Assembly Bill 137 ([Exhibit N](#)). This bill was heard in Committee on March 14, 2017 and was sponsored by Assemblywoman Carlton. The bill, without getting into the long and sordid history of this particular action, repeals provisions enacted by the Legislature in the 28th Special Session, which phase out and eventually repeal the home office credit against the insurance premium tax, completely restoring the action to what existed prior to that law change in October 2014. The bill, as introduced, also increases the amount of transferable tax credits that the Office of the Governor may issue to qualifying projects under the film tax credit program to \$15 million, or \$5 million beyond that, which was already authorized under the law.

Assemblywoman Carlton did offer an amendment to the bill, beginning on page 3 ([Exhibit N](#)), to remove the provisions relating to the film tax credit, meaning the bill as it was testified to was solely about the home office credit. There was an additional amendment brought forward by Mr. Musgrove [page 10, ([Exhibit N](#))], on behalf of CSAA insurance, which would further amend the home office credit to have the following conditions applied

to the credit to be eligible for it. First of all, if you are a regional home office, that currently must have at least 25 employees within their regional home office; that number would be increased to 250.

There was also an amendment to specify that only companies that have not yet received the credit for ten years, either before or after the effective date of July 1, 2017, could become eligible. If they had received the credit for more than ten years beyond that point, then they were no longer eligible for the credit. It was determined by the Fiscal Analysis Division that this bill is eligible for exemption on April 3, 2017, so those of you who are on this Committee, as well as the Assembly Committee on Ways and Means, this will not be the last time you hear this bill on the Assembly side. I am happy to answer any questions.

**Chair Neal:**

Are there any questions on the work session document before I accept a motion to amend and do pass, with both amendments, but deleting the change for the employees from 25 to 250 from Mr. Musgrove's amendment? We do not really need that. It is a moot point. [There were none.] Do I have a motion.

ASSEMBLYWOMAN SPIEGEL MOVED TO AMEND AND DO PASS  
ASSEMBLY BILL 137.

ASSEMBLYMAN PICKARD SECONDED THE MOTION.

Is there any discussion on the motion.

**Assemblyman Paul Anderson:**

I want to put on the record that as we looked at this program during the 28th Special Session and saw that we could reallocate these funds in a more effective way for the state—something that would sort of modernize some of these incentive programs—I was obviously supportive of that. Putting this back into place gives me a little pause, even for this period of time. However, I do recognize that there were people in the works, who had approvals, and certainly it was also not appropriate to pull the rug out from under them when they had an expectation that the state would stand behind what they had proposed to do. I am supportive of the measure with the amendments, as the motion is proposed. I just wanted to put that conflict on the record, that I will support it but I certainly hope this sunsets some point soon.

**Chair Neal:**

Is there any further discussion? [There was none.]

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

A floor statement will not be assigned. It will be referred to the Assembly Committee on Ways and Means. I will close the hearing on A.B. 137 and open the hearing on Assembly Bill 170.

**Assembly Bill 170: Extends the requirement for the Office of Economic Development to submit quarterly reports relating to certain economic development incentives. (BDR 32-302)**

**Michael Nakamoto, Deputy Fiscal Analyst:**

The final bill on today's work session is Assembly Bill 170 ([Exhibit O](#)), which was sponsored by Assemblyman Hansen and heard in this Committee on March 7, 2017. This bill revises the date during which the Office of Economic Development, Office of the Governor (GOED) must submit quarterly reports relating to economic development projects and tax incentives that were previously approved by the Legislature. For certain economic development projects where at least \$1 billion in capital investment is required, the period is extended from July 1, 2017 to June 30, 2032, otherwise known as the "Faraday Future" abatements or incentives, and for certain economic development projects where at least \$3.5 billion in capital investment is required, otherwise known as the "Tesla Gigafactory project," the period for which the quarterly reports is required is extended from July 1, 2016 to June 30, 2036. You will note on the work session document ([Exhibit O](#)) that there were suggested amendments provided at the hearing by Mr. Hill, and as is tradition around here, no less than 5 minutes after the work session document was sent out, we received a proposed amendment ([Exhibit P](#)) to the bill, which is not included in the work session document, but all of the members have it in front of them. It is submitted by Assemblyman Hansen and I will go through that. At this point I am winging it, so I apologize.

For the \$1 billion project [the Faraday Future project], the bill is amended so that from the period beginning at the effective date until June 30, 2020, the reports will be required on a quarterly basis. From the period of July 1, 2020 to June 30, 2025 the reports that were previously required quarterly would be required once every six months. There is a provision in this that would inform GOED they are not required to prepare and submit this required quarterly report if, within 75 days after the end of the period covered by the report, GOED receives an audit of the participant in the project for that period that would be covered by the report, and the audit contains the information already required to be included in the report.

The amendment in section 2, subsection 2 of the bill, relating to the Tesla project, such that the period between July 1, 2017 and June 30, 2024, which is starting at the effective date of the bill and then going forward to that period, the reports are required for the period, but only every six months. There is the same exemption for GOED, relating to those semiannual reports that they are not required to produce them if, within 75 days after the end of the period, there is an audit that is submitted that covers the information required under that report. I am happy to answer any questions.

**Chair Neal:**

Do the members have any questions?

**Assemblywoman Bustamante Adams:**

How will the legislative body know if an audit has been done to take care of the reporting requirement?

**Michael Nakamoto:**

That is not specified within the bill. Because that information is made public, I would venture that your Fiscal Analysis Division, and other staff within the Legislative Counsel Bureau, read the reports and look to see what information is in them. I believe it would probably be between GOED and your fiscal staff to notify you that the information would be sufficient.

**Chair Neal:**

Are there any additional questions? [There were none.] There is another amendment, but it is simple. Assemblywomen Benitez-Thompson wanted to amend her name onto the bill. I will accept a motion to amend and do pass A.B. 170, with the proposed amendment and Assemblywoman Benitez-Thompson's name being added to the bill.

ASSEMBLYMAN PICKARD MOVED TO AMEND AND DO PASS  
ASSEMBLY BILL 170.

ASSEMBLYMAN FLORES SECONDED THE MOTION.

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

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

I will assign the floor statement to Assemblywoman Spiegel. I will close the hearing on A.B. 170. I will open the hearing for public comment. [There was none.] There being no further business, we are adjourned [at 6:54 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Dina Neal, Chair

DATE: \_\_\_\_\_

## EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is a copy of a PowerPoint presentation titled "TRFMA Presentation to Assembly Committee on Taxation," dated April 4, 2017, presented by Jay Aldean, Executive Director, Truckee River Flood Management Authority.

[Exhibit D](#) is a proposed amendment to [Assembly Bill 375](#), presented by Neil C. Krutz, Assistant City Manager, City of Sparks.

[Exhibit E](#) is a proposed amendment dated March 20, 2017, to [Assembly Bill 375](#), presented by Kathleen A. Conaboy, representing Reno-Tahoe Airport Authority.

[Exhibit F](#) is a proposed amendment dated April 4, 2017, to [Assembly Bill 375](#), presented by Assemblyman Michael C. Sprinkle, Assembly District No. 30.

[Exhibit G](#) is a proposed amendment dated April 3, 2017, to [Assembly Bill 439](#), presented by Assemblyman Nelson Araujo, Assembly District No. 3.

[Exhibit H](#) is a document titled "Nevada Tax Notes," by the Nevada Department of Taxation, dated January 2007, presented by Danny L. Thompson, representing Nevadans for Accessible and Affordable Animal Care.

[Exhibit I](#) is a document titled "Nevada Tax Notes," by the Nevada Department of Taxation, dated October 2013, presented by Danny L. Thompson, representing Nevadans for Accessible and Affordable Animal Care.

[Exhibit J](#) is a document titled "Combined State and Local Sales and Use Tax Rules," by the Nevada Tax Commission, dated December 1968, presented by Barbara Smith Campbell, Principal, the Ferraro Group; and Former Chair, Nevada Tax Commission.

[Exhibit K](#) is a document titled "Nevada Tax Notes," by the Nevada Department of Taxation, dated January 1997, presented by Barbara Smith Campbell, Principal, the Ferraro Group; and Former Chair, Nevada Tax Commission.

[Exhibit L](#) is a document titled "Tax Bulletin SUT 16-0006," by the Nevada Department of Taxation, dated August 15, 2016, presented by Barbara Smith Campbell, Principal, the Ferraro Group; and Former Chair, Nevada Tax Commission.

[Exhibit M](#) is the Work Session Document for [Assembly Bill 62](#), dated April 4, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit N](#) is the Work Session Document for Assembly Bill 137, dated April 4, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit O](#) is the Work Session Document for Assembly Bill 170, dated April 4, 2017, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit P](#) is a proposed amendment to Assembly Bill 170, dated April 4, 2017, submitted by Assemblyman Ira Hansen, Assembly District No. 32.